

Third-Party Opinion on Sustainability Linked Bond Framework of Shiseido Company, Limited

Japan Credit Rating Agency, Ltd. (JCR) provided a third-party opinion on the Sustainability Linked Bond Framework formulated by Shiseido Company, Limited.

<Executive Summary>

This Third-Party Opinion confirmed the conformity of the Sustainability Linked Bond Framework (this framework) formulated by Shiseido Company, Limited (Shiseido or the Company) with the Sustainability Linked Bond Principles¹ and the Sustainability Linked Bond Guidelines (Ministry of the Environment Guidelines)² (SLBP and Ministry of the Environment guidelines collectively, "SLBP, etc."). In order to ensure the transparency and objectivity of evaluations recommended by SLBP, etc., Japan Credit Rating Agency, Ltd. (JCR) as an independent third-party organization conducted third-party assessments of (1) Shiseido's sustainability strategy and the establishment of key performance indicators (KPI) and sustainability performance targets (SPTs), and (2) bond characteristics and monitoring system.

(1) Establishment of Shiseido's Sustainability Strategy and KPIs and SPTs

Shiseido has established the following KPIs and SPTs in this framework.

KPI 1: CO₂ Emissions (Scope 1 and Scope2)

SPT 1: We will be carbon neutral by 2026.*1

KPI 2: Percentage of female managers*2

SPT 2: Percentage of female managers in Japan by January 1, 2026: 40%*3

*1 Including purchase of emission credits

*2 Shiseido Group in Japan

*3 Scope: Shiseido Group in Japan

Shiseido was founded in 1872 as Shiseido, Japan's first private Western-style dispensing pharmacy in Ginza, Tokyo, and celebrates its 150th anniversary in 2022. The Company name comes from a line from Chinese Yi Jing: "Praise the virtues of the Earth, which nurtures new life and brings forth significant values." Since its founding, Shiseido has consistently endeavored to respect nature, global environment, and society, and to create social value through its core business. Under the corporate mission of "BEAUTY INNOVATIONS FOR A BETTER WORLD (a better world through the power of beauty)," Shiseido aims to solve social issues and "create a sustainable world where everyone can enjoy a lifetime of happiness through the power of beauty."

While the core of Shiseido's business operations revolves around cosmetics, such as skincare, makeup, and fragrance, its scope of business activities expands into a wide range of other areas, which includes restaurants, beauty salon and education/childcare. Shiseido has a leading position in the industry, having an overwhelming large top 44% domestic cosmetics market share and ranking fourth worldwide. The Company's net sales by country and segment are 56% overseas compared to 27% domestic sales.

Shiseido has set "PERSONAL BEAUTY WELLNESS COMPANY" as its business vision for 2030, and aims to "create a sustainable world where everyone can enjoy a lifetime of happiness through the power of beauty."

¹ International Capital Market Association (ICMA established in December 2020).

² Revised July 2022, enacted by the Ministry of the Environment.

Shiseido has also identified important (materiality) issues to be addressed and has established commitments, strategic activities, and KPIs in the environmental and social areas, respectively. The KPIs defined in this framework are KPIs that Shiseido had previously established in relation to materiality, and JCR believes that they are significant KPIs that will contribute to the long-term enhancement of its corporate value.

To achieve the above KPI, Shiseido has incorporated annual targets and initiatives into the annual plans of each business group and functional group. The Sustainability Committee, chaired by the president and CEO, and the Sustainability Strategy Promotion Department, which serves as its secretariat, manage the activities of the entire group on a PDCA cycle. In addition, when a decision is needed on important business execution matters, the Global Strategy Committee and the Board of Directors are consulted for deliberation.

JCR confirmed that the level of ambition of the SPTs is ambitious, exceeding both the targets set by the government and industry standards.

(2) Bond Characteristics and Monitoring System during the Term

JCR confirmed that, as the bond characteristics stipulated in this framework, in the event that the SPTs are not achieved, donations will be made to public interest incorporated associations/public interest incorporated foundations/international organizations, etc. that aim at environmental conservation activities, promotion of women's participation, and gender equality, before the bonds are redeemed.

JCR also confirmed that the KPIs definitions, SPTs, possibility of changes in financial characteristics, and responses to the occurrence of unexpected events will be clearly stated in the statutory disclosure documents for bond issues.

Furthermore, JCR confirmed that in the reporting stipulated in this framework, the results of KPIs and the latest information on the sustainability strategy related to SPTs will be disclosed annually on Shiseido's website, and that the status of achievement of SPTs will be verified by a third party, and that the results of the verification will also be disclosed.

Based on the above considerations, JCR confirmed that this framework for Shiseido, which is the subject of this third-party opinion, conforms to the SLBP, etc.

*Please refer to the following pages for the details of the written opinion.



Third-Party Opinion

Subject of evaluation: Sustainability Linked Bond Framework
Issuer: Shiseido Company, Limited

November 11, 2022
Japan Credit Rating Agency, Ltd.

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<Summary>

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KPI 2: Percentage of female managers*²

SPT 2: Percentage of female managers in Japan by January 1, 2026: 40%*³

*1 Including purchase of emission credits

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*3 Scope: Shiseido Group in Japan

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While the core of Shiseido's business operations revolves around cosmetics, such as skincare, makeup, and fragrance, its scope of business activities expands into a wide range of other areas, which includes restaurants, beauty salon and education/childcare. Shiseido has a leading position in the industry, having an overwhelming large top 44% domestic cosmetics market share and ranking fourth worldwide. The Company's net sales by country and segment are 56% overseas compared to 27% domestic sales.

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Shiseido has also identified important (materiality) issues to be addressed and has established commitments, strategic activities, and KPIs in the environmental and social areas, respectively. The KPIs defined in this framework

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are KPIs that Shiseido had previously established in relation to materiality, and JCR believes that they are significant KPIs that will contribute to the long-term enhancement of its corporate value.

To achieve the above KPI, Shiseido has incorporated annual targets and initiatives into the annual plans of each business group and functional group. The Sustainability Committee, chaired by the president and CEO, and the Sustainability Strategy Promotion Department, which serves as its secretariat, manage the activities of the entire group on a PDCA cycle. In addition, when a decision is needed on important business execution matters, the Global Strategy Committee and the Board of Directors are consulted for deliberation.

JCR confirmed that the level of ambition of the SPTs is ambitious, exceeding both the targets set by the government and industry standards.

(2) Bond Characteristics and Monitoring System during the Term

JCR confirmed that, as the bond characteristics stipulated in this framework, in the event that the SPTs are not achieved, donations will be made to public interest incorporated associations/public interest incorporated foundations/international organizations, etc. that aim at environmental conservation activities, promotion of women's participation, and gender equality, before the bonds are redeemed.

