SHISEIDO

The 115th Ordinary General Meeting of Shareholders

[**Disclaimer**: Please note that the following purports to be an accurate and complete translation of the original Japanese version prepared for the convenience of our shareholders with voting rights outside Japan for reference. In the case of any discrepancy between the translation and the Japanese original, the latter shall prevail. Please be advised that certain expressions for domestic voting procedures that are not applicable to the aforesaid shareholders are omitted or modified to avoid confusion. Please also be advised that this material will not facilitate your status as a registered shareholder, who is authorized to physically attend the ordinary general meeting of shareholders in person, unless presenting the original Notice of Convocation and the Voting Form in Japanese to the receptionist at the place of the meeting.]

SHISEIDO

Table of Contents

Notice of Convocation

Business Report

Consolidated Financial Statements

Financial Statements

Accounting Auditor's Reports

Reference Document Concerning the General Meeting of Shareholders

SHISEIDO

Securities Code: 4911
May 29, 2015

Notice of Convocation
The 115th Ordinary General Meeting of Shareholders

Dear Shareholders:

We express our deep appreciation to each of the shareholders for their extraordinary daily support.

You are cordially invited to attend the 115th ordinary general meeting of shareholders of *Shiseido* Company, Limited (the "Company"). The meeting will be held as described on page 4.

If you are unable to attend the meeting, you may exercise your voting rights in writing or through website voting. Please examine the accompanying "Reference Document Concerning the General Meeting of Shareholders" and exercise your voting rights.

Yours very truly,

Shiseido Company, Limited

Representative Director,
President and CEO

Registered Head Office:
5-5, Ginza 7-chome, Chuo-ku, Tokyo
Principal Business Office:
6-2, Higashi-Shimbashi 1-chome,
Minato-ku, Tokyo

(VOTING PROCEDURE FOR REGISTERED SHAREHOLDERS IN JAPAN)[1]

When you exercise your voting rights via the Internet etc., please access to Proxy Voting Website (http://www.web54.net). (Please refer to "Notes to the Use of the Exercise of Voting Rights via the Internet" (Omitted).

[1] Please note that shareholders outside Japan shall not use these voting procedures.

SHISEIDO

PARTICULARS

Date and Time of the Meeting:

Tuesday, June 23, 2015 at **2:00 p.m.**

Place of the Meeting:

IMPERIAL Hotel, 2F, Kujyaku Room (Main venue of the event)

1-1, Uchisaiwai-cho 1-chome, Chiyoda-ku, Tokyo, Japan

Matters to Be Dealt with at the Meeting:

Matters for Reporting:

Report on the business report and the consolidated financial statements, non-consolidated financial statements, and the results on the audits of consolidated financial statements by the accounting auditor and the Audit & Supervisory Board for the fiscal year ended March 31, 2015 (April 1, 2014 to March 31, 2015).

Matters for Resolution:

First Item of Business:	Dividends of Retained Earnings
Second Item of Business:	Partial Amendments to the Articles of Incorporation
Third Item of Business:	Election of Six (6) Directors
Fourth Item of Business:	Election of Two (2) Audit & Supervisory Board Members
Fifth Item of Business:	Payment of Bonuses to Directors
Sixth Item of Business:	Determination of Provision of Long-term Incentive Type Remuneration to Directors

Contents and details of each item are described in the "Reference Document Concerning the General Meeting of Shareholders" in and after page 97.

Matters Related to Exercise of Voting Rights:

1. Validity of the voting in the event of exercise of voting rights by the same and one shareholder via both return mail and via website

   In the event that the same and one shareholder exercises voting rights via both return mail and via website, the Company will consider the exercise of voting rights via website shall be valid.

   Moreover, the same and one shareholder exercises voting rights via website several times, the Company will consider the last exercise of voting rights via website shall be valid.

2. Requirement for exercise of voting rights through proxy

   Shareholders may exercise voting rights through a proxy who shall be a shareholder with voting rights of the Company. In this case, the shareholder or the proxy shall be required to submit a document certifying the power of representation to the Company at the general meeting of shareholders.

About Environment-Friendly General Meeting of Shareholders

At this ordinary general meeting of shareholders, in addition to striving to reduce emissions of greenhouse gases such as CO_2 (carbon dioxide), we will carry out carbon offsets to counterbalance the amount of greenhouse gases emitted through the purchase of credits for reduction or absorption of greenhouse gas emissions achieved elsewhere.

Business Report

(Fiscal Year from April 1, 2014 to March 31, 2015)

1. Matters Concerning Shiseido Group

1.1 Business Overview

(1) Progress and Results

1) Overview

■ **Progress and Results in the Fiscal Year Ended March 2015**

In the fiscal year ended March 31, 2015, the economic situation in Japan was characterized by continued moderate recovery underpinned by government economic measures. However, the recovery in personal consumption was weak, affected by uncertain consumer sentiment stemming from rising prices in the wake of a weakened yen in the second half. By contrast, the world economy is showing modest overall recovery, with firm growth in the economy in the Americas, despite the ongoing impact of the European debt problem and a slowdown in economic growth in China. Both the Japanese and overseas cosmetics markets are closely linked with the above-mentioned economic conditions in their respective countries. In Japan, although signs of recovery appeared toward the second half, the cosmetic market was significantly impacted by a recoil following a rush in demand from February to March last year ahead of the consumption tax hike, resulting in a year-on-year decline in the annual growth rate. European cosmetics markets remained mostly unchanged year on year, while markets in the Americas and Asia maintained steady growth.

The Shiseido Group positioned fiscal 2014 as a year of preparing for drastic reforms. Specifically, we are targeting three major priorities: “strengthening marketing execution and brand capabilities from the customer’s perspective,” “reforming our organization and corporate culture,” and “reinforcing our operational foundation.” We also formulated a new long-term vision and a medium-term business plan due to start in fiscal 2015. These are encapsulated in VISION 2020, a medium-to-long-term strategy announced on December 17, 2014.

In this environment, for the fiscal year ended March 31, 2015, domestic sales declined 3.1% year on year, due to a recoil following a rush in demand ahead of the consumption tax hike. Overseas sales grew 7.1% year on year. The trend toward yen depreciation in the foreign exchange rate had a positive effect on overseas sales. As a result, consolidated net sales increased 2.1% year on year.

In operating income, domestic factors included a decline in the marginal gain stemming from the net sales decline, as well as an increase in personnel expenses stemming from higher bonus payments in Japan (performance-linked portion of bonuses) due to achievement of previous-year performance targets. Overseas factors included stepped-up marketing investments, costs related to optimization of market inventories in Asia, centered on China, and increased expenses associated with problems at our U.S. distribution center. As a result, operating income fell 44.4% year on year.

Although there was a decrease in operating income and an impairment loss on customer-related intangible assets of a subsidiary (Bare Escentuals, Inc.), extraordinary income associated with the transfer of the esthetic brands *DECLÉOR* and *CARITA,* which were being developed mostly in Europe, to French cosmetic company L’Oréal S.A. and gain on sales of non-current assets such as the Gotanda office led to net income growth of 28.8% year on year.

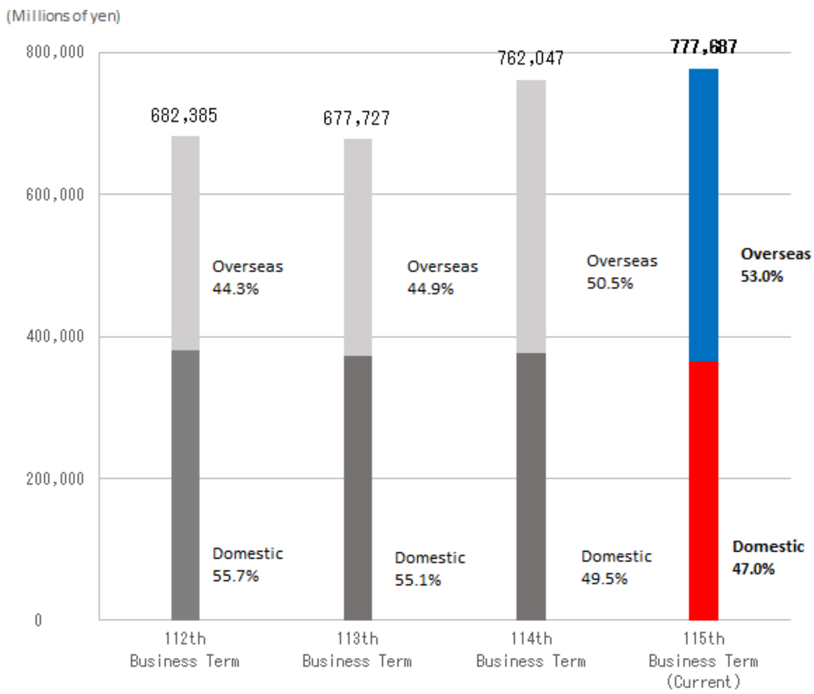
Looking at various indicators, consolidated operating profitability for the fiscal year ended March 31, 2015 was 3.6%, consolidated return on equity (ROE) was 9.4%, and the overseas sales ratio was 53.0%.

■ **Consolidated Results**

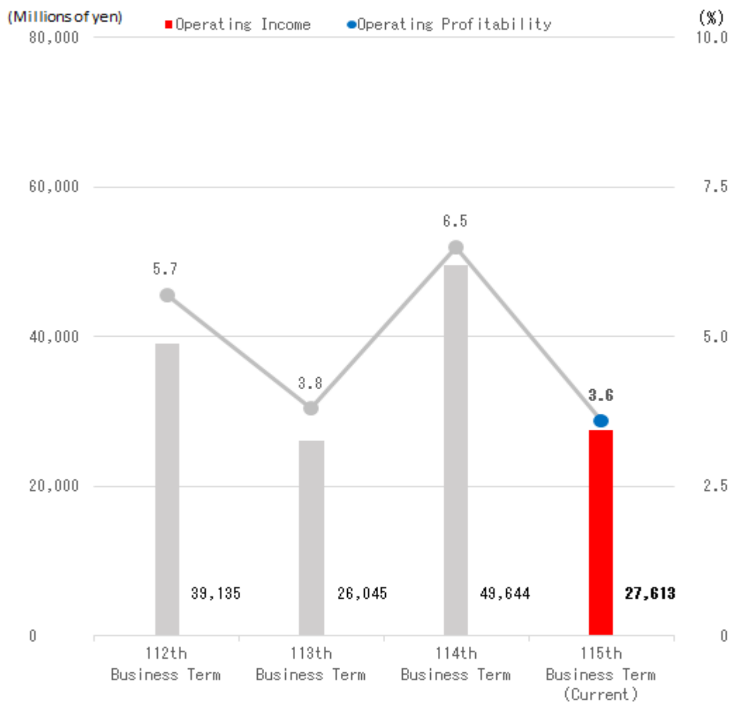
Net Sales

¥777,687 million
Year-on-year change:+2.1%

Sales composition
Overseas: 53.0%
Domestic: 47.0%



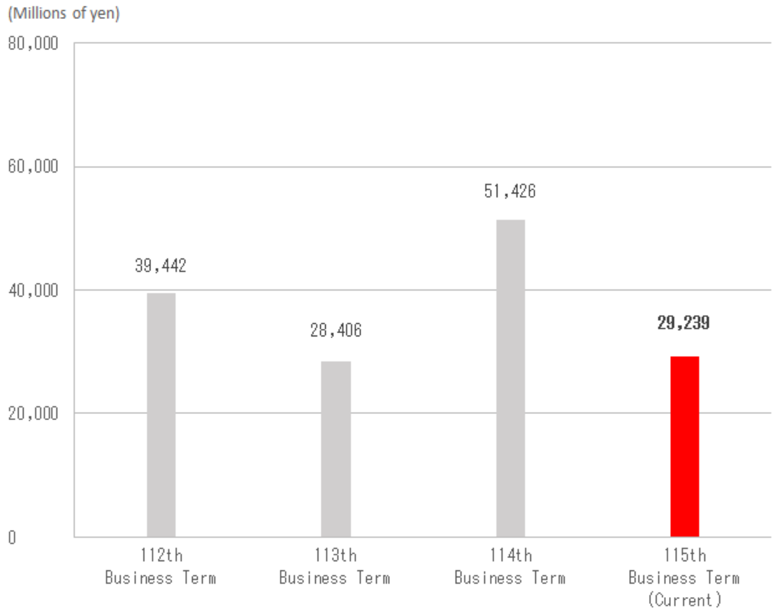
Operating Income	**Operating Profitability**
¥27,613 million	**3.6%**
Year-on-year change:-44.4%	Year-on-year change: -2.9 points



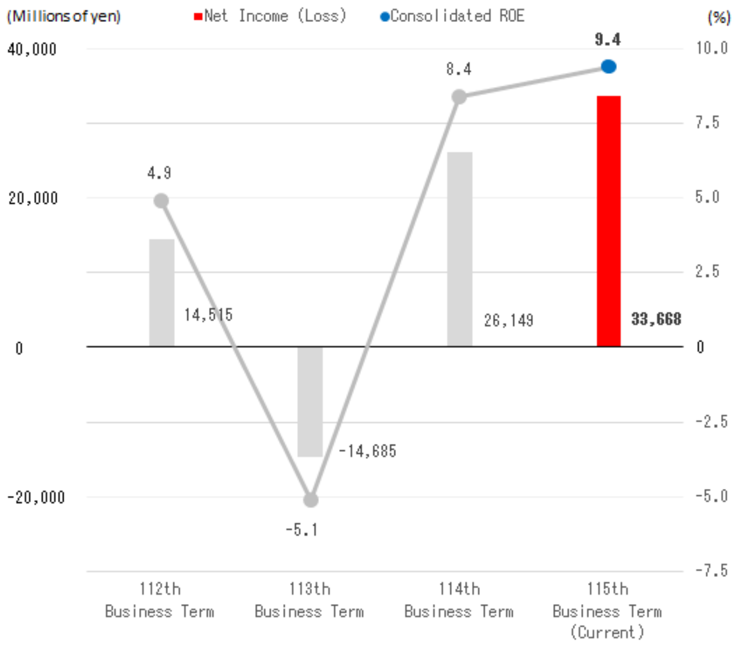
Ordinary Income

¥29,239 million

Year-on-year change:-43.1%



Net Income (Loss)	Consolidated ROE
¥33,668 million	**9.4%**
Year-on-year change:+28.8%	Year-on-year change: +1.0 points



Note: "-"denotes loss, decrease, etc. or negative value.

2) Activities by Business Segment

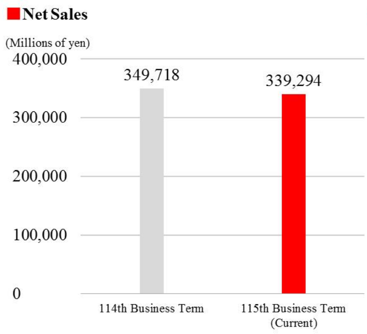
Domestic Cosmetics Business Segment

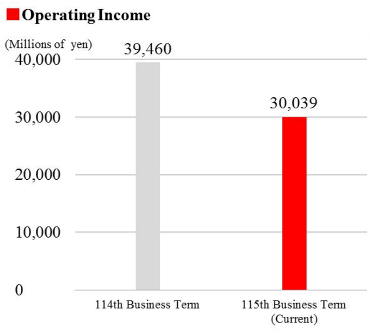
MAQuillAGE

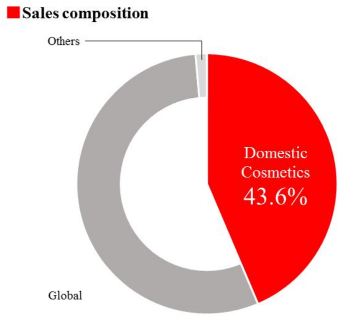
In the Domestic Cosmetics Business segment, sales were down 3.0% year on year, to ¥339,294 million. In both the domestic cosmetics division and healthcare division, sales decreased year on year, due to the significant negative impact of the recoil following a rush in demand ahead of the consumption tax hike. However, the domestic cosmetics division showed an upturn in the second half, driven mainly by mid-priced and high-priced products, owing to renewal of brands/lines and introduction of new lines. This and other factors brought positive signs in the second half as we approached fiscal 2015.

Operating income decreased 23.9% year on year to ¥30,039 million, resulting from a decrease in marginal gain due to lower sales, and other factors.

Main Businesses	**Domestic Cosmetics Division** (production and sale of cosmetics, cosmetic accessories, and toiletries, etc.) **Healthcare Division** (production and sale of health & beauty foods and over-the-counter drugs), etc.







Domestic Cosmetics Division

In the fiscal year under review, although there was a negative impact of the recoil in the first half of the fiscal year, following a rush in demand ahead of the consumption tax hike, there were also positive factors such as a significant increase in inbound sales (sales to overseas tourists visiting Japan) owing to the addition of cosmetics to the list of items available free of consumption tax for overseas tourists visiting Japan from October 2014 onward.

In this environment, the Company continued a marketing reform project that started in fiscal 2013, and in fiscal 2014 we launched the ICHIGAN Project, in which all employees—including R&D, product development, production, and corporate staff, as well as salespeople—unite in an ongoing effort to deliver brand value to customers. As a result, we achieved positive outcomes, including growth in over-the-counter sales of the *ELIXIR* moisture-retention line for adults desiring supple skin and the high-quality *MAQuillAGE* makeup line that provides adults with new levels of beauty.

Moreover, following thoroughgoing research into the needs of our senior customers, one of our customer target groups, and pursuit of the customer's perspective, the Company launched *PRIOR*, a comprehensive brand for seniors. In particular, *COLOR CARE SHAMPOO* and *COLOR CONDITIONER*, designed for seniors' haircare needs, were among those products that received strong support from customers. The top-end brand *clé de peau BEAUTÉ* and the global brand *SHISEIDO* also performed well.