JCR also confirmed that the KPIs definitions, SPTs, possibility of changes in financial characteristics, and responses to the occurrence of unexpected events will be clearly stated in the statutory disclosure documents for bond issues.

Furthermore, JCR confirmed that in the reporting stipulated in this framework, the results of KPIs and the latest information on the sustainability strategy related to SPTs will be disclosed annually on Shiseido's website, and that the status of achievement of SPTs will be verified by a third party, and that the results of the verification will also be disclosed.

Based on the above considerations, JCR confirmed that this framework for Shiseido, which is the subject of this third-party opinion, conforms to the SLBP, etc.

I. Positioning and Purpose of Third-Party Opinions

JCR conducted a third-party evaluation of this framework in line with the SLBP, etc. The Sustainability-linked bonds (SLB) are bonds that aims to help the issuer contribute to the realization of a sustainable society by incentivizing the achievement of ambitious SPTs set in advance by the issuer.

SLBP consists of 5 principles. Principle 1 is selection of KPIs, Principle 2 is calibration of SPTs, Principle 3 is bond characteristics, Principle 4 is reporting, and Principle 5 is verification.

The purpose of this Third-Party Opinion is to confirm the conformity of the Framework with Principles 1 through 5 of the SLBP, etc., as an independent third-party organization, in order to ensure the transparency and objectivity of the evaluation recommended in the SLBP, etc.

II. Outline of the Subject Matter of Third-Party Opinion

The subject of this evaluation is the Sustainability Linked Bond Framework prepared by Shiseido in November 2022.

The following are the evaluation items included in this third-party opinion.

1. Relationship of this Framework with Sustainability
2. Consistency with SLBP, etc. (Principle 1) Selection of KPIs
3. Consistency with SLBP, etc. (Principle 2) Calibration of SPTs
4. Consistency with SLBP, etc. (Principle 3) Bond Characteristics
5. Consistency with SLBP, etc. (Principles 4 and 5) Reporting and Verification
6. Conclusions on Conformity with SLBP, etc.

III. Confirmation of this Framework's Conformity with SLBP, etc.

1. Relationship of this Framework with Sustainability

In this framework, Shiseido has established the following KPIs and SPTs, which are related to the Company's material issues-focused initiatives. These KPIs and SPTs are among the most important issues in Shiseido's sustainability strategy, as described in detail in the next section.

KPI 1: CO₂ Emissions (Scope 1 and Scope2)

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SPT 2: Percentage of female managers in Japan by January 1, 2026: 40%*³

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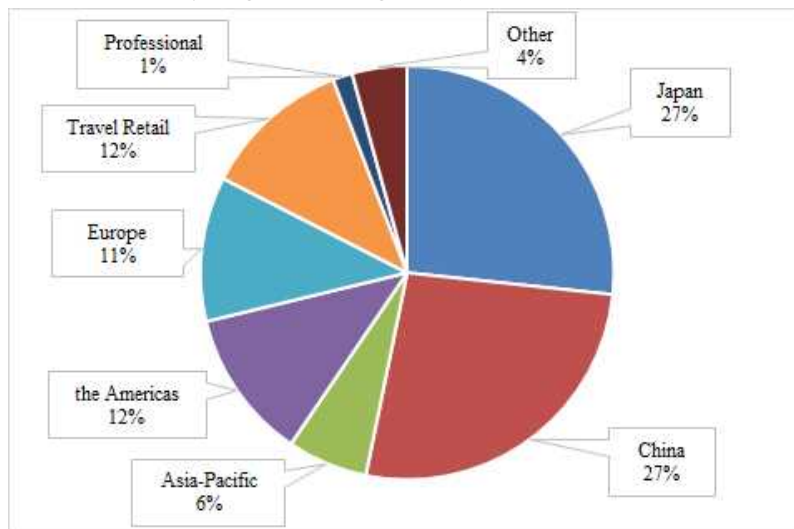
*3 Scope: Shiseido Group in Japan

<Business Overview>

Shiseido was founded in 1872 as Shiseido, Japan's first private Western-style dispensing pharmacy in Ginza, Tokyo, and celebrates its 150th anniversary in 2022. The Company name comes from a line from Chinese Yi Jing: "Praise the virtues of the Earth, which nurtures new life and brings forth significant values." Since its founding, Shiseido has consistently endeavored to respect nature, global environment, and society, and to create social value through its core business.

While the core of Shiseido's business operations revolves around cosmetics, such as skincare, makeup, and fragrance, its scope of business activities expands into a wide range of other areas, which includes restaurants, beauty salon and education/childcare. Shiseido has a leading position in the industry, having an overwhelming large top 44% domestic cosmetics market share and ranking fourth worldwide. The Company's net sales by country and segment are 56% overseas compared to 27% domestic sales.

Chart 1: Net Sales by Region and Segment (Year Ended December 31, 2021)



(Source: Prepared by JCR from the Shiseido website (earnings trend data))³

³ <https://corp.shiseido.com/jp/ir/library/highlight.html>

<Shiseido's Corporate Mission and Value Creation Process>

Shiseido's corporate mission is "BEAUTY INNOVATIONS FOR A BETTER WORLD (a better world through the power of beauty)," and it aims to "create a sustainable world where everyone can enjoy a lifetime of happiness through the power of beauty." In order to realize its corporate mission, the Company formulated its medium-to long-term management strategy, "WIN 2023 and Beyond," in light of the significantly changing external environment, while placing "A global beauty company from Japan that can win in the world" at the center of its value creation. Under this medium-to long-term management strategy, the Company has set "PERSONAL BEAUTY WELLNESS COMPANY" as its business vision for 2030 and is aiming to "create a sustainable world where everyone can enjoy a lifetime of happiness through the power of beauty." The Company aims to restructure its business portfolio, improve profitability, and promote fundamental reforms such as DX in order to become a company that can continue creating value into the future. Specifically, the Company aims to become the world's No. 1 skin beauty company by 2030 by implementing fundamental management reforms focusing on the skin beauty area as its core business.

<Identification of Material Issues (Materiality)>

Shiseido selected 18 material issues by listing social and environmental issues that should be addressed through its business based on interviews, surveys, and discussions with stakeholders, and then categorizing the issues along two axes, with the importance to all stakeholders on the vertical axis and the importance to Shiseido's business on the horizontal axis, and then prioritizing them.

Chart 2: Materiality Matrix



(Source: Shiseido's Website)

After considering 18 materiality items, Shiseido has established the following strategic actions and KPIs.

Chart 3: Strategic Actions and KPIs

<p>COMMITMENT 1 Reducing Our Environmental Footprint</p> <p>We are reducing the environmental footprint of our activities by taking actions in three key areas:</p> <ul style="list-style-type: none"> ➢ CO₂: We will be carbon neutral by 2026.*¹ ➢ Water: We will reduce our water consumption by 40% by 2026.*² ➢ Waste: We will send zero waste to landfills by 2022.*³ 	<p>COMMITMENT 1 Advancing Gender Equality</p> <p>We aim to eliminate the gender gap so everyone can live life exactly as they wish. To advance gender equality, we support women's career growth, girls' education, and independence.</p> <ul style="list-style-type: none"> ➢ Empowerment of Women: 1 million globally by 2030
<p>COMMITMENT 2 Developing Sustainable Products</p> <p>We use innovation to minimize the environmental impact of our products and disclose our policies on product development:</p> <ul style="list-style-type: none"> ➢ Packaging: We will achieve 100% sustainable packaging by 2025.*⁴ ➢ Formula/Ingredients: We aim to reduce our environmental and social impact by using sustainably sourced raw materials that are selected in consideration of safety, the environment and ethics. 	<p>COMMITMENT 2 Empowering People Through the Power of Beauty</p> <p>We have developed a wide range of cosmetics for various skin concerns, and support cancer survivors and older people around the world.</p> <p>Empowering People Through the Power of Makeup: 1 million globally by 2030</p>
<p>COMMITMENT 3 Promoting Sustainable and Responsible Procurement</p> <p>We work with suppliers to procure raw materials in consideration of environmental protection, biodiversity and human rights:</p> <ul style="list-style-type: none"> ➢ Palm Oil: We will achieve 100% sustainable palm oil usage by 2026.*⁵ ➢ Paper: We will achieve 100% sustainable paper usage for product packaging by 2023.*⁶ ➢ Supplier Assessment Program: We aim to create a sustainable supply chain. 	<p>COMMITMENT 3 Promoting Respect for Human Rights</p> <ul style="list-style-type: none"> ➢ Respecting Human Rights <p>We promote various initiatives to respect the human rights of stakeholders throughout our business.</p> <ul style="list-style-type: none"> ➢ Human Resources <p>We welcome diverse professionals and promote an inclusive culture in which each person can positively demonstrate their differences.</p>

*1 At all our sites. Scope 1 and 2

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

*3 For owned factories.

*4 For sale of products with plastic packaging.

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

*6 Such as certified paper and recycled paper.

(Source: Prepared by JCR from Shiseido's Integrated Report 2021)

<Sustainability Management Promotion System>

Shiseido is working to promote sustainability across the entire company, including brands and regional businesses.

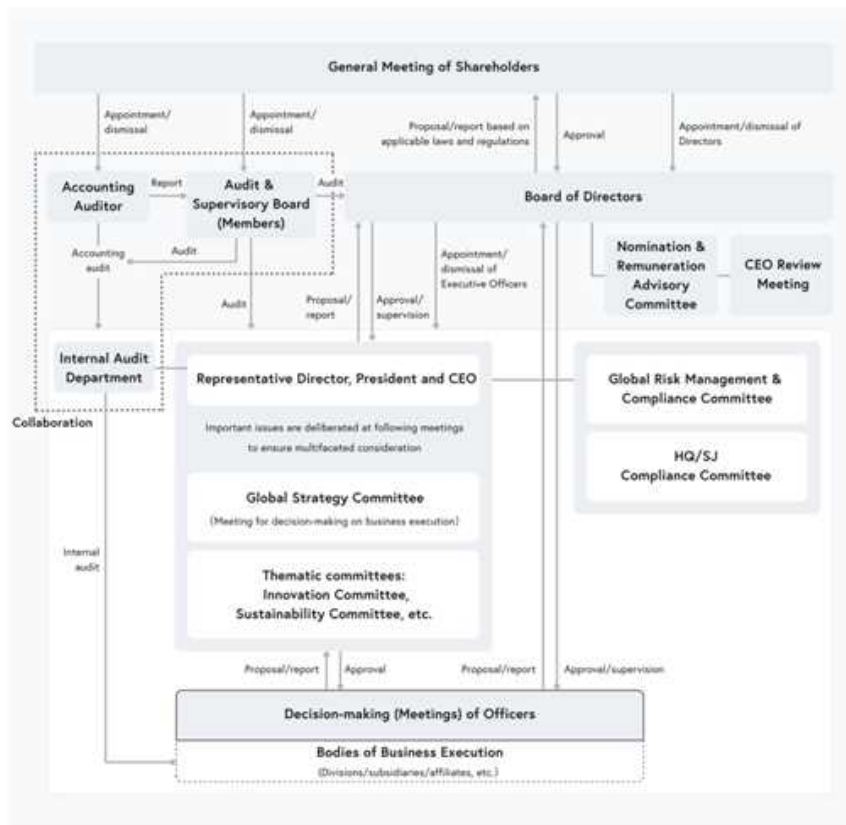
In 2020, Shiseido established the Sustainability Committee, which makes decisions on group-wide sustainability strategies and policies, specific activity plans such as TCFD disclosure and human rights actions, and monitors the progress of medium- and long-term goals. The committee is composed of executive officers in various areas, including management strategy, R&D, supply network, public relations and brand holders, including the president and CEO, who actively discuss these issues from the perspectives of their respective specialized areas.

When a decision is needed on important business execution matters, the Global Strategy Committee and the Board of Directors are consulted for deliberation.

In 2022, Shiseido established the Sustainability Strategy Promotion Department within the Management Innovation Division to strengthen and expand company-wide sustainability activities and to operate and promote them in an integrated manner with management and business strategies. In addition, the Company has established the D&I Strategy Promotion Department to accelerate Shiseido's diversity and inclusion (D&I) actions both internally and externally.

Furthermore, in order to promote sustainability activities, Shiseido has reviewed the evaluation index for long-term incentive-type compensation of its directors and executive officers to increase the evaluation weight of the index on social value from 10% to 20%.