"PRIOR" Black Hair Make Hair Care

As the above shows, our mid-priced and high-priced products are showing recovery, but sales of low-priced cosmetics, toiletries (such as shampoos), and men's items struggled in a harsh competitive environment, which poses a challenge. The ICHIGAN Project, which is producing positive outcomes in mid-priced and high-priced products, will not end until it reaches a successful conclusion. Indeed, we will promote "ICHIGAN marketing" in which the entire Group stands united in constantly conveying brand value to customers, in order to boost sales by reinforcing low-priced products, toiletries, and men's items, where issues remain. With this in mind, we renewed the *TSUBAKI* haircare brand in March 2015.

Healthcare Division

Sales in the healthcare division overall declined year on year, due mainly to the impact of the recoil following a rush of demand ahead of the consumption tax hike. However, we enjoyed increased sales of two brands—*The Collagen* line of beauty foods and *IHADA* medical-use products for treating facial skin problems—which were comprehensively renewed. In addition, *ALLER SCREEN*, a pollen absorption prevention spray that was newly launched as a miscellaneous product from *IHADA*, accurately captured customer needs during the pollen season and was a smash hit.

"*IHADA ALLER SCREEN*"

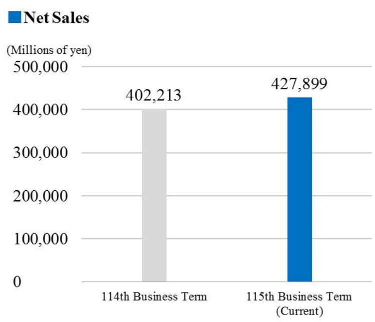
Global Business Segment

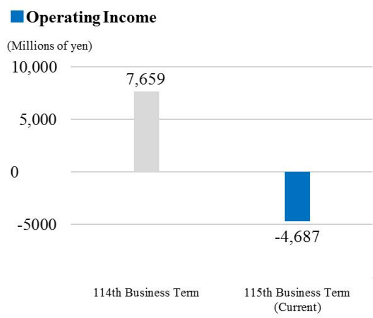
ULTIMUNE

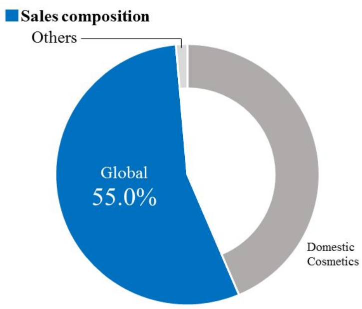
Sales in the Global Business segment increased 6.4% year on year, to ¥427,899 million and decreased 1.3% year on year on a local-currency basis. The overseas cosmetics division continued to post healthy sales growth in the Americas, and even in Europe, sales increased year on year. In Asia, including China, however, sales decreased year on year due to the effect of the optimization of market inventories. In the professional division, sales decreased year on year partly due to the effect of the sale of the esthetic brands that were being developed mostly in Europe.

The Global Business segment posted an operating loss of ¥4,687 million, as a result of profit declines in China and elsewhere in Asia, and other factors.

Main Businesses	**Overseas Cosmetics Division** (production and sale of cosmetics, cosmetic accessories, and toiletries) **Overseas and Domestic Professional Division** (production and sale of beauty salon products, etc.), etc.







Overseas Cosmetics Division

In the Americas, sales were strong for the global brand *SHISEIDO*, which recorded a hit with the launch of the *ULTIMUNE* beauty essence that enhances the skin's intrinsic beauty. In addition the makeup artist brand *NARS*, which continued to perform strongly, *bareMinerals*, which benefited from recording a hit with its first liquid foundation *bareSkin*, and the fragrance business contributed to the sales growth. The problems at our U.S. distribution center that occurred at the beginning of 2014 have currently been dealt with, and although it caused a negative effect on sales and profits in the first half of the fiscal year, it is now operating smoothly.

In Europe, we struggled in some major nations, such as Germany and Italy, due to challenging market conditions. However, *narciso rodriguez* and other designer fragrance brands performed well.

In the top-priority market of China, we proceeded with active responses to rebuild our business such as by launching a customer segmentation project aimed at conducting marketing activities from a consumer-focused viewpoint while rearranging our a brand portfolio. Sales declined year on year due to the implementation of optimization of market inventories, which was one of the measures to rebuild our business.

In Asian markets other than China as well, we promoted optimization of market inventories with the aim of conducting initiatives for future market growth based on the creation of attractive points of sales and consolidating activities to store activities. As a result of these activities, although sales for Asia including China decreased year on year, by establishing an environment in which over-the-counter sales and product shipments are soundly connected, we are now able to carve a growth trajectory in fiscal 2015 and thereafter. In Indonesia, where we have steadily grown sales in our business via distributors since we began selling our products there in 1958, we established a subsidiary with the aim of reinforcing our business foundation and commenced direct operations.

As of December 31, 2014, the global brand *SHISEIDO* had a presence in 89 countries and regions (including Japan).

■ **89 countries and regions where the global brand *SHISEIDO* had a presence (As of December 31, 2014)**

Americas	**7**
Europe, Middle East and Africa	**63**
Asia and Oceania (Including Japan)	**19**

Professional Division

In the professional division, we have focused on tapping Asian markets since 2010. In the fiscal year under review, we continued posting high sales growth in China, South Korea, and Taiwan. We have advanced into new markets such as Indonesia as well, and sales increased year on year in Asia. However, due to the significant impact of the sales decrease through sale of the *DECLÉOR* and *CARITA* brands, overall overseas sales in this division declined year on year.

In Japan, sales declined year on year because the timing of the introduction of a major haircare series was not as scheduled, there was a fall in the ratio of customer attraction at directly operated beauty salons, and other factors.

Others

"*TOKYO O • YA • TSU HOKKURI SAKKURI CHOCOLAT*," limited product at Haneda Airport

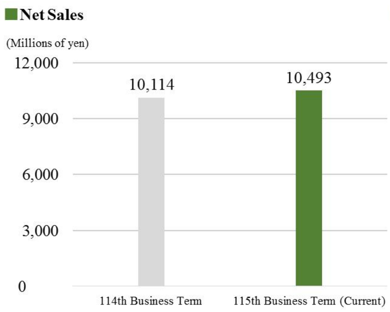
SALON DE CAFÉ at Shiseido Parlour's head store in Ginza

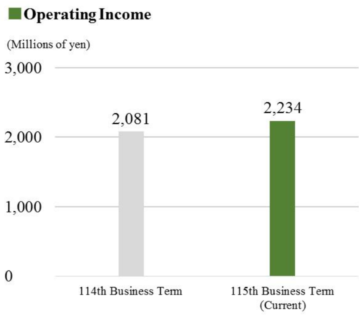
Sales from Others grew 3.7% year on year, to ¥10,493 million. This year-on-year increase stemmed from a healthy performance by the frontier science business, as well as growth in the restaurant business where both restaurant and retail delivered solid results.

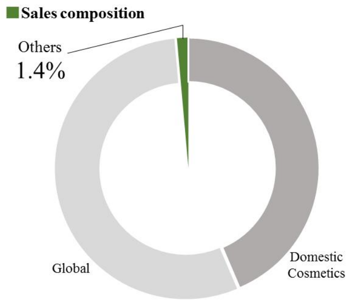
Operating income in this segment rose 7.4% year on year, to ¥2,234 million.

Main Businesses

Frontier Science Business
(production and sale of cosmetic raw materials, medical-use drugs, medical cosmetics, precision and analytical equipment, etc.)
Restaurant Business, etc.







Shiseido Parlour Co., Ltd., which operates restaurants, sought to develop dedicated products for airport shops. As a result, its retail division performed well, including at department stores, railway stations, and airports. Its restaurant division also posted increased sales, with Shiseido Parlour Co., Ltd. recording the highest net sales in its history. Meanwhile, top French restaurant L'Osier, which reopened in October 2013 after renovation, reported a healthy performance again in fiscal 2014 and contributed to sales, resulting in a year-on-year sales increase for the Group's restaurant business.

In the frontier science business, sales related to high-speed liquid chromatography-related machinery employing powder surface treatment technology acquired through cosmetic product development suffered owing to the impact of the recoil following a rush in demand ahead of the consumption tax hike. However, in addition to bio-hyaluronic acid, a raw material for cosmetics and pharmaceuticals, sales of *2e* and *NAVISION* cosmetics for medical institutions, derived from our beauty care skin research, remained strong. As a result, the frontier science business posted a year-on-year increase in sales.

NAVISION cosmetics for medical institutions

3) Business-wide Initiatives

Firm Establishment and Permanent Implementation of ICHIGAN Marketing

In fiscal 2014, we introduced the brand manager system and entrusted all responsibility and authority for each brand, from product development to sales, to their respective brand managers. In line with this, we implemented an organizational change. With these changes, we removed the negative effect of having an organizational hierarchy, which had hitherto been an issue, and created a structure in which all teams responsible for each function for one brand, including R&D, product development, production and sales, unite to build brand value and deliver it to customers. As a result, we were able to firmly establish our ICHIGAN Project, which has achieved positive results in the Domestic Cosmetics Business, not only as a temporary project but also as ICHIGAN marketing that is permanently and continuously implemented, and implement it laterally in other businesses.

Improvement of Business Management Accuracy

We worked to improve accuracy in business management by strengthening business management systems and promoting greater availability of data. In Japan, we constructed a framework whereby sales information for each channel and brand/line can be checked daily and started operating this framework. Overseas, we established a system that daily keeps track of sales by brand, area and subsidiary. These moves have enabled flexible management judgment by developing the system and giving the management class a strong awareness of the relevant information.

R&D for the Creation of New Value

■ **Continuation of Customer-oriented R&D**

Amid the accelerating diversification of customer opinions and business globalization, the Shiseido Group focuses on research and development guided by survey data about our customers in major cities around the world: their skin, their opinions, actions, tastes, and so on. At the same time, we have engaged in value development based on customer insight (depth psychology that customers themselves are not aware of), on matters such as psychological attitudes towards cosmetics, and buying motives. Currently, we are working to further expand this customer-oriented value development, by promoting research and development from the three perspectives of “knowing,” “making,” and “telling,” in pursuit of *kotozukuri*, creating value that will touch our customers’ hearts.

■ **Evaluation from International Federation of Societies of Cosmetic Chemists (IFSCC)**

We continuously receive favorable evaluations at the International Federation of Societies of Cosmetic Chemists (IFSCC) Congress and the IFSCC Conference, the most authoritative research meetings in the cosmetic-related science field. At the IFSCC Congress held in fiscal 2014, we won the top award for our research presentation on the theme of “Novel Approach to Anti-Aging Facial Skin Care.” This marks 23 awards (including 19 top awards and 4 awards) in total, which is the largest number of accolades received globally by a cosmetics manufacturer.

■ **Opening of Shiseido Cell-Processing and Expansion Center (SPEC)**

In May 2014, we opened the Shiseido Cell-Processing and Expansion Center (SPEC) in the Kobe Biomedical Innovation Cluster as our core facility for R&D with the aim of commercializing hair regenerative medicine.

Aiming for the prompt realization of hair regenerative medicine for those concerned by alopecia and thinning hair, we have concluded a technical collaboration agreement covering Asia including Japan regarding a hair regenerative technology (RCH-01) that is being researched and developed by RepliCel Life Sciences Inc., a Canadian bio-venture company. The technology covered by the agreement is an autologous cell transplantation technology in which a doctor performs a small scalp biopsy on a patient, isolates specific hair follicle cells, expands them in a culture, and then promotes growth of healthy hair in areas of hair loss by injecting and transplanting the cells in those areas and reinvigorating the hair follicles. As the technology involves use of the patient's own cells, it does not carry the risk of an immune rejection or the like and it has a high degree of safety. We aim, therefore, to commercialize the technology as promptly as possible.

■ Measures to Eliminate Animal Testing and Obtain Official Recognition for Alternatives

We established a safety assurance system for cosmetics based on alternatives to animal testing that involves no animal testing whatsoever, enabling it to eliminate animal testing for cosmetics and quasi-pharmaceuticals that went into development from April 2013 onward. Moreover, we are actively lobbying relevant public authorities in the various countries and regions where it operates to have alternatives to animal testing officially recognized as legitimate testing methods within their legal systems.

One alternative to animal testing which is making progress toward obtaining official recognition is a testing method called h-CLAT, and we hold the Japanese patents for its underlying technology. As prospect of the creation of guidelines regarding h-CLAT at the Organisation for Economic Co-operation and Development (OECD) is drawing closer, we have made our patents available for licensing free of charge in cases where this testing method is used for skin sensitization tests, in order to promote outside use of the method going forward. Moreover, to encourage active use of the testing method and its underlying technology, we are now publicizing more detailed information on how to use the technology and working to provide more detailed responses to queries.

Initiatives to Achieve Sustained Growth

■ Promoting Diversity in Employees

At the Shiseido Group, we promote diversity on a global level, and the employees who work for us in various countries and regions worldwide have diverse attributes, including nationality, gender, age, employment status and developmental challenges, as well as values and viewpoints. With the aim of strengthening our operations by incorporating the viewpoints and ways of thinking of these employees with diverse backgrounds, we have introduced support measures to enable all our employees to utilize their abilities to the fullest extent. Furthermore, since 90% of the Shiseido Group's customers are females, it is important for us to provide new products and services based on our understanding of the values, lifestyles and needs of women. Accordingly, we also work to utilize female employees as much as possible.

As of the end of March 2015, the ratios of female employees and female leaders in the Shiseido Group worldwide were 84.3% and 50.3% respectively, while in Japan these ratios were 83.7% and 27.5% respectively.

In addition to these efforts, with the aim of reforming our organization into one capable of responding quickly to changes in eras, markets and customers while also making use of the strengths and knowhow we have built throughout our history, we engage talented personnel who can perform both in Japan and overseas in a diverse range of fields, including outside Shiseido.

■ Contributing to a Super-Aging Society via the Cosmetic Therapy Program

Since fiscal 2013 we have operated the life quality business as a social business that targets ongoing and constructive business development. The business was created by integrating and reorganizing services of the "Cosmetic Therapy Program for the Elderly" and "various beauty seminars." The know-how used for the Cosmetic Therapy Program was adopted for the Ministry of Economy, Trade and Industry's fiscal 2014 project aimed at laying the foundations for an industry to extend healthy life expectancy, and we underwent related verification for its efficacy. The verification was performed in collaboration with the Tokyo Metropolitan Geriatric Medical Center; it confirmed the efficacy of the Cosmetic Therapy Program in improving subjective health measures and depressive tendencies, and also confirmed that the program would be effective in extending healthy life expectancy and could be expected to help reduce costs for nursing care.

We intend to utilize the results of this verification for a number of purposes, including further improvement in the quality of the Cosmetic Therapy Program and value development in our cosmetics for later in life. We will collaborate with nursing care providers and other medical institutions, as well as authorities such as local governments to actively promote cosmetic therapy throughout Japan as an activity that can lead to extended healthy life expectancy for a diverse range of elderly citizens.

Cosmetic Therapy Program for Elderly Residents

■ Environmental Activities

In fiscal 2014, we were commended by the CDP (formerly the Carbon Disclosure Project), an international not-for-profit organization headquartered in the UK, as a company with superior activities for the reduction of greenhouse effect gas emissions and climate change risks based on a survey by the CDP. By receiving this commendation, we have achieved a position in the "Climate Performance Leadership Index."

We are also continuing initiatives for the preservation of biodiversity.

■ Examples of Environmental Activities

Efforts to reduce CO_2 emissions	• Operation of solar power generation facilities (Shiseido America, Inc. East Windsor Factory, Davlyn Industries, Inc.) • Operation of wind power generation facilities (Zotos International, Inc. Geneva Factory) • Operation of cogeneration, a heat and power supply system that generates electricity and heat at the same time (Kuki Factory)
Efforts to preserve biodiversity	• The Shiseido Group continues to derive the entire volume of palm oil and palm kernel oil it uses from sources approved by the Roundtable on Sustainable Palm Oil (RSPO) (switchover completed in fiscal 2013)

(2) Capital Expenditures

	Investment (Millions of yen)	Purpose of Investment
Property, Plant and Equipment	18,120	Renovation and renewal of production facilities Upgrades at overseas stores
Intangible Assets	6,290	Additional development of watashi+ Additional development of store information devices
Long-term Prepaid Expenses	6,190	Installations of sales counters and fixtures
Total	30,602	

(3) Financing

The Company did not procure significant funding during the fiscal year ended March 31, 2015.

(4) Summary of Consolidated Income and Assets of the Shiseido Group

(Millions of yen, unless otherwise noted)

	112th Business Term (4/1/2011 - 3/31/2012)	113th Business Term (4/1/2012 - 3/31/2013)	114th Business Term (4/1/2013 - 3/31/2014)	115th Business Term (Current term) (4/1/2014 - 3/31/2015)
Net Sales	682,385	677,727	762,047	777,687
Operating Income	39,135	26,045	49,644	27,613
Operating Income to Net Sales (%)	5.7	3.8	6.5	3.6
Ordinary Income	39,442	28,406	51,426	29,239
Net Income (Loss)	14,515	-14,685	26,149	33,668
Net Income (Loss) per Share (Yen)	36.47	-36.90	65.65	84.44
Return on Equity (%)	4.9	-5.1	8.4	9.4
Comprehensive Income	5,456	19,985	90,722	70,668
Total Assets	720,707	715,593	801,346	823,636
Net Assets	303,715	303,153	358,707	409,369
Net Assets per Share (Yen)	729.89	721.21	849.42	970.00
Equity Ratio (%)	40.3	40.1	42.2	47.0
Price/Earnings Ratio (Times)	39.2	—	27.7	25.3
Cash Flows from Operating Activities	52,599	42,040	84,320	32,134
Cash Flows from Investing Activities	-20,668	-25,534	-16,799	11,538
Cash Flows from Financing Activities	-35,482	-24,745	-47,462	-58,419
Cash and Cash Equivalents at End of Year	82,974	80,253	110,163	100,807

Notes:

1. "-" denotes loss, decrease, etc. or negative value.
2. Price/Earnings Ratio for the 113th Business Term is not stated as a net loss was recorded for the period due mainly to an impairment loss on goodwill related to the subsidiary acquired.
3. Effective the 114th Business Term, the Company has applied "Employee Benefits" (International Accounting Standard No. 19, amended June 16, 2011), to certain consolidated subsidiaries. This has resulted in a change in recognition of changes in the Company's net defined benefit liabilities. The change in accounting policy has been applied retroactively and is reflected in the consolidated financial statements for the 113th Business Term.