Chart 4: Sustainability Management Promotion System



(Source: Shiseido's Sustainability Linked Bond Framework)

2. Principle 1: Selection of KPIs

2-1. Evaluation perspective

In this section, JCR assesses the significance of the KPIs selected by the issuer, focusing on whether they include the following elements illustrated in SLBP, etc.:

- 1) The KPIs should be relevant, core and material to the issuer's overall business, and of high strategic significance to the issuer's current and/or future operations;
- 2) The KPIs should be measurable or quantifiable on a consistent methodological basis and should be externally verified; and
- 3) The KPIs should be able to be benchmarked (i.e. as much as possible using an external reference or definitions to facilitate the assessment of the SPT's level of ambition)

2-2. Current Status of the Subject of Evaluation and JCR's Evaluation

(Evaluation Results)

The KPIs stipulated in this framework include all the elements required by SLBP, etc., and are significant in contributing to the enhancement of Shiseido's corporate value and sustainability over the medium to long term.

Shiseido has defined its long-term vision for 2030 as "creation of a sustainable world where everyone can enjoy a lifetime of happiness through the power of beauty," and set forth three pillars: For People (providing healthy beauty throughout one's life and supporting one's own life), For Society (realizing a society where each individual is respected and everyone can flourish), and For the Planet (contributing to the global environment where everyone can coexists with people and enjoy beauty in a sustainable way). JCR evaluates them as key measures in Shiseido's medium- to long-term value creation process.

In the environmental field, based on its respect for the Earth that leads to "nurtures new life and brings forth significant values," which is also the origin of the Company name "Shiseido," Shiseido is promoting initiatives such as reduction of environmental impact and development of sustainable products throughout the entire value chain based on the premise of sustainable value creation such as resource recycling and global environmental conservation. Shiseido recognizes that in order to fulfill its social responsibilities as a global company, it needs to make proactive contributions to the prevention of global warming, an urgent issue common to the world. The IPCC's Sixth Assessment Report stated that there is no doubt that climate change was caused by human economic activities, and at COP26 Glasgow Conference held in November 2021, the 1.5°C goal was agreed upon internationally. In 2019, Shiseido endorsed TCFD, and in 2021, in line with the TCFD framework, Shiseido conducted a long-term and quantitative analysis of the impact of climate change on its business activities and disclosed the results of its risk and opportunity analysis and major response actions. It has also set science-based targets for CO₂ emissions reduction, which is the cornerstone of climate change mitigation measures, and has obtained certification from the SBT Initiative, and is a member of RE100, which aims to shift the electricity used in business activities to 100% renewable energy. Furthermore, in order to reduce the environmental impact of the products the Company provides, it has implemented a variety of initiatives, including containers using polyethylene derived from sugar cane, which can help reduce lifecycle CO₂ emissions and solve the problem of marine plastic waste, applications of biodegradable polymers to cosmetic containers, global expansion of "refill

and replacing" containers, which can promote repeated use of main containers, and the launch of products on a platform Loop that reuses containers.

Since its foundation, Shiseido has been proposing an affluent way of living through the update of diverse values and new lifestyles that are not bound by a single set of values in response to various social changes. It will continue to actively implement educational support for awareness of diverse values of beauty and gender equality in order to realize a society with unshakable diversity and inclusion, going beyond the conventional stereotypical values, prejudice, and discrimination. In addition to training for developing female leaders, the Company has developed a career mentoring program in which executives and other managers and young employees in their 20s and 30s (132 in 2022) engage in direct, one-on-one dialogue on career development, discussing their careers, future concerns, and the importance of diversity in society, and helps employees grow. At Shiseido, the percentage of female directors and corporate auditors is already extremely high at 46% (6 out of 13). As indicated by this progressive initiative, as a leading company in promotion of active female participation, Shiseido is contributing to the transformation of the Japanese society by utilizing the knowledge it has cultivated over many years within the Company through activities such as "30% Club Japan," which is chaired by Masahiko Uotani, its President and CEO.

Chart 5: 30% Club

Established in the UK in 2010, 30% Club is a global campaign in 19 countries aimed at increasing the percentage of women in key corporate decision-making bodies, including Board of Directors. 30% Club Japan has set a target of 30% women on boards of directors in TOPIX100 companies by 2030. This is because sound gender balance in corporate decision-making bodies, such as the Board of Directors and management teams, will contribute not only to strengthening corporate governance, but also to promoting sustainable growth and improving international competitiveness, and ultimately to building a sustainable Japanese society. Its members also develop various initiatives in an "integrated approach" consisting of companies, institutional investors, universities, governments, media, professional firms, and executive search firms, aiming to realize efficient and comprehensive corporate diversity.

In Japan, the overall score of the Gender Gap Index is 0.650, ranking 116 out of 146 countries (120th out of 156 countries in the previous survey). The results are the lowest among developed countries, and among Asian countries, the scores are lower than those of South Korea, China, and ASEAN. While it should be noted that Chart 6 is data up to 2016, results of surveys have been reported that companies with female directors have good stock performance than companies without them in the world. The promotion of women's active participation is now clearly linked to the long-term value enhancement of corporations, and it is an urgent issue to be addressed.⁴

⁴ World Economic Forum 2022 Survey Results.

Chart 6: Equity Performance of Firms with Equity Market Capitalization Over \$10 billion (Worldwide)

Please refer the website of Gender Equality Bureau Cabinet Office.

https://www.gender.go.jp/research/kenkyu/pdf/modelprogram_h30/2/kenkyu_1-1.pdf (Japanese)

Based on the above, JCR has confirmed that the KPIs set forth in the Framework are important indicators for Shiseido to realize its long-term business vision and to establish its position as a leading global company, and that they are consistent with the Japanese government's policy goal of becoming carbon neutral in the long term toward 2050, as well as with Japan's social policy, which is urgently addressing the issue of closing the gender gap on a global comparative basis. JCR assesses that the KPIs set by Shiseido are very significant.

3. Principle 2: Calibration of SPTs

3-1. Evaluation perspective

In this section, JCR evaluates the level of ambition and significance of the SPTs set by the issuer, focusing on whether the SPTs include the following elements illustrated in SLBP, etc.:

- 1) SPTs should represent a material improvement in the respective KPIs and be beyond a “Business as Usual” trajectory;
- 2) Where possible, SPTs should be compared to a benchmark or an external reference;
- 3) SPTs should be consistent with the issuer’s overall strategic sustainability/ESG strategy; and
- 4) SPTs should be determined on a predefined timeline, set before or concurrently with the bond issuance.

Next, JCR confirms the benchmarks and other factors considered when setting SPTs by the issuer. The following elements are illustrated in SLBP, etc.

- ✓ the issuer's own performance over time for which a minimum of 3 years, where feasible, of measurement track record on the selected KPI(s) is recommended and when possible forward-looking guidance on the KPI, and;
- ✓ the issuers' peers, i.e. the SPT's relative positioning versus its peers’ where available (average performance, best-in-class performance) and comparable, or versus current industry or sector standards, and/or
- ✓ reference to the science, i.e., systematic reference to science-based scenarios, or absolute levels (e.g. carbon budgets), or to official country/regional/international targets (Paris Agreement on Climate Change and net zero goals, Sustainable Development Goals (SDGs), etc.) or to recognised Best-Available-Technologies or other proxies to determine relevant targets across environmental and social themes.

3-2. Current Status of the Subject of Evaluation and JCR's Evaluation

(Evaluation Results)

The SPTs set by Shiseido are ambitious compared to the Company's past performance and benchmarks set by the Japanese government and globally, and are high compared to its peers. They are also consistent with the materiality and strategic actions identified by Shiseido.

(1) Comparison with the Company's Past Track Record

The actual results of CO₂ emissions (Scope 1, 2, and Scope 3 for reference), including KPI 1, are shown in Charts 7 and 8. JCR evaluates that SPT 1 is an ambitious setting compared to the Company's past results.

Chart 7: Scope 1 and Scope 2 Emissions (unit: t)

	2018	2019	2020	2021
Scope 1 and Scope 2 CO ₂ Total emissions	81,249	78,750	72,458	65,481
CO ₂ Emission Reduction Rate (Reduction rate compared to the previous year)	-	Down 3%	Down 8%	Down 9%

Chart 8 <Reference> Actual CO₂ and other Greenhouse Gas Emissions

		2019		2020		2021	
		Emissions (t-CO ₂)	Percentage of total emissions	Emissions (t-CO ₂)	Percentage of total emissions	Emissions (t-CO ₂)	Percentage of total emissions
Total emissions (Scope1+Scope2+Scope3)		2,838,750	-	2,612,458	-	1,585,481	-
Scope 1		27,036	1.0%	25,968	1.0%	28,744	1.8%
Scope 2		51,714	1.8%	46,490	1.8%	36,737	2.3%
Scope 3		2,760,000	97.2%	2,540,000	97.2%	1,520,000	95.9%
Category 1. Purchased products and services	Other than emissions from land- use conversion	644,000	22.7%	528,000	20.2%	606,000	38.2%
	Emissions from land- use conversion	-	-	-	-	347,000 ⁵	21.9%
Category 2. Capital Goods		231,000	8.1%	246,000	9.4%	225,000	14.2%
Category 4. Transportation, Distribution (Upstream)		110,000	3.9%	85,400	3.3%	51,600 ⁶	3.3%
Category 5. Waste generated from operations		20,700	0.7%	33,000	1.3%	15,100	1.0%
Category 11. Use of products sold		1,580,000	55.7%	1,540,000	58.9%	134,000 ⁷	8.5%
Category 12. Disposal by users of products sold		148,000	5.2%	81,900	3.1%	118,000	7.4%
Other		30,800	1.1%	20,900	0.8%	21,900	1.4%

(Source: Prepared by JCR from Shiseido's Website)

⁵ Emissions from land-use conversion of raw material procurement are calculated from fiscal 2021.

⁶ Results excluding divested businesses and brands.

The past results regarding KPI 2 are shown in Chart 9. Regarding SPT 2, it is difficult to explain the level of ambition by a simple comparison with the growth rate of the past figures. On the other hand, JCR evaluates it as an ambitious initiative, considering that the definition of female managers is broad and thus requires continuous recruitment and training of more female employees.

Chart 9 (Unit: %)

	As of January 1, 2019	As of January 1, 2020	As of January 1, 2021	As of January 1, 2022
Percentage of female managers in Japan	32.3	33.1	34.8	37.3
(Growth rate)	-	Up 0.8%	Up 1.7%	Up 2.5%

(2) Comparison with Benchmarks

<Comparison with benchmark for SPT 1>

Shiseido's level of ambition is recognized in SPT 1, compared with other companies, and compared with national targets. In addition, Shiseido's CO₂ emission reduction target has been accredited as a Science Based Target (SBT)⁷, which is consistent with global and science-based target setting.

⁷ Science Based Targets is a corporate target for reducing greenhouse gas emissions, set five to 15 years ahead, consistent with the level required by the Paris Agreement, which aims to keep global temperature increases well below 2°C (Well Below 2°C) and 1.5°C above pre-industrial levels.

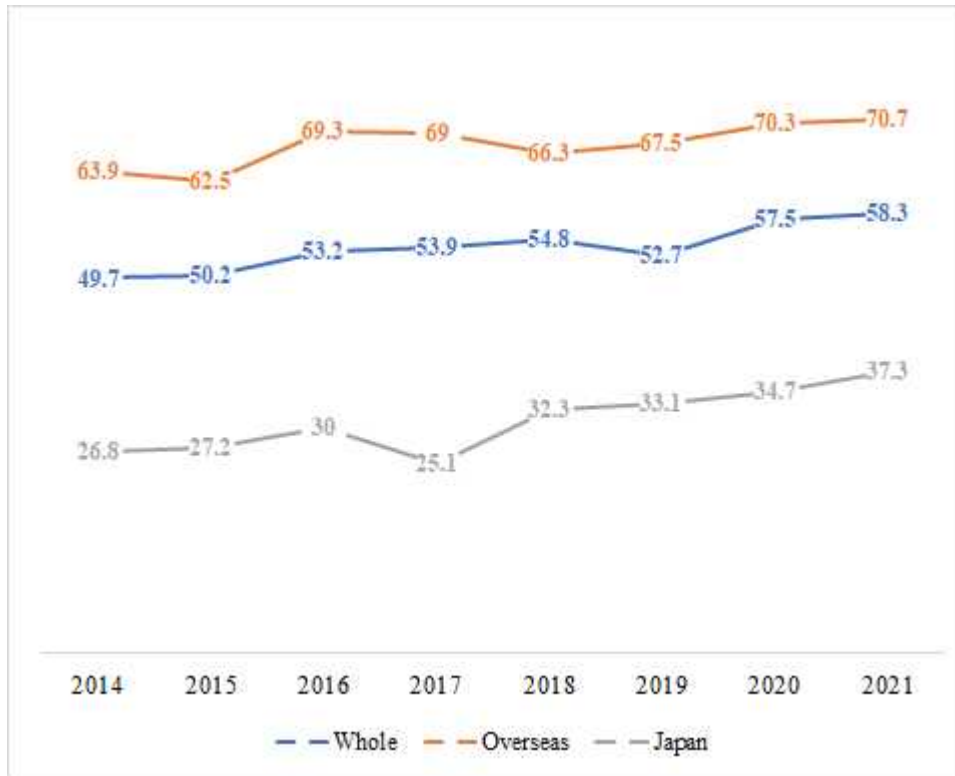
Chart 10: Overview of SBT Accreditation Criteria