4. Summary of Non-Consolidated Income and Assets

(Millions of yen)

	112th Business Term (4/1/2011 - 3/31/2012)	113th Business Term (4/1/2012 - 3/31/2013)	114th Business Term (4/1/2013 - 3/31/2014)	115th Business Term (Current term) (4/1/2014 - 3/31/2015)
Net Sales	224,897	220,404	219,219	241,099
Operating Income (Loss)	-2,320	3,280	6,051	19,074
Ordinary Income	11,046	27,080	23,663	39,933
Net Income	8,476	20,119	15,482	30,498
Total Assets	595,417	589,928	603,317	601,186
Net Assets	320,540	322,963	326,061	346,843

(5) Capital Policy

1) Fundamental Approach to Capital Policy

The Company endeavors to maintain its shareholders' equity at a certain level in order to invest promptly and decisively when considered necessary in order to ensure sustainable growth. In addition, the Company regards free cash flow and the cash conversion cycle as important, and practices management focused on ensuring capital efficiency by improving its management of cash flows and its balance sheet.

The Company aims to maintain a financial standing that enables it to obtain financing on favorable terms by targeting a benchmark interest-bearing debt ratio of 25 %. For large-scale investments that require financing, the Company will consider factors including business trends, financial condition and market environment to make timely use of the optimum financing method.

Our total shareholder return policy emphasizes maximizing returns to shareholders through direct means in addition to generating medium- and long-term share price gains. To this end, our fundamental policy is to deploy growth-oriented strategic investments to drive increases in earnings and improvements in capital efficiency. Our medium-term profit return objective is to achieve a consolidated dividend payout ratio of 40%. To this end, we will maintain dividend payments in a stable and consistent manner. With respect to share buybacks, we will act appropriately while considering free cash flow levels and the market environment.

2) Income Distribution

(Millions of yen, unless otherwise noted)

	112th Business Term (4/1/2011 - 3/31/2012)	113th Business Term (4/1/2012 - 3/31/2013)	114th Business Term (4/1/2013 - 3/31/2014)	115th Business Term (Current term) (4/1/2014 - 3/31/2015)
Annual cash dividends per share (Yen)	50	50	20	20 (P)
Annual dividends	19,899	19,900	7,968	7,975 (P)
Consolidated payout ratio (%)	137.1	—	30.5	23.7 (P)

Notes:

1. Annual cash dividends per share and annual dividends for the 115th Business Term (current term) are predicated on the approval of the First Item of Business, Dividends of Retained Earnings, at the ordinary general meeting of shareholders to be held on June 23, 2015.
2. The consolidated payout ratio for the 113th Business Term has not been calculated because a net loss was posted for the same business term.

(6) Issues to Address

1) Corporate Philosophy and Medium-to-Long-Term Strategy

Our Mission, Values and Way (Corporate Philosophy)

In April 2015, the Company partially modified its corporate philosophy, consisting of "Our Mission," "Our Values," and "Our Way."

"Our Mission" describes Shiseido's corporate mission, which is "to inspire a life of beauty and culture." This covers various domains related to beauty while keeping cosmetics as our core business. To make "Our Mission" clearer, we decided to adopt a richer English translation of the Japanese version, which we left unchanged. In "Our Values," we have changed the composition to place more emphasis on "innovation" and foster a strong awareness among employees that "innovation generates growth." In "Our Way," we set out standards of behavior to which each and every employee of the Shiseido Group should conform. We modified "Our Way" to clarify our commitment to "walking together with consumers" and also to emphasize our dedication to creating shared value together with all stakeholders.

Guided by our new corporate philosophy, the Shiseido Group will inspire a life of beauty and culture with all consumers in this ever-changing world, and realize a sustainable society in which people find happiness through beauty. In these ways, we will deliver sustained improvements in corporate value. By making a "consumer-focused viewpoint" the core foundation of all activities, we will ensure that Shiseido's appeal remains strong 50 and 100 years into the future.

■ **Corporate Philosophy of the Shiseido Group**

Medium-to-Long-Term Strategy "VISION 2020"

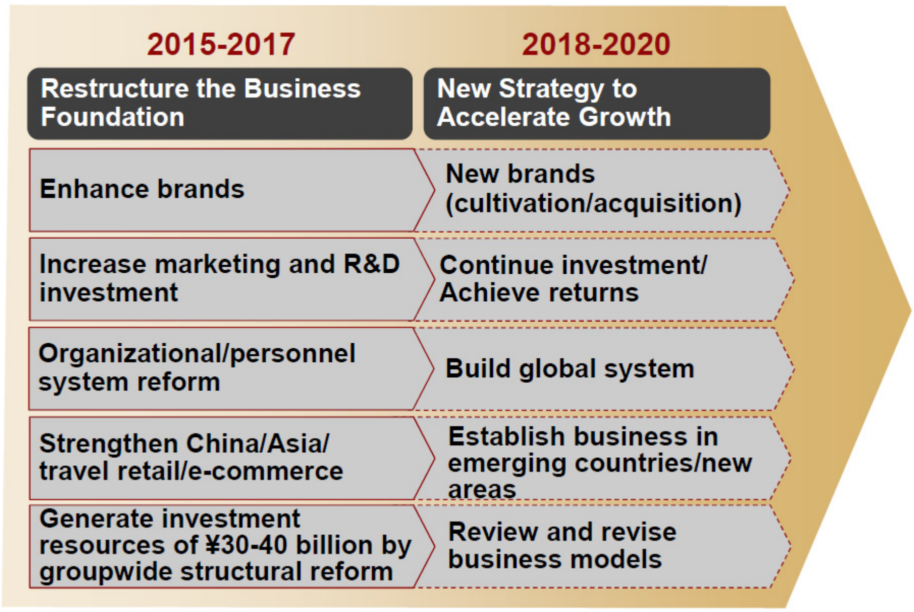
On December 17, 2014, the Company announced its medium-to-long-term strategy, entitled VISION 2020. Positioning fiscal 2020 as a turning point for the Group, VISION 2020 outlines what initiatives need to be undertaken and what kind of company we should become by fiscal 2020.

Specifically, we will strive to become "a company filled with energy," "a company overflowing with youthful spirit," "a company that is a topic of conversation around the world," "a company inspiring to, and admired by, younger generations," and "a company driven forth by diverse cultures." By achieving these goals, we will become a company whose existence is valued by society and build a foundation enabling us to keep shining 100 years into the future. To this end, we will broaden our business domains to cover peripheral businesses associated with inspiring a life of beauty and culture, while maintaining cosmetics as our core. We will also pursue business globalization and work to reinforce our innovation capability, which is the source of Shiseido's competitive strength.

In quantitative terms, we have set consolidated operating income of ¥100 billion or higher and ROE of 12% or higher as our targets for fiscal 2020. To achieve these targets, we will aim to increase consolidated net sales to the ¥1 trillion level.

Specifically, our strategy will entail dividing the time until fiscal 2020 into the three-year period covering fiscal 2015 to fiscal 2017 and the three-year period covering fiscal 2018 to fiscal 2020. The first three years will be dedicated to reconstruct our business foundation, and the latter three years to pursuing new strategies aimed at expediting growth. The road map below sets out the initiatives we will implement.

■ **Roadmap toward fiscal 2020**



2) **Three-year period from fiscal 2015 through 2017**

Overview of Strategy and Numerical Targets

The three years from fiscal 2015 through fiscal 2017 is a period for reconstructing our business foundation. In particular, in fiscal 2015 and fiscal 2016, we will step up investments in marketing and R&D to intensively build a foundation for delivering growth. At the same time, we will continue structural reforms aimed at securing the funds to make such investments.

We will focus particular efforts on making advances as a "global marketing company" pursuing company-wide marketing initiatives, while strengthening innovation to create new levels of value for customers and reinforcing organizational and personnel systems to support such efforts.

Over the three-year period, we will position our domestic business as our income foundation and our overseas business as the growth driver. In fiscal 2017, the final year of the period, we have set the following consolidated targets: Net sales of ¥900 billion or higher, operating income of ¥50-60 billion, and ROE of 9–10%.

Rebuild Brand Portfolio to Meet Needs of Active Consumers

As society and consumption activities diversify, the profile of "active consumers" who make their own independent choices is increasing. To meet the needs of such consumers, it is important to build brands that connect with customers and earn their continued loyalty. By concentrating on brands that reflect the value basis desired by customers, while streamlining and integrating brands that are duplicated in our portfolio and do not effectively meet customer needs, we will make efficient brand investments that address broad-ranging needs and thus build stronger brands.

To this end, we will entrench life cycle management for our brands, including by clarifying rules for brand discontinuation, and strictly select only brands that can achieve predetermined levels of sales and profitability. If we require brands to address customer needs that are not included in our portfolio, we will also consider acquiring brands through M&As.

In addition, we will strengthen the identity and image of our flagship *SHISEIDO* brand. For a start, we have modified the design of the corporate logo to convey stronger feelings of being active, uplifting, forward-looking, and brimming with energy, and thus enhance corporate brand presence.

The new corporate logo

From the perspective of brand image consistency, meanwhile, we studied the scope of usage of the company name of SHISEIDO, and decided to limit its usage to two brands: the *SHISEIDO* global brand and *SHISEIDO Professional*. For other brands/lines, such as *MAQuillAGE* and *ELIXIR*, we will emphasize their respective brand/line names and logos by placing them up front.

Our beauty consultants stand at the front lines in conveying brand value to customers and play a key role in brand reinforcement. We will reassess our beauty consultant systems in Japan and China with the aim of energizing our beauty consultants and attracting talented human resources. In Japan, we will emphasize recruitment of full-time employees and appointment of fixed-term contract employees to full-time positions. We will also modify our evaluation and incentive systems so we can reward beauty consultants who have produced good results.

Shift to New Matrix Organizational Structure

In fiscal 2015, we will begin shifting to a new matrix organizational structure based on a brand axis and a region axis, with a view to full-scale implementation in fiscal 2016. This entails reforms aimed at fostering strong brands and undertaking marketing optimized for each geographical area, under our "Think global, act local" approach.

Based on consumers' point-of-purchase type, we will divide the Company's businesses into brand businesses, including prestige, cosmetics, personal care, and professional. And we will divide our worldwide regions and markets into the following areas—Japan, China, Asia, America, Europe, and travel retail. Under this framework, we will build an optimal organizational structure by combining each respective part.

In shifting to the new matrix organizational structure, we will prioritize four key factors: local/hands-on policy, flatness, speed, and accountability. Rather than having "local sales companies" in each region as we have done in the past, we will introduce a "regional headquarters system" in which each headquarters has responsibilities and authority for all business activities in its region. By making maximum use of local needs and know-how, we will build systems enabling R&D, product development, marketing, and sales activities to be handled locally.

As part of this, the product development, marketing, and sales functions in Japan—currently split between head office and the sales company—will be centralized at the Group's Japan regional headquarters.

Strengthen R&D to Generate Innovation

With respect to R&D, we will leverage our advanced basic technologies to promote innovative product development while pursuing connection and integration with our marketing team. At present, annual R&D expenses equate to 1.8% of consolidated net sales, but we plan to raise this ratio to 2.5% by fiscal 2020 while increasing the number of worldwide research personnel to 1,500 from the current level of around 1,000.

We will also promote localization even in the R&D field. To this end, we will expand the scale of our research facilities—in Japan, China, Southeast Asia (Thailand), Europe (France), and the United States—in order to build a system for conducting R&D in various world regions based on customer insights. In these ways, we will improve our ability to develop products reflecting local needs and strengthen links with our local market activities.

At the same time, we will continue positioning Japan as the origin for basic and foundational research, which supports future growth, and we will rigorously reinforce our capabilities in this field. As for new research, we will establish a Global Innovation Center (tentative name) in the Yokohama Minato Mirai 21 District. By attracting highly diverse R&D personnel and bringing together intelligence from around the world, we will expedite creation of innovations. The Global Innovation Center (tentative name) is scheduled to open at the end of fiscal 2018.

Design image for the Global Innovation Center (tentative name)

Build Growth Foundation; Restructure to Generate Investment Resources

Going forward, we will powerfully advance our structural reforms, commenced in fiscal 2014, across all world regions. By fiscal 2017, we will come up with ¥30–40 billion to cover the cost of this initiative (total of basic costs, marketing costs, inventory and supply chain management costs, back office costs, and personnel/productivity costs).

Investment resources derived from these structural reforms will be allocated to store establishment and direct-customer-interface marketing investments, such as offering product samples and sales promotions, as well as to R&D investments, in order to expedite revenue growth.

Establish Global Compliance

In order for a corporation to be valued by society and achieve sustained growth, the society and global environment to which it belongs must be in sound condition. To continue shining brightly 100 years into the future, the Shiseido Group must not only emphasize sound development of business operations and protection of the global environment. It must also share common ground with customers and other business partners and work to resolve problems jointly with them. In line with globalization of the supply chain, it becomes more and more important to procure materials that guarantee safe, high-quality products while avoiding various issues arising at our business partners. To address this situation, we formulated and are enforcing the Shiseido Group Supplier Code of Conduct, which covers six key items: human rights, legal compliance, labor practices, protection of intellectual property and maintenance of confidentiality, protection of the environment, and fair operating practices. We have signed memorandums of understanding with suppliers in Japan and overseas to ensure compliance with this code of conduct. In Japan, we confirm the compliance status of major business partners through questionnaires and other means.

Shiseido Group companies confront a variety of risks around the world. We are working to build and maintain a system capable of identifying, evaluating, and preempting such risks, while swiftly minimizing damage from risks that materialize. We have also set up and operate multiple internal and external help lines and internal and external reporting channels aimed at swiftly identifying and preventing fraudulent behavior.

All of the Shiseido Group's compliance activities, including the aforementioned initiatives, are supervised by the CSR Committee under the direct jurisdiction of the Board of Directors. Going forward, we will monitor ongoing changes in the situation and devise countermeasures as necessary as we reinforce our compliance system globally.

Addressing Social Issues and Expectations

The Company promotes two types of CSR activities: "Fundamental CSR" focusing on minimizing risk to protect corporate value and assure business continuation, and "Unique Shiseido CSR" activities that increase corporate value and link it to business growth. Our Unique Shiseido CSR activities include proposing new concepts of beauty and abundant lifestyles, as well as social contribution initiatives, and identifies three priority areas in which the Shiseido Group can deploy its strengths: "women and cosmetics (beauty care)," "culture," and "the environment."

As a signatory to the Women's Empowerment Principles (WEPs), a set of international guidelines, the Company regards playing a leading role in elevating the social status of women and supporting their advancement as an important part of its mission. We also promote joint male-female participation, reflected in our 30% target for women in leadership roles in the Shiseido Group's Japanese operations by fiscal 2016. In addition, we support the efforts of female researchers specializing in natural science with the aim of fostering the next generation of leading women researchers. Since fiscal 2013, the Company has supported the social advancement of women in agricultural villages in Bangladesh as part of a project subsidized by the Japan International Cooperation Agency (JICA), and we will continue our activities in the future. By empowering local women, these activities help drive the Company's own innovation. Indeed, our activities have led to good outcomes, including our development of sunscreen whose UV protective effects increase rather than decline, even following contact with water or perspiration.

"Environmental responses covering the entire product life cycle" represent a core pillar of our environmental activities. To this end, we will continue actively developing and adopting refillable products. In addition, we will continue worldwide initiatives aimed at reducing CO_2 emissions and protecting biodiversity.

On the cultural front, as well, we will continue supporting the arts and culture through sponsorships and the like.

3) Fiscal 2015 Plan

Change of Fiscal Period (End of Fiscal Year)

We decided to change the Company's fiscal period in order to be able to pursue unified management of the Group as a whole by matching the Company's fiscal period with the fiscal period of all its consolidated subsidiaries, and also to raise the transparency and quality of management by disclosing operating results and other management information in a timely and appropriate manner. Assuming that the approval of shareholders is obtained at the general meeting of shareholders to be held on June 23, 2015, we plan to set December 31 as the fiscal year-end from fiscal 2015. In Japan, therefore, fiscal 2015 will comprise the 9-month period from April to December 2015, while overseas it will comprise the 12-month period from January to December 2015.

Outlook for Fiscal 2015

Our watchwords during fiscal 2015 will be "growth and speed" as we progress with resolving the issues identified in fiscal 2014 by improving accuracy in business management, further reinforcing marketing from the customer's perspective, and reforming our organization to respond to changes in customers, among other measures. Within Japan we will pursue even faster recovery in store sales, while overseas we will improve profitability in Europe and the Americas, and enact business reforms in China.

■ **Consolidated Forecasts for Fiscal 2015 (April 1, 2015–December 31, 2015)**

(Millions of yen, unless otherwise noted)

Net Sales	Operating Income	Ordinary Income	Net Income	Net Income per Share (Yen)
730,000	28,000	28,000	10,000	25.07

Note: As the Company is planning to change its fiscal period, forecasts of consolidated results for fiscal 2015 relating to the Company and its subsidiaries with March 31 fiscal year-ends cover the 9-month period from April 1 to December 31. Forecasts for subsidiaries with December 31 fiscal year-ends cover the 12-month period from January 1 to December 31.

1.2 Outline of the Shiseido Group (As of March 31, 2015)

(1) Principal Businesses of the Shiseido Group

Segment	Main Business
Domestic Cosmetics Business	Domestic cosmetics division (production and sale of cosmetics, cosmetic accessories, and toiletries, etc.) Healthcare division (production and sale of health & beauty foods and over-the-counter drugs), etc.
Global Business	Overseas cosmetics division (production and sale of cosmetics, cosmetic accessories, and toiletries) Overseas and domestic professional division (production and sale of beauty salon products), etc.
Others	Frontier science business (production and sale of cosmetics raw materials, medical-use drugs, medical cosmetics, precision and analytical equipment, etc.) Restaurant business, etc.

(2) Major Business Hubs

Registered Head Office: 5-5, Ginza 7-chome, Chuo-ku, Tokyo

Principal Business Office (Shiodome Office): 6-2, Higashi-Shimbashi 1-chome, Minato-ku, Tokyo

Factories

Name	Location
Kamakura Factory	Kamakura-shi, Kanagawa Pref.
Kakegawa Factory	Kakegawa-shi, Shizuoka Pref.
Osaka Factory	Higashi-Yodogawa-ku, Osaka-shi, Osaka Pref.
Kuki Factory	Kuki-shi, Saitama Pref.
Shiseido Vietnam Inc.	Bien Hoa, Dong Nai Province, Vietnam
Shanghai Zotos Citic Cosmetics Co., Ltd.	Shanghai, China
Shiseido Liyuan Cosmetics Co., Ltd.	Beijing, China
Shanghai Huani Transparent Beauty Soap Co., Ltd.	Shanghai, China
Taiwan Shiseido Co., Ltd. Chung-Li Factory	Jhongli City, Taoyuan Country, Taiwan
Shiseido America Inc. East Windsor Factory	East Windsor, New Jersey, U.S.A.
Davlyn Industries, Inc.	Monroe Township, New Jersey, U.S.A.
Zotos International, Inc. Geneva Factory	Geneva, New York, U.S.A.
Shiseido International France S.A.S. Unité du Val de Loire	Ormes, Orléans, Loiret, France
Shiseido International France S.A.S. Unité de Gien	Gien, Loiret, France

Note: Kamakura Factory was closed at the end of March 2015.

Laboratories

Name	Location
Research Center (Shin-Yokohama)	Tsuzuki-ku, Yokohama-shi, Kanagawa Pref.
Beauty Creation Research Center	Minato-ku, Tokyo
Shiseido cell-Processing & Expansion Center	Kobe-shi, Hyogo Pref.
Shiseido China Research Center Co., Ltd.	Beijing, China
Shiseido Southeast Asia Research Center	Bangkok, Thailand
Shiseido Europe Research Center	Boulogne-Billancourt, Hauts-de-Seine, France
Shiseido International France S.A.S. R&D	Ormes, Orléans, Loiret, France
Shiseido America Research Center	East Windsor, New Jersey, U.S.A.
Zotos International, Inc. R&D	Darien, Connecticut, U.S.A.

(3) Major Subsidiaries and Affiliated Companies of the Shiseido Group

Company Name	Location	Paid-in Capital	Ownership Percentage of Voting Rights	Principal Business
Shiseido Sales Co., Ltd.	Minato-ku, Tokyo	(million JPY) 100	% 100.0	Sale of cosmetics, etc.
Shiseido FITIT Co., Ltd.	Chuo-ku, Tokyo	(million JPY) 10	100.0	Sale of cosmetics, etc.
Shiseido International Inc.	Chuo-ku, Tokyo	(million JPY) 30	100.0	Sale of cosmetics, etc.
The Ginza Co., Ltd.	Chuo-ku, Tokyo	(million JPY) 100	98.2	Sale of cosmetics, etc.
Shiseido Pharmaceutical Co., Ltd.	Chuo-ku, Tokyo	(million JPY) 100	100.0	Sale of over-the-counter drugs, etc.
FT Shiseido Co., Ltd.	Chuo-ku, Tokyo	(million JPY) 100	100.0	Sale of toiletries
Shiseido Professional Co., Ltd.	Chuo-ku, Tokyo	(million JPY) 250	100.0	Sale of beauty salon products, etc.
Shiseido Beauty Salon Co., Ltd.	Chuo-ku, Tokyo	(million JPY) 100	100.0	Operation of beauty salons
Shiseido Americas Corporation	Delaware, U.S.A.	(thousand USD) 403,070	100.0	Holding company and sale of cosmetics, etc. in U.S.A.
Shiseido America, Inc.	New York, U.S.A.	(thousand USD) 28,000	— (100.0)	Production of cosmetics, etc.
Bare Escentuals, Inc.	Delaware, U.S.A.	(USD) 0.01	— (100.0)	Holding company of Bare Escentuals Group
Bare Escentuals Beauty, Inc.	Delaware, U.S.A.	(USD) 1.00	— (100.0)	Sales of cosmetics, etc.
Zotos International, Inc.	Connecticut, U.S.A.	(thousand USD) 25,000	— (100.0)	Holding company of Zotos Group and production and sale of beauty salon products, etc.
Shiseido International Europe S.A.	Paris, France	(thousand EUR) 256,133	100.0	Holding company in Europe
Shiseido International France S.A.S.	Paris, France	(thousand EUR) 36,295	— (100.0)	Production of cosmetics, etc.

Company Name	Location	Paid-in Capital	Ownership Percentage of Voting Rights	Principal Business
Shiseido Deutschland GmbH	Dusseldorf, Germany	(thousand EUR) 5,200	— (100.0)	Sale of cosmetics, etc.
Shiseido Cosmetici (Italia) S.p.A.	Milan, Italy	(thousand EUR) 2,400	— (100.0)	Sale of cosmetics, etc.
Shiseido Europe, S.A.S.	Paris, France	(thousand EUR) 9,000	— (100.0)	Sale of cosmetics, etc.
Shiseido (RUS), LLC.	Moscow, Russia	(thousand Russian ruble) 106,200	— (100.0)	Sale of cosmetics, etc.
Beauté Prestige International S.A.	Paris, France	(thousand EUR) 17,760	— (100.0)	Holding company of Beauté Prestige International Group and sale of designer fragrances, etc.
Shiseido China Co., Ltd.	Shanghai, China	(thousand RMB) 565,093	100.0	Holding company and sale of cosmetics, etc. in China
Shanghai Zotos Citic Cosmetics Co., Ltd.	Shanghai, China	(thousand RMB) 418,271	26.3 (92.6)	Production of cosmetics, etc.
Shiseido Liyuan Cosmetics Co., Ltd.	Beijing, China	(thousand RMB) 94,300	32.0 (65.0)	Production and sale of cosmetics, etc.
Shiseido Hong Kong Cosmetics Ltd.	Hong Kong, China	(thousand HKD) 123,000	100.0	Sale of cosmetics, etc.
Taiwan Shiseido Co., Ltd.	Taipei, Taiwan	(thousand TWD) 1,154,588	51.0	Holding company and production and sale of cosmetics, etc. in Taiwan
Shiseido Travel Retail Asia Pacific Pte. Ltd.	Singapore	(thousand USD) 48	— (100.0)	Sale of cosmetics, etc.
Shiseido Parlour Co., Ltd.	Chuo-ku, Tokyo	(million JPY) 100	99.3	Operation of restaurants, etc.
Selan Anonymous Association	Chiyoda-ku, Tokyo	(million JPY) 11,600	— [100.0]	Management of real estate, etc.

Note: Figures in parentheses ( ) in the Ownership Percentage of Voting Rights column include the share of indirect ownership. Those in brackets [ ] indicate share of related or approved parties.

(4) Matters Concerning Employees of the Group

Business Category	Number of Employees		Comparison with the Previous Fiscal Year	
Domestic Cosmetics Business	11,932	[7,600]	-231	[-172]
Overseas Business	20,572	[5,008]	+168	[-279]
Others	496	[340]	+9	[-9]
Total	33,000	[12,948]	-54	[-460]

Notes:

1. "-"denotes decrease.
2. The numbers of employees shown are full-time employees. Annual average numbers of temporary employees are shown in [ ]. Temporary employees are part-time workers, and dispatched employees are excluded.
3. The ratio of female employees in the Shiseido Group worldwide is 84.3%, while in Japan the ratio is 83.7%.

(5) Main Supplies of Loans to the Group

Lender	Outstanding Balance
Mizuho Bank, Ltd.	39,316 million JPY 3,020 thousand USD 6,100 million KRW

2. Matters Concerning Shares Issued by the Company (As of March 31, 2015)

(1) Total Number of Shares Authorized to Be Issued:

1,200,000,000 shares

(2) Number of Shares Issued and Outstanding:

400,000,000 shares (including 1,174,894 shares of treasury stock)

(3) Number of Shareholders:

53,008

(4) Principal Shareholders:

Shareholders	Investment in the Company	
	Number of Shares Held	Percentage of Shareholding
	(thousand shares)	%
JP MORGAN CHASE BANK 380055	29,703	7.44 <7.42>
The Master Trust Bank of Japan, Ltd. (Trust Account)	28,377	7.11 <7.09>
Mizuho Bank, Ltd.	21,226	5.32 <5.30>
Japan Trustee Services Bank, Ltd. (Trust Account)	13,594	3.40 <3.39>
Association of Shiseido Employees' Investment in the Company's shares	9,405	2.35 <2.35>
Sompo Japan Nipponkoa Insurance Inc.	5,934	1.48 < 1.48>
Nippon Life Insurance Company	5,615	1.40 <1.40>
Mitsui Sumitomo Insurance Company, Limited	5,600	1.40 <1.40>
THE BANK OF NEW YORK MELLON SA/NV 10	5,286	1.32 <1.32>
STATE STREET BANK AND TRUST COMPANY	5,227	1.31 <1.30>

Notes:

1. Calculations of percentage of shareholding, including below Notes are based on the total number of issued and outstanding shares excluding treasury stock. Calculations of percentage of shareholding indicated in < > are based on the total number issued and outstanding shares including treasury stock.
2. All shares held by The Master Trust Bank of Japan, Ltd. (Trust Account) and Japan Trustee Services Bank, Ltd. (Trust Account) are connection with the respective bank's trust business.
3. The number of shares held by Mizuho Bank, Ltd., 21,226 thousand shares, include their holding of 11,226 thousand shares in its own name and holding by its employee pension trust of 10,000 thousand shares (6,000 thousand shares with voting rights and 4,000 thousand shares without voting rights) under a registered name, Mizuho Trust & Banking Co., Ltd. re-trusted to Trust & Custody Services Bank, Ltd. Employees Pension Trust for Mizuho Bank. A report of amendment to large shareholdings from Mizuho Bank, Ltd. that on May 22, 2014, it held 32,157 thousand shares through joint holdings (Percentage of shareholding: 8.06%), of which 23,526 thousand shares (5.89%,) are held by Mizuho Bank, Ltd. has been filed with the Director-General of the Kanto Finance Bureau and the Company has received its copy.
4. A report of amendment to large shareholdings from the Sumitomo Mitsui Trust Bank, Ltd., that on August 21, 2014, it held 20,060 thousand shares through joint holdings (Percentage of shareholding: 5.02%), of which 14,600 thousand shares (3.66%) are held by the Sumitomo Mitsui Trust Bank, Ltd., has been filed with the Director-General of the Kanto Finance Bureau and the Company has received its copy. However, the Mitsubishi UFJ Financial Group has been excluded from the above principal shareholders, as the actual number of shares held by the said company has not been confirmed by the Company as of the end of the fiscal year.
5. A report of amendment to large shareholdings from Capital Research and Management Company, that on October 22, 2014, it held 32,714 thousand shares (Percentage of shareholdings: 8.20%), has been filed with the Director-General of the Kanto Finance Bureau and the Company has received its copy. However, Capital Research and Management Company has been excluded from the above principal shareholders, as the actual number of shares held by the said company has not been confirmed by the Company as of the end of the fiscal year.
6. A report of amendment to large shareholdings from Mitsubishi UFJ Financial Group, Inc., that on February 2, 2015, it held 30,281 thousand shares through joint holdings (Percentage of shareholding: 7.59%), of which 23,775 thousand shares (5.96%) are held by the Mitsubishi UFJ Trust and Banking Corporation, has been filed

with the Director-General of the Kanto Finance Bureau and the Company has received its copy. However, the Mitsubishi UFJ Financial Group has been excluded from the above principal shareholders, as the actual number of shares held by the said company has not been confirmed by the Company as of the end of the fiscal year.

3. Matters Concerning Shares Held by the Company (As of March 31, 2015)

(1) The Company's Policy with Regard to Strategic Stockholdings:

The Company conducts strategic stockholdings of its shares in accordance with the policy below, and keeps such stockholdings at the minimum level necessary.

1. In line with good corporate governance, the Company avoids being an inert stockholder in its strategic stockholdings.
2. The Company takes dividends and other returns into consideration and holds stocks only if they offer business benefits such as facilitating operations.
3. The Company regularly reviews its stockholdings, primarily from the perspective of business benefits and other advantages, and mainly curtails its holdings of stocks that have become less necessary.

(2) The Company's Criteria for Exercising Voting Rights with Regard to Strategic Stockholdings:

When exercising its voting rights with regard to shares of strategic stockholdings, the Company confirms whether the proposed item of business would lead to impairment of shareholder value. It then considers the situation of an investee company and other factors to determine its approval or disapproval before exercising its voting rights.

If the Company wishes to confirm the intent of an item of business, etc., it will discuss the matter with the investee company if necessary.

(3) Number of Stockholdings the Company Holds for Purposes Other Than Realizing Direct Investment Gains and Total Amount on the Balance Sheet:

Number of Companies	Amount on Balance Sheet
97	(million yen) 21,464

(4) The 10 Largest Stockholdings of Publicly Listed Companies in the Amount on the Balance Sheet, Which the Company Holds for Purposes Other Than Realizing Direct Investment Gains (Including Publicly Listed Companies of Which Amounts Reported on the Balance Sheet Exceed One Percent of Capital):

Company	Number of Shares	Amount on Balance Sheet	Main Transaction	Purpose for Holding Shares
Mizuho Financial Group, Inc.	(thousand shares) 16,625	(million yen) 3,509	Financial transactions with the subsidiaries of the issuer	To further facilitate operations
Mitsubishi UFJ Financial Group, Inc.	2,496	1,856	Financial transactions with the subsidiaries of the issuer	
ONO PHARMACEUTICAL CO., LTD.	117	1,588	Product sales	
TOPPAN PRINTING CO., LTD.	1,628	1,507	Purchase of product packaging and sales promotion materials	
Tokio Marine Holdings, Inc.	300	1,361	Insurance transactions with the subsidiaries of the issuer	
Dai Nippon Printing Co., Ltd.	871	1,018	Purchase of product packaging and sales promotion materials	
Paltac Corporation	600	1,013	Product sales	
Sompo Japan Nipponkoa Holdings, Inc.	221	826	Insurance transactions with the subsidiaries of the issuer	
MS&AD Insurance Group Holdings, Inc.	239	806	Insurance transactions with the subsidiaries of the issuer	
Sumitomo Mitsui Trust Holdings, Inc.	1,432	709	Outsourcing administration business of share register and financial transactions with the subsidiaries of the issuer	

Notes:

1. The Company does not hold shares for the purpose of realizing direct investment gains.
2. In terms of the companies listed above, the amounts reported on the balance sheet exceed one percent of the amount of capital of the Company.

4. Matters Concerning Stock Acquisition Rights (As of March 31, 2015)

The Company issues stock acquisition rights for directors and corporate officers. These are stock options for directors and corporate officers, etc., which is offered as a long-term incentive.

Total number of shares that are the object of all stock acquisition rights issued as of March 31, 2015 and the percentage thereof to the total number of shares issued and outstanding as of the same date, excluding treasury stock are as follows:

Total Number of Shares That Are the Object of Stock Acquisition Rights	Percentage of Total Number of Shares Issued and Outstanding (Excluding Treasury Stock)
Shares 1,061,000	% 0. 26

These stock acquisition rights were granted as stock options in order to link remuneration of the directors and corporate officers of the Company with an increase in its shareholder value on a long-term basis, while placing emphasis on their sharing interests with its shareholders. These stock options are categorized into two. One is the performance-linked compensation as remuneration to directors and corporate officers since fiscal 2008 and whose amount payable for exercise is set at ¥1, and the other is the performance-linked stock option as remuneration to directors and corporate officers having offices by fiscal 2007 and whose amount payable for exercise is set based on the market fair value of the share of the Company at that time.

No stock acquisition rights are allotted to external directors and audit & supervisory board members.

■ Stock Acquisition Rights Issued during the Fiscal Year under Review

<table>
<tr><th rowspan="2"></th><th rowspan="2">Issue Date of Stock Acquisition Rights</th><th rowspan="2">Grantees of Stock Acquisition Rights</th><th rowspan="2">Amount Paid for Stock Acquisition Rights</th><th rowspan="2">Amount Contributed upon Exercise of Stock Acquisition Rights</th><th rowspan="2">Exercise Period of Stock Acquisition Rights</th><th colspan="2">As of March 31, 2015</th></tr>
<tr><th>Holding Condition and Number of the Stock Acquisition Rights</th><th>Class and Number of Shares to Be Issued Upon Exercise of Stock Acquisition Rights</th></tr>
<tr><td rowspan="3">Stock Acquisition Rights Issued in Consideration of Duty</td><td rowspan="3">August 28, 2014</td><td rowspan="3">Directors and corporate officers of the Company 18 persons</td><td rowspan="3">1,898.5 yen per share</td><td rowspan="3">1 yen per share</td><td rowspan="3">From August 1, 2017 to July 31, 2029</td><td>Directors of the Company 5 persons 701 rights</td><td>Common stock of the Company 70,100 shares</td></tr>
<tr><td>Corporate officers who do not serve as directors 11 persons 529 rights</td><td>52,900 shares</td></tr>
<tr><td>Others 2 persons 113 rights</td><td>11,300 shares</td></tr>
</table>

Notes:

1. The number of allotted stock acquisition rights and allotted person during the fiscal year under review and class and number of shares to be issued upon exercise of the stock acquisition rights are shown on "Holding Condition and Number of the Stock Acquisition Rights" and "Class and Number of Shares to Be Issued Upon Exercise of Stock Acquisition Rights" as of March 31, 2015.
2. The grantees of the stock acquisition rights include one person who was Representative Director, Chairman up to the conclusion of the 114th ordinary general meeting of shareholders.