Mandatory
<p>Scope: All relevant GHG covering Scope 1 and 2 of the enterprise as a whole (including its subsidiaries)</p> <p>Base and Target Years: Base year must be the latest year for which data exist.</p> <p style="padding-left: 40px;">Targets must cover a minimum of 5 years and a maximum of 10 years from the date the target is submitted to the SBTi for validation.</p> <p>Target level: At a minimum, a reduction target must be set to keep global temperature increase within 1.5°C of pre-industrial levels. (Targets are set based on the SBT method approved by the SBT Secretariat. In the case of total emission reductions of the same amount, the target is a 4.2% reduction every year.)</p> <p style="padding-left: 40px;">Targets can be set for multiple Scopes combined. (However, Scope 1+2 and Scope 3 must meet the SBT level.</p> <p style="padding-left: 40px;">Reductions from acquiring credits from other companies or the amount of reduction contribution cannot be entered into the reduction to achieve SBT.</p> <p>Scope 3: If Scope 3 emissions account for a large percentage of the Company's total emissions (40% or more of total Scope 1, 2, and 3 emissions), an ambitious and calculable Scope 3 target with a clear timeframe is required.</p> <p style="padding-left: 40px;">Targets covering 2/3 of total Scope 3 emissions shall be set for one or a combination of the following</p> <p style="padding-left: 80px;">Total emissions reduction, economic intensity, physical intensity</p> <p>Reporting: A company should disclose a company-wide GHG emissions inventory on an annual basis.</p>

< Comparison with benchmark for SPT 2 >

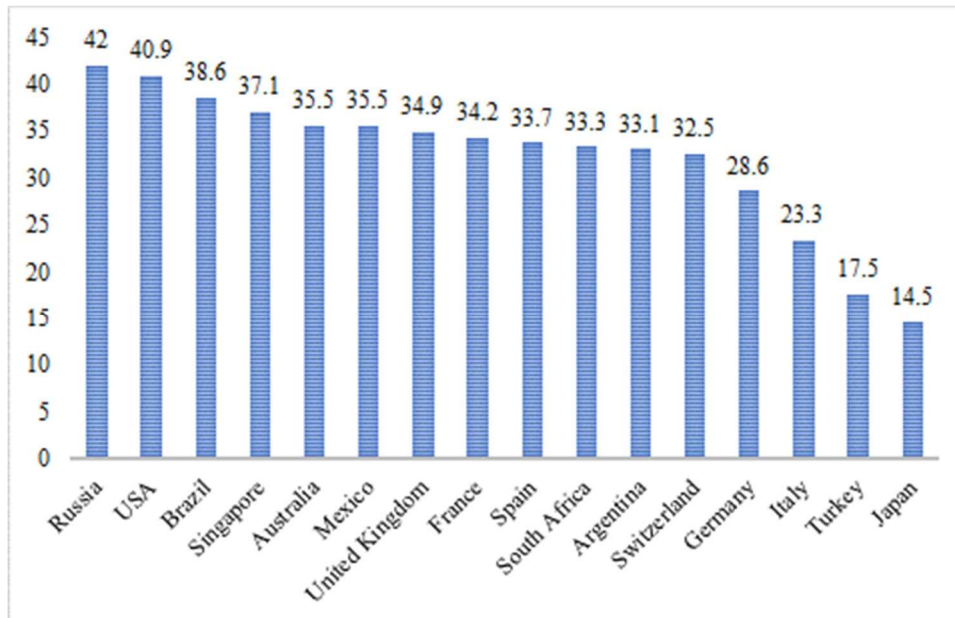
Although it is difficult to compare the definitions of female managers in a comprehensive manner, considering that each company has different definitions of female managers and that the ease of participation of women varies depending on the characteristics of business activities, Shiseido is at the top level both in terms of the global level and the level of comparison with domestic competitors. The percentage is also very high when compared to the percentage of female managers in other countries. JCR evaluates that Shiseido's target of 40% by January 1, 2026 is outstanding compared to other listed companies in Japan and sufficiently ambitious compared to competitors.

Chart 11: Percentage of Female Managers at Shiseido⁸



(Source: Prepared by JCR from Shiseido’s Integrated Report 2021)

Chart 12: Share of women in middle and senior management position (2019, unit: %)



(Source: ILO Women in managerial and leadership position)

⁸ Figures for 2014-2015 are as of April 1, and those for overseas are as of January 1 of the following year. Figures for 2016 are as of the end of December for both Japan and overseas. Figures for 2017 and thereafter are as of January 1 of the following year. Overseas figures are as of the end of December. Figures for 2021 are as of January 1, 2022 for both Japan and overseas. In Japan, the ratio of managers and annual salary-based employees with subordinates.

(2) Specific Measures for Achieving SPTs

SPT 1

In order to achieve CO₂ reduction target of Scope 1+2, Shiseido plans to first convert its domestic and overseas electricity consumption, which falls under Scope2, to renewable energy. The Company is also a member of RE100 and has been actively introducing and purchasing renewable energy facilities at its own sites so far, and aims to early achieve 100% conversion to renewable energy power.

In Scope 1, the Company plans to continue its careful energy conservation efforts and consider fuel conversion.

SPT 2

Shiseido has a large number of female customers due to their affinity with its business and has been supporting women's active participation since its foundation. Currently, more than 80% of all Shiseido Group employees in Japan are women, and of these, more than a majority are women in career-track positions, and Shiseido will continue to promote women's active participation not only in the Company but also in society. Shiseido has long been working to create an environment in which women can demonstrate their abilities. Given the change in awareness among male employees and the fact that some male leaders are currently active in these positions, it believes that it is necessary to understand the abilities and aptitudes of female managers in each human resource, and to develop and support human resources, rather than taking a quota approach. In this sense, Shiseido believes that it is quite difficult to achieve the target.

The Company introduced a childcare leave system in 1990, ahead of legislation, and in the 2000s began building a system and reforming the organization to suit diverse work styles that would enable employees to balance life events and career development. In addition, since 2017, the Company has fostered a culture of respect for different opinions and values across generations by implementing a reverse mentoring program in which younger employees serve as mentors to executive officers and department heads to exchange opinions. As a result of a series of initiatives, it has achieved a high percentage of female managers, as shown in Chart 11. Since the percentage of female managers in Japan is still low compared to the global standards, the Company will further promote diverse human resource development programs and work environment improvements until 2030, building on the environment it has cultivated to date, in order to set targets.