Stock Acquisition Rights Issued during in the Past Fiscal Years

	Issue Date of Stock Acquisition Rights	Grantees of Stock Acquisition Rights	Amount Paid for Stock Acquisition Rights	Amount Contributed upon Exercise of Stock Acquisition Rights	Exercise Period of Stock Acquisition Rights	As of March 31, 2015 Holding Condition and Number of the Stock Acquisition Rights	As of March 31, 2015 Class and Number of Shares to Be Issued Upon Exercise of Stock Acquisition Rights
Stock Acquisition Rights Delivered as Advantageous Issuance	July 28, 2005	Directors and corporate officers of the Company 26 persons	Gratis issue	1,481 yen per share	From July 1, 2007 to June 28, 2015	Others 3 persons 38 rights	Common stock of the Company 38,000 shares
Stock Acquisition Rights Issued in Consideration of Duty	August 23, 2006	Directors and corporate officers of the Company 23 persons	Gratis issue	2,300 yen per share	From August 1, 2008 to July 30, 2016	Others 23 persons 141 rights	Common stock of the Company 141,000 shares
	August 23, 2007	Directors and corporate officers of the Company 21 persons	Gratis issue	2,615 yen per share	From August 1, 2009 to July 30, 2017	Directors of the Company 1 person 22 rights	Common stock of the Company 22,000 shares
						Others 20 persons 137 rights	137,000 shares
	August 21, 2008	Directors and corporate officers of the Company 19 persons	2,381 yen	1 yen per share	From August 1, 2011 to July 30, 2018	Directors of the Company 2 persons 12 rights	Common stock of the Company 12,000 shares
						Corporate officers who do not serve as director 1 person 3 rights	3,000 shares
						Others 2 persons 6 rights	6,000 shares
	August 28, 2009	Directors and corporate officers of the Company 19 persons	1,468 yen	1 yen per share	From August 1, 2012 to July 31, 2019	Directors of the Company 2 persons 182 rights	Common stock of the Company 18,200 shares
						Corporate officers who do not serve as director 1 person 47 rights	4,700 shares
						Others 7 persons 415 rights	41,500 shares

	Issue Date of Stock Acquisition Rights	Grantees of Stock Acquisition Rights	Amount Paid for Stock Acquisition Rights	Amount Contributed upon Exercise of Stock Acquisition Rights	Exercise Period of Stock Acquisition Rights	As of March 31, 2015	
						Holding Condition and Number of the Stock Acquisition Rights	Class and Number of Shares to Be Issued Upon Exercise of Stock Acquisition Rights
Stock Acquisition Rights Issued in Consideration of Duty	August 30, 2010	Directors and corporate officers of the Company 18 persons	1,757 yen	1 yen per share	From August 1, 2013 to July 31, 2020	Directors of the Company 4 persons 240 rights	Common stock of the Company 24,000 shares
						Corporate officers who do not serve as director 2 persons 78 rights	7,800 shares
						Others 6 persons 298 rights	29,800 shares
	August 30, 2011	Directors and corporate officers of the Company 17 persons	1,294 yen	1 yen per share	From August 1, 2014 to July 31, 2026	Directors of the Company 4 persons 326 rights	Common stock of the Company 32,600 shares
						Audit & supervisory board members of the Company 1 person 53 rights	5,300 shares
						Corporate officers who do not serve as director 2 persons 106 rights	10,600 shares
						Others 9 persons 1,006 rights	100,600 shares
	August 30, 2012	Directors and corporate officers of the Company 19 persons	1,001 yen	1 yen per share	From August 1, 2015 to July 31, 2027	Directors of the Company 4 persons 446 rights	Common stock of the Company 44,600 shares
						Audit & supervisory board members of the Company 1 person 68 rights	6,800 shares
						Corporate officers who do not serve as director 5 persons 340 rights	34,000 shares
						Others 9 persons 1,236 rights	123,600 shares

	Issue Date of Stock Acquisition Rights	Grantees of Stock Acquisition Rights	Amount Paid for Stock Acquisition Rights	Amount Contributed upon Exercise of Stock Acquisition Rights	Exercise Period of Stock Acquisition Rights	As of March 31, 2015	
						Holding Condition and Number of the Stock Acquisition Rights	Class and Number of Shares to Be Issued Upon Exercise of Stock Acquisition Rights
	August 29, 2013	Directors and corporate officers of the Company 16 persons	1,434 yen	1 yen per share	From August 1, 2016 to July 31, 2028	Directors of the Company 4 persons 235 rights	Common stock of the Company 23,500 shares
						Audit & supervisory board members of the Company 1 person 38 rights	3,800 shares
						Corporate officers who do not serve as director 7 persons 266 rights	26,600 shares
						Others 4 persons 297 rights	29,700 shares

Note: Holding of the stock acquisition rights as of March 31, 2015 by an audit & supervisory board member of the Company was granted during his term of office as a corporate officer and his term of office as a Director serving concurrently as a Corporate Officer.

5. Matters Concerning Status of Corporate Governance and Directors, Audit & Supervisory Board Members and Corporate Officers of the Company

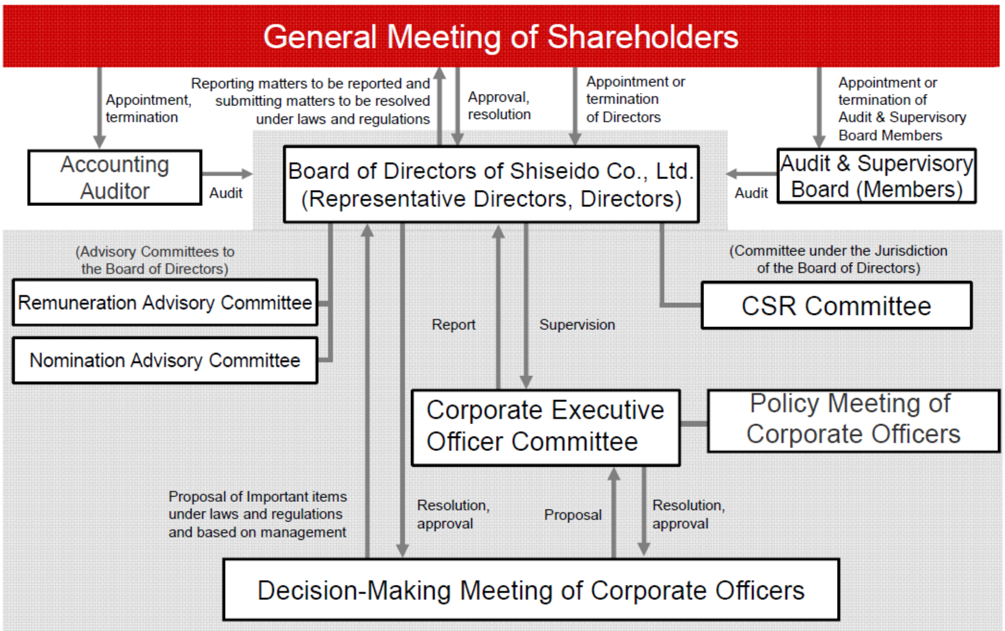
(1) Corporate Governance Policy

The Company understands the importance of maximizing medium- and long-term corporate and shareholder value, fulfilling social responsibilities and achieving sustainable growth and development as the keys to maintaining support as a valuable company from all stakeholders (customers, business partners, employees, shareholders, society and the Earth). In order to improve "Management transparency, fairness and speed," which is necessary to realize these aims, the Company is setting higher standards of corporate governance.

(2) Outline of the Company's System for the Management and Execution of Business

1) Corporate Governance Framework of the Company

Corporate governance framework of the Company as of March 31, 2015 is as follows.



<Committees Associated with Corporate Officers>

Corporate Executive Officer Committee:

Final decision-making body comprising corporate officers in charge of business execution, regarding material matters of business execution

Policy Meeting of Corporate Officers:

Committee of corporate officers to deliberate the Company's medium-to-long-term strategies and decide the direction of the strategies to take

In addition to the above, corporate officers make decisions regarding the execution of business in their respective business divisions and hold Decision-Making Meetings of Corporate Officers to deliberate matters to be proposed to the Board of Directors and the Corporate Executive Officer Committee.

<Advisory Committees to the Board of Directors>

Remuneration Advisory Committee:

Makes reports to the Board of Directors regarding the remuneration system for directors as well as evaluation of their performance. Remuneration Advisory Committee had three meetings in fiscal 2014 and reviewed issues including the Company's executive bonuses for fiscal 2014 and a new remuneration system for the three year period from fiscal 2015 to fiscal 2017.

(Chairman: Mr. Shoichiro Iwata, external director, Committee members: 2 external directors, 2 executive directors, 1 external member)

Nomination Advisory Committee:

Makes reports to the Board of Directors on matters including the selection of candidates for directors and corporate officers and their promotions and demotions. The Nomination Advisory Committee had three meetings in fiscal 2014. In addition to proposing the formulation of a framework comprising directors, audit & supervisory board members and corporate officers, the committee carried out activities including discussing promotions, recruitments, retirements and appointments from outside.

(Chairman: Mr. Tatsuo Uemura, external director, Committee members: 2 external directors, 2 executive directors)

<Committees under the Jurisdiction of the Board of Directors>

CSR Committee:

Addresses all areas that are required for the Shiseido Group to fulfill its social responsibility, grasping the details of social requirements or expectations and examining the direction of CSR activities. The committee also comprehends and evaluates the risks of management strategies and business operations, thereby establishing necessary measures.

The CSR Committee had three meetings in fiscal 2014, and deliberated over sharing and handling company-wide risk and compliance issues, grasping societal expectations of the Company and the future direction of the Group's activities.

(Chairman: Masahiko Uotani, Representative Director, President and CEO, Committee members: 1 external director, 3 executive directors, 3 corporate officers, 1 general manager of corporate planning department, 1 labor union representative, 1 external member,
Observer: 1 full-time audit & supervisory board member)

2) Reasons for Adopting the Current Framework

The Company has adopted the framework of a company with the audit & supervisory board system, which exercises the dual checking functions over business execution by the Board of Directors and over the legality and effectiveness by the audit & supervisory board members. Furthermore, the Company believes that as a global enterprise, it is essential to establish corporate governance that wins the trust of stakeholders at a high level and strengthens corporate management's capability to prevail over the competition. Consequently, the Company, to the end of improving the "Management transparency, fairness and speed," has been engaged in reforms to its corporate governance from the following four perspectives:

- Clarifying the allocation of responsibility (Introduction of the corporate officer system and the like)
- Enhancing management transparency and soundness (Establishment of the Remuneration Advisory Committee and the Nomination Advisory Committee)
- Reinforcing supervisory and auditing functions (Employing external directors, appointing highly independent external directors and audit & supervisory board members (external))
- Strengthening decision-making function (Establishment of the Corporate Executive Officer Committee and the like)

In order to strengthen these functions, the Company has adopted the framework of a company with the audit & supervisory board system as its base to which it has integrated the superior functions of a company with the nominating committee, etc.

3) Basic Philosophy regarding Diversity, etc. of Directors and Audit & Supervisory Board Members

The Company believes that the Board of Directors of the Company should be composed of directors with various viewpoints and backgrounds, on top of multilateral sophisticated skills, for effective supervision over the execution of business as well as decision-making on critical matters. Furthermore, the Company believes that audit & supervisory board members should have the same diversity and sophisticated skills as the directors as they have a duty to attend meetings of the Board of Directors and state opinions as necessary.

On the other hand, the Company expects external directors to effectively perform double checks, the supervisory function by the Board of Directors and the auditing function by the Audit & Supervisory Board, thus external directors with voting rights at the Board of Directors are needed, let alone statutory external audit & supervisory board members, where high degree of independence is a critical requirement for both capacities.

Diversity of the directors and the audit & supervisory board members must be ensured in the critical decision-making. In this respect female value and thinking is of particular importance to Shiseido, a cosmetic manufacturer, and as a result, the Company believes that electing female directors and the audit & supervisory board members is vital.

As of the end of March, 2015, 8 directors include 3 with career background in the Shiseido Group, 1 with career background as a management outside the Shiseido Group, 1 foreign national with career background in cosmetics business outside the Shiseido Group and 3 members outside the Company with high degree of independence. Meanwhile, 5 audit & supervisory board members include 2 full-timers with career background in the Shiseido Group and 3 part-time members outside the Company with high degree of independence. Total 13 directors and audit & supervisory board members comprise 10 males and 3 females.

These diverse members engage in discussions capitalizing on respective knowledge, experience and competence for decision-making and supervision of business execution based on laws and regulations and management.

4) Provision of Training to Directors, Audit & Supervisory Board Members and Corporate officers and Cultivation of the Next Generation of Management

Prior to the assumption of office, the newly appointed external directors and audit & supervisory board members (external) take part in training programs through which they attain knowledge of the Company, such as the industry in which it operates, its history, an overview of its business, strategies and more. In addition, the Company gives candidates for new directors and new audit & supervisory board members training regarding their legal powers, obligations and the like, and also makes use of training at external institutions where necessary.

For directors who execute business and corporate officers, the Company holds an executive program, as well as utilizing training at external institutions, in order to develop leadership capabilities to an even higher level. In respect of the cultivation of the next generation of management, who are corporate officer candidates are provided with training programs to nurture their leadership abilities and management skills required for top management officers.

5) Criteria for Independence of "External Directors"

The Company establishes its own rules of "Criteria for Independence of the External Directors" (the "Criteria") with reference to foreign laws and regulations and listing rules, etc. for the purpose of making objective assessment on the independence of the External Directors.

In connection with selecting candidates for the External Directors, the Company places emphasis on a high degree of the independence of the candidate from the viewpoint of strengthening corporate governance and accordingly, the Company makes judgment on whether or not the candidate has a high degree of the independence in accordance with the Criteria. Provided, however, that the candidates for the External Directors are to be selected upon taking into consideration not only a high degree of the independence but also his/her personality and knowledge, etc. As far as the candidates fulfill the requirements for the external nature of an External Director provided for in the Companies Act and have knowledge and experience, etc. enabling them to achieve duties as the External Directors of the Company, those candidates might be invited to the External Directors even if the Criteria might not be satisfied.

The Criteria are as follows:

Shiseido Company, Limited (the "Company") deems an external director and audit & supervisory board member (external) (collectively the "External Director") or a candidate for the External Director to have sufficient independence against the Company in the event that all the following requirements are fulfilled upon the Company's research to the practically possible and reasonable extent.

1. He/She is not and has not been an executive person[i] of the Company or an affiliated company[ii] (collectively the "Shiseido Group").

   In the case of an audit & supervisory board member (external), in addition to the above, he/she has not been a non-executive director or accounting advisor (in the case of accounting advisor being an artificial person, a staff member in charge of the duty) of the Shiseido Group.

2. He/She does not fall under any of the following items for the current fiscal year and the last nine (9) fiscal years (all these fiscal years being referred to as the "Relevant Fiscal Years"):

   1) A counterparty which has transactions principally with the Shiseido Group[iii], or its executive person (including a person having once been an executive officer for the Relevant Fiscal Years. The same is applicable to Items 2) to 4) of this Clause below);

   2) A principal counterparty of the Shiseido Group[iv], or its executive person;

   3) A large shareholder who holds or has held directly or indirectly 10% or more of the voting rights of the Company in the Relevant Fiscal Years or its executive person;

   4) An executive person of a company of which the Shiseido Group holds or has held directly or indirectly 10% or more of the total voting rights in the Relevant Fiscal Years;

   5) A consultant, accounting professional or legal professional who has been paid a large amount of money or other assets[v] in addition to the External Director's remunerations in the Relevant Fiscal Years. In addition, in the event that the consultant, accounting professional or legal professional is an organization such as artificial person or association, a person who belongs to such organization (including a person who has once belonged to such organization in the Relevant Fiscal Years. The same is applicable to Items 6) and 7) below of this Clause) is included;

   6) A person/organization who received donation of a large amount of money or other assets[v] from the Shiseido Group in the Relevant Fiscal Years. In addition, in the event that those who received donation from the Shiseido Group are an organization such as artificial person or association, a person who belongs to such organization is included;

   7) An accounting auditor of the Company. In addition, in the event that the accounting auditor is an organization such as artificial person or association, a person who belongs to such organization is included.

3. He/She is not a spouse of the following person, relative in second or less degree, relative living in the same place or a person with whom living costs are shared, provided, however that Item 2) is applicable only to make judgment on the independence of an audit & supervisory board member (external):

   1) An important person[vi] among executive persons of the Shiseido Group;

   2) Non-executive director of a company in the Shiseido Group;

   3) A person falling under any of Items 1) to 4) of Clause 2; provided, however, that with respect to these executive persons, applicable only to the important person[vi];

4) A person falling under any of Items 5) to 7) of Clause 2; provided, however, that with respect to a person belonging to the organization, applicable only to the important persons[vii].

4. Any of the following situations that could be deemed as "Cross-Assumption of Offices of Directors, etc." is not applicable:

1) In the event that the External Director of the Company or a candidate for the External Director of the Company currently assumes the office of an executive person, external director, audit & supervisory board member or the office equivalent thereto[viii] of a company other than the Company, in Japan or overseas (the "Subject Company"), an executive person, external director, audit & supervisory board member (excluding the aforesaid External Director or candidate for the External Director) or person in the office equivalent thereto of the Shiseido Group assumes the office of a director (including an external director), executive officer, audit & supervisory board member (including audit & supervisory board member (external)), executive officer or person in the position equivalent thereto[viii] of the Subject Company.

2) In the event that the External Director of the Company or a candidate for the External Director of the Company currently assumes the office of an executive person, director, officer or the office equivalent to director or officer of an artificial person or other organization (other than a company) (the "Subject Organization"), an executive person, external director, audit & supervisory board member (excluding aforesaid executive officer or candidate for External Director) or person in the office equivalent thereto of the Shiseido Group assumes the office of a director, officer or person in the position equivalent thereto[ix] of the Subject Organization.

5. In addition to Clauses 1 to 4, there exist no circumstances in which duties imposed on an independent External Director are reasonably deemed not to be achieved.

6. It is presently expected that any event or matter stated in Clauses 1 to 5 would not occur or exist hereafter.

Notes:

i. An "executive person" means an executive director, executive officer, corporate officer, staff executing business of a company divided into interest (*mochibun kaisha*) (in the event of the staff being an artificial person, a person to discharge duties stated in Article 598, Paragraph 1 of the Companies Act), a person executing business of artificial person or organization other than a company and an employed person (an employee, etc.) of an artificial person or organization including a company.

ii. An "affiliated company" means the affiliated company stated in Article 2, Paragraph 3, Item 22 of the Ordinance on Company Accounting.

iii. A "counterparty which has transactions principally with the Shiseido Group" means a person/organization falling under any of the following items:

1) The counterparty or the counter party group (a consolidated group to which the company that has direct transactions with the Shiseido Group belongs to) (collectively the "counterparty") which provides or provided products or services to the Shiseido Group and the aggregate amount of transactions between the counterparty and the Shiseido Group is at least ¥10 million per fiscal year, and exceeds 2% of consolidated net sales of the counterparty (or if the counterparty does not prepare consolidated financial statements, non-consolidated net sales of the counterparty) for the Relevant Fiscal Years.

2) The counterparty group to which the Shiseido Group is or was indebted to the counterparty group and the aggregate amount of indebtedness of the Shiseido Group is at least ¥10 million as at the end of each fiscal year, and exceeds 2% of consolidated total assets (or if the counterparty does not prepare consolidated financial statements, non-consolidated total assets of the counterparty) of the counterparty for the Relevant Fiscal Years.

iv. A "principal counterparty of the Shiseido Group" means a person/organization falling under any of the following items:

1) The counterparty to which the Shiseido Group provides or provided products or services and the aggregate amount of transactions between the counterparty and the Shiseido Group is at least ¥10 million per fiscal year, and which exceeds 2% of consolidated net sales of the Shiseido Group for the Relevant Fiscal Years.

2) The counterparty to which the Company Group has account-receivable, advance and account due (collectively "account-receivable") and the aggregate amount of the account-receivable of the Shiseido Group is at least ¥10 million as at the end of each fiscal year, and exceeds 2% of consolidated total assets of the Shiseido Group as at the end of the Relevant Fiscal Years.

3) A financial institution group (to which the direct lender belongs) from which the Shiseido Group borrows or borrowed and the aggregate amount of the borrowing exceeds 2% of consolidated total assets of the Shiseido Group as at the end of the Relevant Fiscal Years.

v. A “large amount of money or other assets” means an amount of at least ¥10 million per fiscal year.

vi. An “important person” from among executive persons means a director (excluding external director), an executive officer, corporate officer, and employed person in the office of senior management not lower than general manager.

vii. An “important person” from among persons “belonging to the organization” stated in 5) and 7) in Clause 2 above means an officer such as certified public accountants belonging to audit corporation or accounting firm, lawyer (including so as to call associates) belonging to law firm, director and supervisor belonging to a judicial foundation, incorporated association, incorporated school and other artificial persons (collectively “Various Artificial Person”) In the event that an organization to which a person belongs is not any of audit corporation, accounting firm, law firm and Various Artificial Person, a person who is deemed objectively and reasonably important equivalent to the persons stated above in this note by the organization.

viii. An “office of an executive person, external director, audit & supervisory board member or the position equivalent thereto” includes the positions such as “Counselor,” “Advisor,” etc. assumed by retired director, retired audit & supervisory board member, retired executive officer or retired corporate officer enabling them to give advice to the Company, in addition to an executive person defined in Note ii above, non-executive director (including external director), and audit & supervisory board member (including audit & supervisory board member (external)).

ix. The “office of director or person in the position equivalent thereto” includes the positions such as “Counselor,” “Advisor,” etc. assumed by retired director, retired councilor or retired supervisor enabling them to give advice to the subject organization, in addition to director, councilor or supervisor.

(3) Systems for Internal Control

1) System under Which Execution of Duties by Directors Is Ensured to Comply with Laws and Regulations and the Articles of Incorporation of the Company; System under Which Business of the Company Group Is Ensured Duly to Be Conducted

In order to build up an effective Internal Control System under the corporate governance policy, “Basic Policy regarding Internal Control Systems” was established by the Board of Directors meeting held on May 12, 2006. Following this, at the Board of Directors meeting held on March 31, 2015, from the perspective of handling revisions to laws and strengthening governance, items regarding management of subsidiaries and items regarding the auditing structure were newly added.

“Basic Policy regarding Internal Control Systems” of the Company is as follows:

(1) System under Which Execution of Duties by Directors and Employees of the Company and all Group Companies Is Ensured to Comply with Laws and Regulations and the Articles of Incorporation of the Company; System under Which the Appropriateness of Business of the Whole Group Is Ensured

The Board of Directors shall determine important matters which will affect the Company and its subsidiaries and affiliates as a group.

The representative directors of the Company shall regularly report the status of execution of business to the Board of Directors. External directors shall be elected to strengthen and maintain the Board of Directors’ supervisory functions in regard to operational execution. The audit & supervisory board members audit legality and appropriateness of the directors’ execution of business. Upon request of any audit & supervisory board member, directors and employees shall report the status of execution of business to the audit & supervisory board member.

In order to realize “Our Mission,” which defines the Shiseido Group’s corporate philosophy and business domains and sets out its raison d'être, the Company has established “Our Values,” which must be held and shared by each and every employee of the Shiseido Group, and “Our Way” and the “Shiseido Ethical Conduct Standards,” which sets out the action standards for business conducts with highest ethical standards, and promotes corporate activities that are both legitimate and fair. (*)

The Company should establish a basic policy and rules in line with “Our Way” and the “Shiseido Ethical Conduct Standards,” with which the whole Shiseido Group is required to comply. Every group company and business office shall be fully aware of this policy and rules, along with “Our Mission,” “Our Values,” “Our Way” and the “Shiseido Ethical Conduct Standards,” so that environments for the formulation of detailed internal regulations of the Company will be created at every group company and business office.

The “CSR Committee,” under jurisdiction of the Board of Directors, shall be responsible for improving the quality of the Company by enhancing legitimate and fair corporate activities of the group, and risk management. The committee shall propose and report the plans and activities to the Board of Directors.

The Company deploys a person in charge of corporate ethics promotion at each group company and business office in order to promote legitimate and fair corporate activities across the Group, and organizes regular training for corporate ethics. The person in charge of corporate ethics promotion drafts plans for corporate ethics activities at each workplace, and reports the status of the said activities and their results to the CSR Committee.

For the purpose of detection and remediation of conducts within the Group that are in violation of laws and regulations, Articles of Incorporation and internal regulations of the Company, the Company shall introduce internal whistle blowing offices under the CSR Committee, where the Chairman of the CSR Committee, staff counselors, an external law office or other representatives will be appointed as a contact for informing and consultations on matters relating to compliance.

In accordance with the internal regulations of the Company pertaining to internal auditing, internal auditing shall be conducted with respect to the whole Group to audit the appropriateness of business.

The results of audit shall be reported to directors and audit & supervisory board members.

(2) System under Which Directors of the Company and all Group Companies Shall Be Ensured to Efficiently Execute Duties

The Company adopted a corporate executive officer system to actualize smooth and highly efficient corporate management, wherein functions of directors, who are responsible for decision-making and overseeing execution of business, are separated from those of corporate officers, who are responsible for business execution.

A representative director shall coordinate and supervise the Group's overall execution of business operations that are directed towards achieving given corporate targets. A corporate officer shall fix the specified target in the assigned field, including all Group companies, and set up a business system by which the target shall efficiently be achieved.

Furthermore, with respect to the execution of important business, the Corporate Executive Officer Committee consisting of corporate officers shall deliberate the business execution from viewpoints of various aspects.

The Board of Directors and the Corporate Executive Officer Committee shall confirm the status of development vis-à-vis the target and conduct necessary improvement measure.

(3) System under Which Information Regarding Execution of Business by the Company's Directors Shall Be Maintained and Managed; System under Which Items Regarding Execution of Business by Directors and Employees of All Group Companies Shall be Reported to the Company

Important documents such as minutes of the Board of Directors meetings and minutes of the Corporate Executive Officer Committee meetings shall be managed pursuant to laws and regulations and the internal regulations of the Company and these important documents shall be presented to directors and audit & supervisory board members immediately whenever requested for inspection.

In addition, for information with respect to execution of business by directors and employees, internal regulations of the Company regarding protection of information assets and information disclosure shall be formulated, and the information shall be managed in accordance with them.

Important information regarding the execution of duties by directors and employees of all Group companies shall be reported in a timely manner to the Company by all Group companies in accordance with the internal regulations of the Company that stipulate matters such as reporting to the Company.

(4) Regulation Regarding Control of Risk for Loss at the Company and all Group Companies and Other Regulation Systems

The "CSR Committee," under the jurisdiction of the Board of Directors, shall manage risks associated with corporate activities of the whole group. Risks associated with management strategy and business execution shall be recognized and evaluated by the Committee so that necessary measures shall be taken. A contingency manual shall be prepared to deal with emergency situation.

In the case of emergency, countermeasure headquarters, projects or teams shall be set up pursuant to the levels of the emergency and shall take countermeasures.

(5) System Related to Employees to Assist Duties of Audit & Supervisory Board Members When Audit & Supervisory Board Members Request to Do So; and Matters Related to the Independence of Such Employees from Directors; Matters Related to Securing the Effectiveness of Instructions from Audit & Supervisory Board Members to Such Employees

The Audit & Supervisory Board Staff Group shall be established and employees shall be positioned there to assist the Audit & Supervisory Board and audit & supervisory board members.

In order to ensure the independence of the employees in the Audit & Supervisory Board Staff Group from directors and the effectiveness of instructions from audit & supervisory board members to them, the audit & supervisory board members' consent shall be necessary for determination of personnel matters such as appointments, movements and evaluations of these employees.

(6) System under Which Directors and Employees Report to Audit & Supervisory Board Members and Other Systems under Which Any Report Is Made to Audit & Supervisory Board Members; System to Ensure That Persons Are Not Treated Disadvantageously for Making Such Reports to Audit & Supervisory Board Members

Directors and employees shall report the status of their execution of duties to audit & supervisory board members by enabling them to attend meetings of the Board of Directors and other important meetings, and they shall also report results of audit performed by the department in charge of internal auditing to audit & supervisory board members. In addition, the status of business and conditions of assets shall be reported to audit & supervisory board members upon their request.

Separately, the Company shall establish a method through which directors and employees, including those of all Group companies, can directly inform audit & supervisory board members of issues, and shall make this method known throughout the Group.

The Company and all Group companies shall develop internal regulations of the Company to ensure that the said directors and employees are not dismissed, discharged from service or receive any other disadvantageous treatment due to reporting to audit & supervisory board members or informing them of issues, and shall make these regulations known.

(7) Matters Regarding Policy on Handling Advance Payment or Repayment of Expenses Resulting from Audit & Supervisory Board Members' Execution of Duties or Other Expenses or Debts Arising from the Said Execution of Duties

Expenses deemed necessary for the execution of duties by the Audit & Supervisory Board and audit & supervisory board members shall be budgeted for and recorded in advance. However, expenses paid urgently or temporarily shall be handled by repaying them afterwards.

(8) Other Systems under Which Audit by Audit & Supervisory Board Members Is Ensured Efficiently to Be Performed

Opinion exchange meetings shall be held regularly between representative directors and audit & supervisory board members. The Company shall ensure a system under which corporate audits are implemented efficiently. Liaison meeting shall be held among audit & supervisory board members, the accounting auditor and the internal auditing department upon request of audit & supervisory board members. In addition, audit & supervisory board members shall be ensured to attend various meetings.

*** Fundamental Thought toward Exclusion of Anti-Social Forces and the Status for Arrangement**

In the Company's "Ethical Conduct Standards," we have declared that "we do not have relationships with individuals or organizations that engage in illegal activities such as threatening public order or safety. We also do not respond to any requests for money or services from such individuals or organizations." A coordination office was established in the CSR Department for the purpose of intensively collecting information, while a manual on how to cope with such forces is maintained on the intranet, among other activities. The Company is strengthening its collection of outside information and cooperation with outside organizations by such means as coordinating with local police offices and having membership of an organization that promotes the exclusion of anti-social forces.

2) Framework for Confirmation of Transactions with Related Parties

The Company investigates and specifies related parties that carry the possibility of having an impact on the Company's financial position and operating results based on the "Accounting Standard for Related Party Disclosures" and the "Guidance on Accounting Standard for Related Party Disclosures," confirms the existence of transactions with the said related parties and the importance of the said transactions, and, if there are transactions to be disclosed, carries out disclosure accordingly.

The existence of related parties, the existence of transactions with related parties, the contents of transactions and other such information, are reported to the Board of Directors in advance of disclosure, and a review is conducted based on the criteria for judgment of importance stipulated in the "Guidance on Accounting Standard for Related Party Disclosures."

(4) Name, Position and Responsibilities at the Company for Directors and Audit & Supervisory Board Members of the Company

(As of March 31, 2015)

Position	Name	Responsibilities at the Company
Representative Director President	Masahiko Uotani	CEO Chairman of the Board Responsible for Global Business (International Business, China Business and Professional Business) Member of Remuneration Advisory Committee Member of Nomination Advisory Committee Chairman of CSR Committee
Representative Director Corporate Senior Executive Officer	Carsten Fischer	Responsible for Strategic Project, assisting CEO Member of Remuneration Advisory Committee Member of Nomination Advisory Committee Member of CSR Committee
Director Corporate Executive Officer	Tsunehiko Iwai	Responsible for Research & Development, Production, and Technical Affairs Member of CSR Committee
Director Corporate Executive Officer	Yu Okazawa	Chief Officer of China Business Division General Manager of Marketing Development Department, China Business Division
Director Corporate Executive Officer	Toru Sakai	Responsible for Domestic Cosmetics Business and Healthcare Business Chief Officer of Domestic Cosmetics Business Division Member of CSR Committee
External Director <Independent>	Shoichiro Iwata	Chairman of Remuneration Advisory Committee Member of Nomination Advisory Committee
External Director <Independent>	Taeko Nagai	Member of Remuneration Advisory Committee Member of Nomination Advisory Committee Member of CSR Committee
External Director <Independent>	Tatsuo Uemura	Chairman of Nomination Advisory Committee Member of Remuneration Advisory Committee

(As of April 1, 2015)

Position	Name	Responsibilities at the Company
Representative Director President	Masahiko Uotani	CEO Chairman of the Board Responsible for Global Business and Corporate Communication Member of Remuneration Advisory Committee Member of Nomination Advisory Committee Chairman of CSR Committee
Representative Director Corporate Executive Officer	Toru Sakai	President, Japan Region Responsible for Japan Business, Health Care Business and Digital Business Member of Remuneration Advisory Committee Member of Nomination Advisory Committee Member of CSR Committee
Director Corporate Executive Officer	Tsunehiko Iwai	Chief Technology and Innovation Officer Responsible for Research and Development, SCM, and Technical Strategy Member of CSR Committee
Director	Yu Okazawa	—
External Director <Independent>	Shoichiro Iwata	Chairman of Remuneration Advisory Committee Member of Nomination Advisory Committee
External Director <Independent>	Taeko Nagai	Member of Remuneration Advisory Committee Member of Nomination Advisory Committee Member of CSR Committee
External Director <Independent>	Tatsuo Uemura	Chairman of Nomination Advisory Committee Member of Remuneration Advisory Committee

(As of March 31, 2015)

Position	Name	Responsibilities at the Company
Audit & Supervisory Board Member (Full-time)	Yoshinori Nishimura	—
Audit & Supervisory Board Member (Full-time)	Yasuko Takayama	Observer of CSR Committee
Audit & Supervisory Board Member (External) <Independent>	Akio Harada	—
Audit & Supervisory Board Member (External) <Independent>	Nobuo Otsuka	—
Audit & Supervisory Board Member (External) <Independent>	Eiko Tsujiyama	—

(As of April 1, 2015)

Position	Name	Responsibilities at the Company
Audit & Supervisory Board Member (Full-time)	Yoshinori Nishimura	Observer of CSR Committee
Audit & Supervisory Board Member (Full-time)	Yasuko Takayama	Observer of CSR Committee
Audit & Supervisory Board Member (External) <Independent>	Akio Harada	—
Audit & Supervisory Board Member (External) <Independent>	Nobuo Otsuka	—
Audit & Supervisory Board Member (External) <Independent>	Eiko Tsujiyama	—

Notes:

1. There are 8 directors and 5 audit & supervisory board members as of March 31, 2015, of which male are 10 and female are 3.
2. Mr. Shoichiro Iwata, Ms. Taeko Nagai and Mr. Tatsuo Uemura are external directors as provided in Item 15 of Article 2 of the Companies Act of Japan.
3. Mr. Akio Harada, Mr. Nobuo Otsuka, and Dr. Eiko Tsujiyama are audit & supervisory board members (external) as provided in Item 16 of Article 2 of the Companies Act of Japan.
4. The Company has designated Mr. Shoichiro Iwata, Ms. Taeko Nagai, Mr. Tatsuo Uemura, Mr. Akio Harada, Mr. Nobuo Otsuka and Dr. Eiko Tsujiyama as "Independent Auditors" as prescribed in Article 436-2 of the Securities Listing Regulations of the Tokyo Stock Exchange.

   All of these external directors and audit & supervisory board members (external) (collectively the "External Directors") meets the Company's "Criteria for Independence of External Directors" (Please refer to 5) Criteria for Independence of "External Directors" of (2) Outline of the Company's System for the Management and Execution of Business under 5. Matters Concerning Status of Corporate Governance and Directors, Audit & Supervisory Board Members and Corporate Officers of the Company in this business report) and have sufficient independency.
5. Representative Director Mr. Masahiko Uotani, director Mr. Tsunehiko Iwai and audit & supervisory board member (full-time) Mr. Yoshinori Nishimura, were newly elected at the 114th ordinary general meeting of shareholders of the Company held on June 25, 2014, and assumed office as director and audit & supervisory board member respectively as of the same date. Other directors were reelected at the same meeting and reassumed office.
6. Mr. Carsten Fischer retired as representative director, director, and corporate senior executive officer as of March 31, 2015. Mr. Yu Okazawa retired as Corporate Executive Officer as of the same date.
7. Audit & supervisory board member (full-time) Mr. Yoshinori Nishimura has had experience as the General Manager of the Financial Department of the Company and Chief Financial Officer of the Company, and has respectable knowledge in finance and accounting. Dr. Eiko Tsujiyama, audit & supervisory board member (external), is a professor, School of Commerce and the Graduate School of Commerce, Waseda University and an expert in finance, accounting and tax issues qualified as certified public accountant, and has respectable knowledge in finance and accounting.