3-3. Impact Assessment by JCR

JCR examined the degree of impact of SPTs in line with the five elements (variety, magnitude, scale, leverage, and additionality) of the impact assessment criteria illustrated in Principle 4 of the Positive Impact Finance (PIF) established by the United Nations Environmental Programme in order to confirm that SPTs set forth in this framework is ambitious and meaningful and that it contributes to Shiseido's sustainable growth and improvement of social value, as well as the degrees of maximization of positive impact and avoidance/management/reduction of negative impact.

1. Variety: Variety of positive impacts delivered
(Impact in the entire value chain, impact by business segment, by region, etc.)

The SPTs defined by Shiseido all have a variety of impacts.

In terms of impact areas, negative impact on "energy" and "climate" is expected to be suppressed, and positive impact on "inclusive and healthy economy" and "employment" is expected to be increased.

Supply Chain Considerations

KPI 1 Covers direct and indirect emissions (Scope 1+2) in the Company's business activities.

KPI 2 Covers domestic employees in the Company's business activities.

Regional Coverage Ratio

KPI 1: All Shiseido business sites

KPI 2: Shiseido Group in Japan

2. Magnitude: Magnitude of positive impact delivered
(Sales, business activities, geographic areas covered by the SPTs, market share in Japan and abroad and others of the business activities for which the SPTs are measured)

JCR evaluates that the SPTs will have a significant impact.

Shiseido is a leading company in the cosmetics market, ranking 4th in the world and 1st in Japan, so the impact on the market will be significant. In addition, the impact is expected to be wide-ranging as the target regions are spread across the globe.

In particular, the RE100 movement and SBT certification acquisition are important initiatives that encourage the development and supply of low-carbon and decarbonization technologies for demand, and Shiseido's participation in these international initiatives is expected to have a ripple effect on its competitors and listed companies in Japan. Furthermore, from the viewpoint of diversity, Shiseido is in a position to lead 30% Club Japan beyond its own initiatives, so it is expected to make a significant contribution to the elimination of the gender gap in Japan, which internationally lags behind in efforts to address this issue.

3. Scale: Scale of impacts delivered relative to amount of funds spent

Financing under this framework is a highly efficient initiative from the following perspectives.

Shiseido's SPTs defined in the framework are the core goals of "For Society" and "For the Planet," two of the three pillars Shiseido has set forth in its vision for 2030, which is "creation of a sustainable world where everyone can enjoy a lifetime of happiness through the power of beauty." In addition, as these initiatives are also included in the strategic actions for resolving materiality, the achievement of the SPTs set forth in this framework is expected to make a significant contribution to the creation of the Company's medium- to long-term corporate value.

In addition, in promoting the SPTs, the Sustainability Committee chaired by the President and CEO and the Sustainability Strategy Promotion Department established under the Sustainability Committee hold discussions, and a system has been established to promote initiatives at all business sites with the appropriate commitment of the management team. As contents of these discussions are also reported to the Board of Directors as needed, JCR evaluates that they are highly effective.

4. Leverage: Degree of leverage of private funds relative to public funds and/or donations

The KPIs defined in this framework are outside the scope of this evaluation.

5. Additionality: Level of Additionality

Business and finance solutions that help address an unmet or underserved sustainable development need and hence constitute a significant step forward for the attainment of the SDGs

Individual indicators are considered to have additional impacts on several of SDGs' 17 and 169 targets as follows:



Goal 5: Achieve gender equality and empower all women and girls

Target 5.5 Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life



Goal 7: Ensure access to affordable, reliable, sustainable and modern energy for all

Target 7.2 By 2030, increase substantially the share of renewable energy in the global energy mix

Target 7.3 By 2030, double the global rate of improvement in energy efficiency



Target 10: Reduce inequality within and among countries

Target 10.2 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status



Target 11: Make cities and human settlements inclusive, safe, resilient and sustainable

Target 11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management



Goal 13: Take urgent action to combat climate change and its impacts

Target 13.1: Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries

4. Principle 3 Bond Characteristics (Economic Conditions)

4-1. Evaluation perspective

In this section, JCR confirms the following details.

- (1) Arrangements that the financial and structural characteristics of the bonds change depending on whether or not the selected KPIs achieve the pre-determined SPTs
- (2) KPIs definitions, SPTs and potential variation of the financial and structural characteristics of the sustainability-linked bonds included in the bond disclosure documents
- (3) Plans to mention in the bond disclosure documents its responses to unexpected events (e.g., material M&A activities, drastic changes in regulatory or other institutional aspects, or occurrence of extreme events) that may have a significant impact on KPIs calculation method, SPTs setting, assumptions and scope of KPIs

4-2. Current Status of the Subject of Evaluation and JCR's Evaluation

(Evaluation Results)

As the bond characteristics stipulated in this framework, the financial characteristics change depending on whether or not the SPTs are achieved. The KPIs definitions, SPTs, possibility of changes in financial characteristics, and responses to the occurrence of unexpected events will be clearly stated in the statutory disclosure documents for bond issues.

As the bond characteristics stipulated in this framework, in the event that the SPTs are not achieved, donations will be made to public interest incorporated associations/public interest incorporated foundations/international organizations, etc. that aim at environmental conservation activities, promotion of women's participation, and gender equality, before the bonds are redeemed. The recipients of donations will be determined through necessary resolutions after the judgment date of each SPT. The details of the changes (including the ratio of the donation amount to the issue amount) and the judgment date will be disclosed in the statutory disclosure documents such as the amended shelf registration statement and the shelf registration supplements for the issuance of sustainability linked bonds based on this framework.

In the event that circumstances unforeseeable at the time of the issuance of the sustainability linked bonds (e.g., (material M&A activities, drastic changes in regulatory or other institutional aspects, or occurrence of extreme events) arise that require changes to the KPIs definitions and SPTs setting, the Company plans to disclose the details of the changes, including the reasons for the changes and the recalculation method, in a timely manner.

Even if the SPTs under the Framework are changed, the SPTs for bonds already issued under the framework will not be changed.

The KPIs definitions, SPTs, possibility of changes in financial characteristics, and responses to the occurrence of unexpected events will be clearly stated in the statutory disclosure documents for bond issues.

Based on the above, JCR has confirmed that the linkage between the achievement of SPTs and financial characteristics is clearly defined in this framework and that appropriate descriptions will be made in the statutory disclosure documents.