(5) Matters Concerning Important Position at Other Organizations Concurrently Assumed by Directors and Audit & Supervisory Board Members (As of March 31, 2015)

Position	Name	Important Position at Other Organizations Concurrently Assumed
Corporate Senior Executive Officer (Representative Director)	Carsten Fischer	Chairman & CEO of Shiseido Americas Corporation Chairman & CEO of Shiseido America, Inc. Chairman of Zotos International, Inc.
Director Corporate Executive Officer	Yu Okazawa	Chairman of Shiseido China Co., Ltd. Chairman of Shiseido Liyuan Cosmetics Co., Ltd. Chairman of Shanghai Zotos Citic Cosmetics Co., Ltd.
External Director	Shoichiro Iwata	President & Chief Executive Officer of ASKUL Corporation
External Director	Taeko Nagai	President of Setagaya Arts Foundation, public interest incorporated foundation Outside Director of Mitsui Chemicals, Inc. Chairman of Japanese Centre of International Theatre Institute
External Director	Tatsuo Uemura	Professor, School of Law, Waseda University
Audit & Supervisory Board Member (External)	Akio Harada	External Director of Seiko Holdings Corporation Outside Director of Sumitomo Corporation External Director of Yamazaki Baking Co., Ltd. Representative Director of Young Men's Christian Association at the University of Tokyo, public interest incorporated foundation President of Japan Criminal Policy Society President of International Civil and Commercial Law Centre Foundation
Audit & Supervisory Board Member (External)	Nobuo Otsuka	Chairman of Keiseikai Hospital Group
Audit & Supervisory Board Member (External)	Eiko Tsujiyama	Professor, School of Commerce and the Graduate School of Commerce, Waseda University Outside Corporate Auditor of Mitsubishi Corporation Outside Director of ORIX Corporation Outside Corporate Auditor of LAWSON, INC. Outside Audit & Supervisory Board Member of NTT DOCOMO, INC.

(6) Outline of Execution of Liability Limitation Agreements

The Company established provisions in the Articles of Incorporation enabling the Company to enter into an agreement with external directors and audit & supervisory board members (external) limiting their liability for compensation of damages through a resolution at the 106th ordinary general meeting of shareholders held on June 29, 2006 for the purpose of inducing external directors and audit & supervisory board members (external) to fully perform expected roles and enabling the Company to invite competent personnel.

Pursuant to these provisions the Company concluded such an agreement with all of the 6 External Directors under which his/her liability for compensation of damages shall be limited to the minimum limited liability provided in the laws and regulations.

At present, the Company has no specific need to conclude liability limitation agreements with non-executive directors other than external directors, or audit & supervisory board members other than audit & supervisory board members (external). Therefore, the Company does not intend to amend the Articles of Incorporation to change the scope of those with whom it may conclude liability limitation agreements.

(7) Important Position at Other Organizations Concurrently Assumed by External Officers and Relationships between Organizations and the Company

Concurrent Position at Other Organization	Important Position at Other Organizations Concurrently Assumed and Relationships Between Organizations and the Company					
	Transaction Matter, etc.	Vendor, Recipient of Supporting Money, etc.	Purchaser, Provider of Supporting Money, etc.	Percentage of Transaction Value	Value for Comparison	Significance of Relations
Shoichiro Iwata, External Director						
President & Chief Executive Officer of ASKUL Corporation	Stationeries, etc.	ASKUL Corporation	The Company	Less than 0.1%	Total amount of the cost of sales and the selling, general and administrative expenses of the Company for the fiscal year ended March 31, 2015	Transaction value is minimal for the Company.
				Less than 0.1%	Net sales of ASKUL Corporation for the fiscal year ended May 31, 2014	Transaction value is minimal for ASKUL Corporation.
	Stationeries, etc.	ASKUL Group	Shiseido Group	Less than 0.1%	Total amount of the consolidated cost of sales and the consolidated selling, general and administrative expenses of the Shiseido Group for the fiscal year ended March 31, 2015	Transaction value is minimal for the Shiseido Group.
				Approx. 0.1%	Consolidated net sales of ASKUL Corporation for the fiscal year ended May 31, 2014	Transaction value is minimal for ASKUL Group.
	Cosmetics, etc.	Shiseido Group	ASKUL Group	Less than 0.1%	Consolidated net sales of the Company for the fiscal year ended March 31, 2015	Transaction value is minimal for the Shiseido Group.
				Approx. 0.1%	Consolidated cost of sales of ASKUL Corporation for the fiscal year ended May 31, 2014	Transaction value is minimal for ASKUL Group.
	ASKUL Corporation sells cosmetics, etc. and has a relationship with the Company consisting of transactions in competition. Consequently, the contents and maximum amounts of transactions between the Company and ASKUL Corporation are approved in advance at the Board of Directors along with matters pertaining to transactions with conflicts of interest, and the results are reported to the Board of Directors following the end of the business year of ASKUL Corporation. The amount of ASKUL Corporation's net sales of cosmetics, etc. in that period was approximately 0.4% of the consolidated net sales of the Company, and in the fiscal year ended May 31, 2014, ASKUL Corporation's net sales of cosmetics, etc. accounted for approximately 1.1% of its total sales.					Transactions in competition with organization where position is concurrently assumed have no impact on interests of shareholders
	Mr. Tadakatsu Saito, who is an outside director of ASKUL Corporation assumed the office of Director of the Company during June 1997 to June 2004, but the Company has no special relationships of interest with Mr. Saito at present.					No issue with mutual assumption of office by directors, audit & supervisory board members and corporate officers
Taeko Nagai, External Director						
President of Setagaya Arts Foundation, public interest incorporated foundation	Total of supporting money, etc.	The Foundation	The Company	Less than 0.1%	Total of donation and supporting money of the Company for the fiscal year ended March 31, 2015	Transaction value is minimal for the Company.
				Less than 0.1%	Ordinary profit of the Foundation for the year ended March 31, 2015	Transaction value is minimal for the Foundation.
Outside Director of Mitsui Chemicals, Inc.	The Company has no special relationships of interest with Mitsui Chemicals, Inc.					—
Chairman of Japanese Center of International Theatre Institute	The Company has no special relationships of interest with International Theatre Institute.					—
Tatsuo Uemura, External Director						
Professor, School of Law, Waseda University	The Company is engaged in joint studies on beauty and health with Waseda University. Mr. Tatsuo Uemura is not involved in these joint studies.					—

Concurrent Position at Other Organization	Important Position at Other Organizations Concurrently Assumed and Relationships Between Organizations and the Company					
	Transaction Matter, etc.	Vendor, Recipient of Supporting Money, etc.	Purchaser, Provider of Supporting Money, etc.	Percentage of Transaction Value	Value for Comparison	Significance of Relations
Akio Harada, Audit & Supervisory Board Member (External)						
External Director of Seiko Holdings Corporation	Advertisement, etc.	Seiko Group	Shiseido Group	Less than 0.1%	Total amount of the consolidated cost of sales and the consolidated selling, general and administrative expenses of the Company for the fiscal year ended March 31, 2015	Transaction value is minimal for the Company.
				Less than 0.1%	Consolidated net sales of Seiko Holdings Corporation for the fiscal year ended March 31, 2015	Transaction value is minimal for the Seiko Group.
	Cosmetics, etc.	Shiseido Group	Seiko Group	Less than 0.1%	Consolidated net sales of the Company for the fiscal year ended March 31, 2015	Transaction value is minimal for the Shiseido Group.
				Less than 0.1%	Consolidated cost of sales of Seiko Holdings Corporation for the fiscal year ended March 31, 2015	Transaction value is minimal for the Seiko Group.
Outside Director of Sumitomo Corporation	Commissioning of the development of systems, raw materials, etc.	Sumitomo Corporation Group	Shiseido Group	Approx. 0.1%	Total amount of the consolidated cost of sales and the consolidated selling, general and administrative expenses of the Company for the fiscal year ended March 31, 2015	Transaction value is minimal for the Shiseido Group.
				Less than 0.1%	Total revenues of Sumitomo Corporation on a consolidated basis for the fiscal year ended March 31, 2015	Transaction value is minimal for the Sumitomo Corporation Group.
	Cosmetics, etc.	Shiseido Group	Sumitomo Corporation Group	Less than 0.1%	Consolidated net sales of the Company for the fiscal year ended March 31, 2015	Transaction value is minimal for the Shiseido Group.
				Less than 0.1%	Total cost of sales of Sumitomo Corporation on a consolidated basis for the fiscal year ended March 31, 2015	Transaction value is minimal for the Sumitomo Corporation Group.
External Director of Yamazaki Baking Co., Ltd.	Cosmetics, etc.	Shiseido Group	Yamazaki Baking Group	Less than 0.1%	Consolidated net sales of the Company for the fiscal year ended March 31, 2015	Transaction value is minimal for the Shiseido Group.
				Less than 0.1%	Consolidated cost of sales of Yamazaki Baking Co., Ltd. for the fiscal year ended December 31, 2014	Transaction value is minimal for the Yamazaki Baking Group.
Representative Director of Young Men's Christian Association at the University of Tokyo, public interest incorporated foundation	The Company has no special relationships of interest with Young Men's Christian Association at the University of Tokyo, public interest incorporated foundation.					—
President of Japan Criminal Policy Society	The Company has no special relationships of interest with Japan Criminal Policy Society.					—
President of International Civil and Commercial Law Centre Foundation	The Company has no special relationships of interest with International Civil and Commercial Law Centre Foundation.					—

Concurrent Position at Other Organization	Important Position at Other Organizations Concurrently Assumed and Relationships Between Organizations and the Company					
	Transaction Matter, etc.	Vendor, Recipient of Supporting Money, etc.	Purchaser, Provider of Supporting Money, etc.	Percentage of Transaction Value	Value for Comparison	Significance of Relations
Nobuo Otsuka, Audit & Supervisory Board Member (External)						
Chairman of Keiseikai Hospital Group	The Company has no special relationships of interest with Keiseikai Hospital Group.					—
Eiko Tsujiyama, Audit & Supervisory Board Member (External)						
Professor, School of Commerce and the Graduate School of Commerce, Waseda University	The Company is engaged in joint studies on beauty and health with Waseda University. Dr. Tsujiyama is not involved in these joint studies.					—
Outside Corporate Auditor of Mitsubishi Corporation	Raw materials, chemical, etc.	Mitsubishi Corporation	The Company	Less than 0.1%	Total amount of the cost of sales and the selling, general and administrative expenses of the Company for the fiscal year ended March 31, 2015	Transaction value is minimal for the Company.
				Less than 0.1%	Net sales of Mitsubishi Corporation for the fiscal year ended March 31, 2015	Transaction value is minimal for Mitsubishi Corporation.
	Outsourcing business, uniforms used in stores, etc.	Mitsubishi Corporation Group	Shiseido Group	Approx. 0.1%	Total amount of the consolidated cost of sales and the consolidated selling, general and administrative expenses of the Company for the fiscal year ended March 31, 2015	Transaction value is minimal for the Shiseido Group.
				Less than 0.1%	Revenues of Mitsubishi Corporation on a consolidated basis for the fiscal year ended March 31, 2015	Transaction value is minimal for the Mitsubishi Corporation Group.
	Cosmetics, etc.	Shiseido Group	Mitsubishi Corporation Group	Approx. 0.3%	Consolidated net sales of the Company for the fiscal year ended March 31, 2015	Transaction value is minimal for the Shiseido Group.
				Less than 0.1%	Cost of revenues of Mitsubishi Corporation on a consolidated basis for the fiscal year ended March 31, 2015	Transaction value is minimal for the Mitsubishi Corporation Group.
Outside Director of ORIX Corporation	Equipment leasing, etc.	ORIX Corporation	The Company	Less than 0.1%	Total amount of cost of sales and selling, general and administrative expenses of the Company for the fiscal year ended March 31, 2015	Transaction value is minimal for the Company.
				Less than 0.1%	Sales revenues of ORIX Corporation for the fiscal year ended March 31, 2015	Transaction value is minimal for ORIX Corporation.
	Automobile rental, etc.	ORIX Group	Shiseido Group	Less than 0.1%	Total amount of the consolidated cost of sales and the consolidated selling, general and administrative expenses of the Company for the fiscal year ended March 31, 2015	Transaction value is minimal for the Shiseido Group.
				Less than 0.1%	Total amount of operating revenues of ORIX Corporation on a consolidated basis for the fiscal year ended March 31, 2015	Transaction value is minimal for the ORIX Group.

Concurrent Position at Other Organization	Important Position at Other Organizations Concurrently Assumed and Relationships Between Organizations and the Company					
	Transaction Matter, etc.	Vendor, Recipient of Supporting Money, etc.	Purchaser, Provider of Supporting Money, etc.	Percentage of Transaction Value	Value for Comparison	Significance of Relations
Outside Corporate Auditor of LAWSON, INC.	Raw materials, chemical, etc.	LAWSON Group	Shiseido Group	Less than 0.1%	Total amount of the consolidated cost of sales and the consolidated selling, general and administrative expenses of the Company for the fiscal year ended March 31, 2015	Transaction value is minimal for the Shiseido Group.
				Less than 0.1%	Consolidated net sales of LAWSON, INC. for the fiscal year ended February 28, 2015	Transaction value is minimal for the LAWSON Group.
	Cosmetics, etc.	Shiseido Group	LAWSON Group	Approx. 0.2%	Consolidated net sales of the Company for the fiscal year ended March 31, 2015	Transaction value is minimal for the Shiseido Group.
				Approx. 1.2%	Consolidated cost of sales of LAWSON, INC. for the fiscal year ended February 28, 2015	Transaction value is minimal for the LAWSON Group.
Outside Audit & Supervisory Board Member of NTT DOCOMO, INC.	Telecommuni-cation services, etc.	NTT DOCOMO, INC.	The Company	Less than 0.1%	Total amount of cost of sales and selling, general and administrative expenses of the Company for the fiscal year ended March 31, 2015	Transaction value is minimal for the Company.
				Less than 0.1%	Net sales of NTT DOCOMO, INC. for the fiscal year ended March 31, 2015	Transaction value is minimal for NTT DOCOMO, INC.
	Telecommuni-cation services, etc.	NTT DOCOMO Group	Shiseido Group	Less than 0.1%	Total amount of the consolidated cost of sales and the consolidated selling, general and administrative expenses of the Company for the fiscal year ended March 31, 2015	Transaction value is minimal for the Shiseido Group.
				Less than 0.1%	Total amount of operating revenues of the NTT DOCOMO, INC. on a consolidated basis for the fiscal year ended March 31, 2015	Transaction value is minimal for the NTT DOCOMO Group.

Note: In the table, the name of the company group at which the external director holds a concurrent position includes that company itself, as well as parent companies, consolidated subsidiaries, equity method affiliates, etc. whose names are listed under the “Information on Affiliates” in “1. Overview of the Company” of “Part I. Information on the Company” in the Securities Report submitted by that company in the immediately preceding business year; similarly, “the Shiseido Group” includes Shiseido Company, Limited, as well as parent companies, consolidated subsidiaries, equity-method affiliates, etc. whose names are listed under the “Information on Affiliates” in “1. Overview of the Company” of “Part I. Information on the Company” in the Securities Report submitted in the immediately preceding business year.

(8) Other Main Activities of External Directors and External Audit & Supervisory Board Member

Position	Name	Major Activities
External Director	Shoichiro Iwata	Mr. Iwata attended 14 out of 14 Board of Directors meetings (Attendance rate: 100%). Based on his views to the management of the Company, which are free from the Company's established structure, he made remarks from a standpoint of a manager in other industry as necessary and fulfilled a supervisory function in regard to the management. He also served as Chairman of Remuneration Advisory Committee of the Company and a member of Nomination Advisory Committee of the Company.
External Director	Taeko Nagai	Ms. Nagai attended 14 out of 14 Board of Directors meetings (with 100% attendance rate) in the year, and fully performed management supervisory function, through her remarks as appropriate from broad-based viewpoints including social, cultural and consumer perspective. She also served as member of the Remuneration Advisory Committee of the Company, Nomination Advisory Committee of the Company and the CSR Committee of the Company.
External Director	Tatsuo Uemura	Mr. Uemura attended 12 out of 14 Board of Directors meetings (Attendance rate: 85.7%). Based on his experiences and knowledge through in the area of the capital market and corporate governance, in addition to his legal knowledge as a university professor specializing in legal research, he made remarks as necessary and fulfilled a supervisory function in regard to the management. He also served as Chairman of Nomination Advisory Committee of the Company and a member of Remuneration Advisory Committee of the Company.
Audit & Supervisory Board Member (External)	Akio Harada	Mr. Harada attended 13 out of 14 Board of Directors meetings (Attendance rate: 92.8%) and 13 out of 14 Audit & Supervisory Board meetings (Attendance rate: 92.8%). Based on his legal experiences and knowledge, he made remarks as necessary and fulfilled a supervisory function.
Audit & Supervisory Board Member (External)	Nobuo Otsuka	Mr. Otsuka attended 14 out of 14 Board of Directors meetings (Attendance rate: 100%) and 14 out of 14 Audit & Supervisory Board meetings (Attendance rate: 100%). Based on his knowledge and experiences as a management executive of medical corporations, he made remarks as necessary and fulfilled a supervisory function.
Audit & Supervisory Board Member (External)	Eiko Tsujiyama	Dr. Tsujiyama attended 12 out of 14 Board of Directors meetings (Attendance rate: 85.7%), while 14 out of 14 Audit & Supervisory Board meetings (Attendance rate: 100%), and fully performed auditing function, through her remarks as appropriate, based on her experience and insight as an expert in finance, accounting and tax issues.