5. Principles 4 and 5 Reporting and Verification

5-1. Evaluation perspective

In this section, JCR confirms whether the following items are planned to be included in the reporting after the financing, the method of disclosure, and whether third-party verification is planned.

i. Reporting

The following items shall be planned to be disclosed at least once a year

- ✓ Up-to-date information on the performance of selected KPIs (including baselines)
- ✓ Useful information for fund providers to gauge the level of ambition of the SPTs (e.g., information on the issuer's most recent sustainability strategy and related KPI/ESG governance, as well as information on the analysis of KPIs and SPTs)

Disclosure of the following information to the extent possible:

- ✓ Qualitative and quantitative explanations of the main factors (including M&A activities) that contributed to the improvement in performance/KPIs
- ✓ Explanation of how the improvement in performance will affect the issuer's sustainability
- ✓ Whether or not the KPIs were re-evaluated, whether or not the established SPTs were revised, and whether or not the baseline assumptions and the scope of the KPIs were changed

ii. Verification

The verification details (status of achievement of SPTs, impacts on changes in financial and structural characteristics, timing of such changes, etc.) shall be planned to be disclosed.

5-2. Current Status of the Subject of Evaluation and JCR's Evaluation

(Evaluation Results)

Shiseido is appropriately planning the disclosure content, frequency, and methods in post-financing reporting, and plans to receive third-party verification of SPT's progress status and other details required by the Principle.

Shiseido plans to announce the progress of SPTs for KPIs on its website on an annual basis.

In the event of any significant changes in the SPTs setting, etc., Shiseido will discuss with the relevant parties to set SPTs with a level of ambition equal to or higher than the conventional evaluation criteria based on these changes, and decide how to respond thereafter.

In addition, Shiseido plans to obtain an independent third-party verification of the progress of the SPTs for the KPIs once a year, and to disclose the information related to the verification on its website on an annual basis.

6. Conclusions on Conformity with SLBP, etc.

Based on these considerations, JCR confirmed that the framework, which is the subject of this Third-Party Opinion, is in conformity with SLBP, etc.

(Responsible Analysts for this Third-Party Opinion) Atsuko Kajiwara and Shintaro Arai

Important explanation of this third-party opinion

1. Premises, significance, and limitations of JCR third-party opinions

Third-party opinions granted and provided by the Japan Credit Rating Agency, Ltd. (JCR) represent JCR's current overall opinion on the relevance of the Sustainability Linked Bonds Principles formulated by the International Capital Markets Association (ICMA) and the Sustainability Linked Bonds Guidelines formulated by the Ministry of the Environment in March 2020 and revised in July 2022, and do not present a complete picture of the degree of positive impact that such assessments may have.

This Third-Party Opinion evaluates current plans or circumstances based on information provided by the Client and information collected independently by JCR and does not guarantee an evaluation of future conditions. In addition, this third-party opinion does not quantitatively prove the positive effects of the Sustainability Linked Bonds and is not responsible for their effects. JCR confirms that the funding raised by this business is measured quantitatively and qualitatively by the issuer or by a third party requested by the issuer with respect to the degree of achievement of the impact indicators established by the Company, but in principle, this is not measured directly.

2. International initiatives, principles, etc. referred to in carrying out this evaluation

In conducting this evaluation, JCR refers to the following principles and principles formulated by ICMA, UNEP FI and the Ministry of the Environment.

- Principles of Sustainability Linked Bond
- Ministry of the Environment's Sustainability Linked Bond Guidelines
- Positive Impact Finance Principle
- Positive Impact Finance Model Framework without Limited Use of Proceeds

3. Relationship with activities related to credit rating business

The provision of this Third-Party Opinion is conducted by JCR as a related business and differs from the conduct related to the credit rating business.

4. Relationship with credit ratings

This evaluation differs from credit ratings and does not constitute a commitment to provide or inspection a predetermined credit rating.

5. Third-party nature of JCR

There are no equity relationships, personal relationships, or other relationships between the parties subject to this evaluation and JCR that may give rise to conflicts of interest.

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The information in this document has been obtained by JCR from issuers and from accurate and reliable sources. However, this information may contain errors due to human, mechanical or other reasons. Accordingly, JCR makes no representation, express or implied, as to the accuracy, results, accuracy, timeliness, completeness, marketability or fitness for any particular purpose of such information, and JCR is not responsible for any errors, omissions or consequences of using such information. In no event shall JCR be liable for any extraordinary, indirect, incidental, or consequential damages of any kind, including loss of opportunity, monetary loss, which may arise from any use of such information, for any reason whatsoever, regardless of contractual liability, liability for tort, liability for negligence, or other liability, whether or not such damages are foreseeable. This third-party opinion does not express an opinion on various risks (credit risk, price fluctuation risk, market liquidity risk, etc.) related to Positive Impact Finance, which is the subject of evaluation. In addition, this third-party opinion is a current representation of JCR's collective opinion and is not a factual representation and does not constitute any recommendation as to risk judgments or any decisions regarding the purchase, sale or holding of individual bonds, commercial paper or the like. This Third Party Opinion may be changed, suspended or withdrawn due to changes in information, lack of information or other reasons. All rights to this document are reserved by JCR. Any JCR reproduction, adaptation, or modification of this document, in whole or in part, is prohibited.

■Glossary of Terms

Third-Party Opinion: This report expresses, at the request of our clients, a third-party opinion on the Sustainability Linked Bonds Principles prepared by Loan Market Association, Asia Pacific Loan Market Association, Loan Syndication & Trading Association and the conformity of these principles with the Sustainability Linked Bonds Guidelines prepared by the Ministry of the Environment, with respect to the Sustainability Linked Bonds Framework prepared by the issuers from an independent, neutral and equitable standpoint.

■Registration status as an external evaluator of sustainable finance, etc.

- Members of the Working Group on the Impact Financial Initiative for the United Nations Environment Programme
- Registered as External Reviewer of Green Bonds, Ministry of the Environment
- Climate Bonds Initiative Approved Verifier (Accreditation Verification Agency for Climate Change Initiative)
- ICMA (registration with the International Capital Markets Association as an observer) Principles for Social Bonds, Members of Climate Transition Finance Working Group

■In addition, the status of registration as a credit rating agency, etc.

- Director-General of the Financial Services Agency (Credit Rating) No. 1
- EU Certified Credit Rating Agency
- NRSRO: JCR is registered in the following four classes of the five credit rating classes of NRSRO (Nationally Recognized Statistical Rating Organization as defined by the U.S. Securities and Exchange Commission. (1) Financial institutions, broker-dealers, (2) insurance companies, (3) general business corporations, and (4) government and local governments. When subject to disclosure under Section 17g-7(a) of the Securities and Exchange Commission Regulations, such disclosure is attached to the news release appearing on JCR's website (<https://www.jcr.co.jp/en/>).

■For further information, contact

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