(9) Name, Position and Responsibilities for Corporate Officers Who Do Not Serve as Director

Position	Name	Responsibilities	
		As of March 31, 2015	As of April 1, 2015
Corporate Executive Officer	Chikako Sekine	Responsible for the area of Beauty	Chief Beauty Officer [Responsible for the area of Beauty (Global & Japan), Beauty Creation and Consumer Information]
Corporate Executive Officer	Yoichi Shimatani	Responsible for the area of Research & Development	Chief Research and Development Officer [Responsible for Research and Development]
Corporate Executive Officer	Ryuichi Yabuki	Responsible for Sales of Domestic Cosmetics Business President and Representative Director, Shiseido Sales Co., Ltd. President and Representative Director, FT Shiseido Co., Ltd.	-
Corporate Officer	Jean-Philippe Charrier	Responsible for Asian Strategy	President, Asia Pacific Region and Senior Vice President, Global Professional Business [Responsible for Asia Pacific Business and Global Professional Business]
Corporate Officer	Takahiro Hayashi	Responsible for Corporate Culture, Advertising Creation, and Public Relations	Chief Creative Officer [Responsible for Corporate Culture and Advertising Creation]
Corporate Officer	Masaya Hosaka	Responsible for Technical Planning, Quality Management, Pharmaceutical Affairs, and Frontier Science Business	Chief Technical Strategy Officer and Chief Quality Officer [Responsible for Technical Strategy, Quality Management, Pharmaceutical Affairs and Frontier Science Business]
Corporate Officer	Kiyoshi Ishimoto	Responsible for Production, Purchasing and Logistics	Chief Supply Chain Officer [Responsible for Production, Purchasing and Logistics]
Corporate Officer	Norio Iwasaki	Responsible for Domestic Cosmetics Business (Business Strategies and New Business Model)	Senior Vice President, Personal Care Brands, Japan Business Division [Responsible for Personal Care Brands, Japan Business] President and Representative Director, FT Shiseido Co., Ltd.
Corporate Officer	Hiroshi Maruyama	Responsible for International Business Strategy and Marketing	-
Corporate Officer	Kazuhisa Shibata	Responsible for General Affairs, and CSR Affairs Member of CSR Committee	Chief Administration Officer [Responsible for General Affairs, Legal Affairs, Executive Affairs, CSR and Environment] Member of CSR Committee
Corporate Officer	Shigekazu Sugiyama	Responsible for Marketing of Domestic Cosmetics Business Division, and clé de peau BEAUTÉ Global Unit	Senior Vice President, Cosmetics Brands, Japan Business Division [Responsible for Cosmetics Brands, Japan Business] President and Representative Director, Shiseido FITIT Co., Ltd.

Position	Name	Responsibilities	
		As of March 31, 2015	As of April 1, 2015
Corporate Officer	Norio Tadakawa	Responsible for Finance, Investor Relations, Information System Planning and Internal Control Member of CSR Committee	Chief Finance Officer [Responsible for Finance, Information System Planning and Internal Control] Member of CSR Committee

Notes:

1. Corporate officers who retired during the fiscal year under review and on March 31, 2015 are as follows:

Position	Name	Date of Retirement
Corporate Executive Officer	Ryuichi Yabuki	March 31, 2015
Corporate Officer	Hiroshi Maruyama	March 31, 2015
Corporate Officer	Shigeto Ohtsuki	December 31, 2014

2. Mr. Yoichi Shimatani was promoted to corporate executive officer as of April 1, 2015.
3. Corporate officers who were designated as of April 1, 2015 are as follows:

Position	Name	Duty and Major Occupation
Corporate Executive Officer	Ralph Ahrbeck	Chief Strategy Officer and President, China Region [Responsible for Corporate Strategy, China Business]
Corporate Officer	Jun Aoki	Chief People Officer [Responsible for Human Resources, General Manager of Human Resources Department] Member of CSR Committee
Corporate Officer	Naoki Murakami	Senior Vice President, Prestige Brands, Japan Business Division [Responsible for Prestige Brands, Japan Business] President and Representative Director, Shiseido International Inc.
Corporate Officer	Yoshiaki Okabe	SHISEIDO Brand Director, Global Business Division [Responsible for SHISEIDO Brand]
Corporate Officer	Mikiko Soejima	Senior Vice President, Beauty, Japan Business Division [Responsible for the area of Beauty, Japan Business]
Corporate Officer	Shigeru Takano	Chairman and President, Shiseido China Co., Ltd. [Responsible for Shiseido China Co., Ltd.]
Corporate Officer	Mari Tamura	Assistant to Chief Officer of Global Business Division

(10) Remuneration, etc. to Directors and Audit & Supervisory Board Members

1) Basic Principle of the Directors, Audit & Supervisory Board Members and Corporate Officers Remuneration Policy of the Company

The directors, audit & supervisory board members and corporate officers remuneration policy of the Company is established by the Remuneration Advisory Committee, which is chaired by an external director, to maintain objectivity and high transparency. Remuneration to directors, audit & supervisory board members and corporate officers of the Company consists of a basic remuneration that is not linked to business performance and a performance-linked remuneration that fluctuates depending on the achievement of management targets and share price. The Company sets appropriate remuneration levels by making comparisons with companies in the same industry or of the same scale in Japan and overseas, taking the Company’s performance into consideration.

External directors and audit & supervisory board members receive only basic remuneration, as fluctuating remuneration such as performance-linked remuneration is inconsistent with their supervisory functions from a stance independent from business execution. Meanwhile, the Company abolished its officers' retirement benefit plan as of June 29, 2004 on which the 104th ordinary general meeting of shareholders was held.

The Company will introduce a new policy for directors, audit & supervisory board members and corporate officers remuneration effective from fiscal 2015, but there will be no change to this basic principle.

2) Directors, audit & supervisory board members and corporate officers remuneration policy of fiscal 2014

Through the end of fiscal 2014, the remuneration to directors, audit & supervisory board members and corporate officers of the Company consisted of a basic remuneration as a fixed portion and a performance-linked portion that fluctuates depending on the achievement of management targets and share price. In principle, they were set so that the higher their position in the rank of corporate officers was, the greater the performance-linked portion in their total remuneration would be.

The performance-linked remuneration consisted of a "bonus" provided based on annual business performance, monetary remuneration provided in the form of "medium-term incentive type remuneration" which would be paid after the final year of the Three-Year Plan based on the level of achievement of management targets of the plan, and stock compensation-type stock options as "long-term incentive-type remuneration," primarily aimed at fostering a shared awareness of profits with shareholders. The performance-linked remuneration was designed to motivate directors and corporate officers to manage business operation while being more conscious about the Company's performance and share price from the perspectives of not only a single-year but also a medium to long term.

However, the Company did not plan to provide a medium-term incentive type remuneration for fiscal 2014 because the Company positioned the year to focus on preparation for the next stage of growth under the new management structure and to formulate a new medium-term business plan over a year to achieve the growth, and the Company also assumed to introduce a new remuneration policy in fiscal 2015. In addition, the Company replaced a certain proportion, but not all, of a portion for fiscal 2014 of the medium-term incentive type remuneration (the average proportion for all directors and corporate officers eligible for the remuneration is approximately 60%) with bonuses for the fiscal year and stock options as long-term incentive-type remuneration.

3) New directors, audit & supervisory board members and corporate officers remuneration policy aligned to the Three-Year Plan of fiscal 2015 through fiscal 2017

■ **Purpose of the changes and basic concept of the new policy**

The Company launched a new Three-Year plan starting fiscal 2015. Taking this opportunity, we implemented changes to the directors, audit & supervisory board members and corporate officers remuneration policy to be more closely linked to performance and responsibility of respective directors and corporate officers. With this new policy, we intend to motivate them to steadily achieve the Three-Year Plan of fiscal 2015 through fiscal 2017, and ensure that the solid foundation will be established for Shiseido to continue to shine bright 100 years from now.

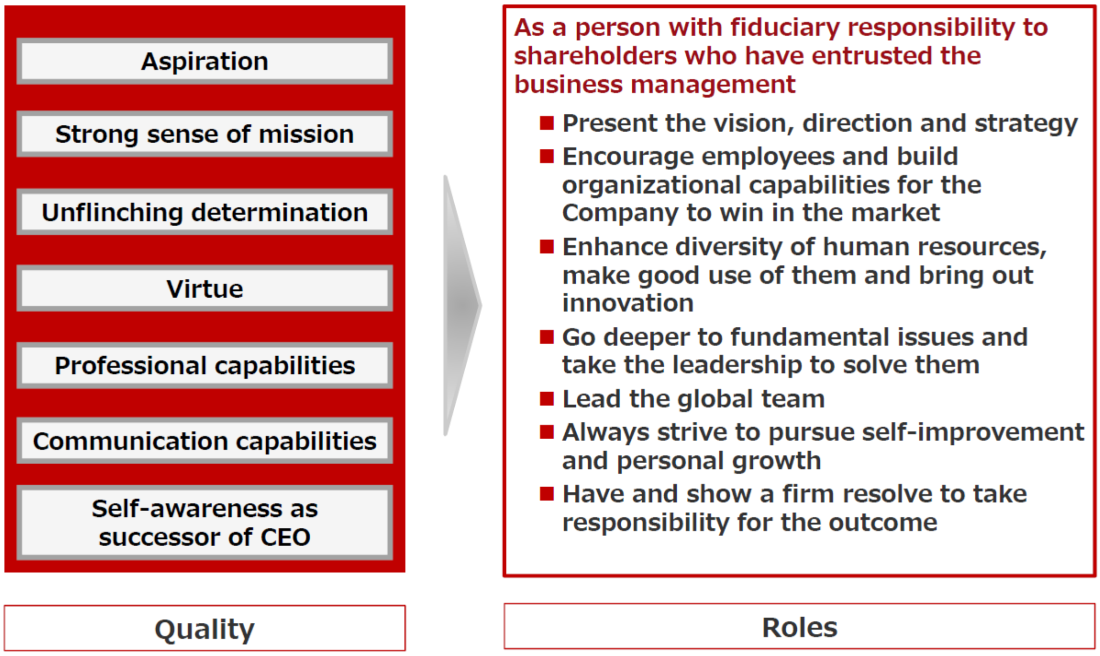
We designed the new directors, audit & supervisory board members and corporate officers remuneration policy to ensure that qualities and roles required as the leaders executing transformation throughout the time of restructuring the business platform through drastic transformation, and that directors and corporate officers who bring expected results will be rewarded by remuneration commensurate with the results. We assume that it will need some time for the result of restructuring the business platform implemented from fiscal 2015 to fiscal 2017 to be reflected in the figures for performance such as consolidated business performance and performance of business of which respective directors and corporate officers are in charge. At the same time, those officers of the Company are required to solve highly important issues of the Company from the perspective of the Company's long-term growth and get results. We therefore concluded that the previous scheme having a high level of correlation with performance figures cannot provide sufficient rewards for their efforts for the transformation and its outcome during the time from fiscal 2015 to fiscal 2017, and decided to increase the weight of evaluation for the result of strategic initiatives that are not quickly reflected in performance figures, in addition to the evaluation based on the consolidated performance and performance of business of which respective directors and corporate officers are in charge.

Because this new directors, audit & supervisory board members and corporate officers remuneration policy is designed specifically to ensure successful restructuring of the business platform, the Company will review the policy again for fiscal 2018 and beyond to change the scheme to be in line with the business environment, challenges, and management goals for fiscal 2018 and beyond.

■ **Basic concept of new directors and corporate officers remuneration policy**

1. Design to be able to provide rewards for implementation of drastic structural transformation
2. Clarify roles and responsibilities of respective directors, audit & supervisory board members and corporate officers under the new organizational structure and design a scheme of remunerations to be provided in accordance with the level of their roles and responsibilities
3. Ensure that the remuneration levels will support prevention of outflow of talented personnel and acquisition of such personnel from outside as needed

■ **Required qualities and roles of directors, audit & supervisory board members and corporate officers during the time of transformation**



■ **Overview of the new directors, audit & supervisory board members and corporate officers remuneration policy**

In the new directors, audit & supervisory board members and corporate officers remuneration policy, the Company will make changes to the levels and the package of both basic remuneration and performance-linked remuneration in accordance with the basic concept above.

First, we will review the level of the basic remuneration. Previously, such remuneration was determined based on the rank as corporate officer. In the new scheme, however, the "Role grades" are established based on the levels of roles and responsibilities of directors, audit & supervisory board members and corporate officers, and such remuneration corresponds to the belonging “Role grade” of each officer. We will also change the framework for performance-linked remuneration so as to effectively work as incentives for the initiatives of restructuring the business platform from fiscal 2015 through fiscal 2017.

Consequently, although the new directors, audit & supervisory board members and corporate officers remuneration policy follows the previous remuneration scheme of the Company in the point that the greater the coverage of functions they are in charge of or the greater their responsibility or the impact to business management of the group is, the higher the rate of performance-linked remuneration would be. However at the same time the proportion of the basic remuneration is higher than the past. The conditions on performance-linked remuneration become severer by reducing an upper limit of annual bonus payment rate, and making the payment condition severer in case of the achievement rate of less than 100%, and introducing performance requirements that were not as part of the long-term incentive-type remuneration. As a result, the design of the scheme as a whole is stringent because in the new scheme, subject officers are not able to receive sufficient remuneration if high achievement rates of various goals are not attained.

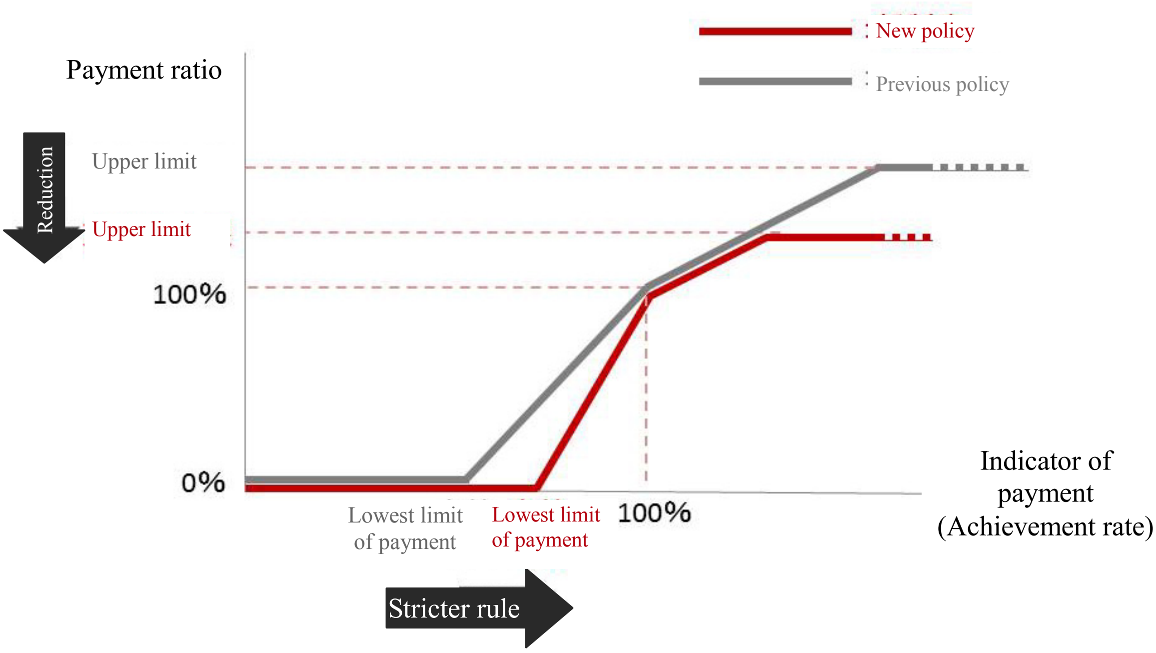
■ **Proportion of remunerations by remuneration type for each rank of directors**

Rank as corporate officer	Composition of remuneration for directors and corporate officers			
	Basic remuneration	Performance-linked remuneration		Total
		Annual bonus	Long-term incentives remuneration	
President & CEO	50%	25%	25%	100%
Executive Vice President	54%–56%	22%–23%	22%–23%	
Corporate Senior Executive Officer	54%–58%	21%–23%	21%–23%	
Corporate Executive Officer	54%–60%	20%–23%	20%–23%	
Corporate Officer	56%–64%	18%–22%	18%–22%	

Notes:

1. In this model, the basic remuneration amount is the median in the applicable role grade, and the achievement rate related to performance-linked remuneration is 100%.
2. The proportion of remunerations for representative directors and directors are the same.
3. Because different remuneration tables will be applied depending on the role grade of respective directors and corporate officers, proportions of remunerations by remuneration type will vary even within a same rank.
4. Directors who serve as the chairman of the Board shall be provided with a fixed amount of remuneration separately, which is not, however, included in the table.

■ **Reducing upper limit of annual bonus payment and imposing stricter lowest limit of payment (Model diagram)**



■ Basic remuneration

In the past, the Company set fixed amount of basic remunerations in an exact proportion to the rank as corporate officer, but the new policy is designed so that the remuneration to each officer corresponds to the belonging "Role grade," the table of which is established based on the coverage of functions that respective officers are in charge of and their responsibility, as well as the impact to business management of the group, and in addition, even within a same grade, to allow an increase of the amount within a certain range in accordance with the performance of respective directors or corporate officers in the previous fiscal year. These changes allow the Company to ensure well-modulated basic remuneration as well, payment of remuneration commensurate with their roles and responsibilities to respective directors, audit & supervisory board members and corporate officers. The increase of remuneration shall be determined based on the individual performance evaluation.

For external directors and audit & supervisory board members, the Company shall not pay the basic remuneration that has a certain allowance for increase, but pay the fixed remuneration which is fixed at a certain amount only in the same manner as in the past.

■ Performance-linked remuneration

The performance-linked remuneration consists of an "annual bonus" provided based on annual business performance, and "stock options as long-term incentive-type remuneration," designed to motivate the directors and corporate officers to manage business operation while being more conscious about the Company's performance and share price from the perspectives of not only a single-year but also a medium to long term.

■ Annual bonus

The Company has set evaluation items for the annual bonus linked to performance in accordance with the scope respective directors and corporate officers are in charge of as described in the table below, in addition to the achievement rate of target consolidated net sales and consolidated operating income as common performance indicators across directors and corporate officers. In the new policy, we set the individual performance evaluation of all directors and corporate officers in order to add the level of achievement against the strategic goals that cannot be measured by the financial performance figures alone, such as efforts for restructuring of the business platform to realize sustainable growth, to evaluation criteria.

■ **Evaluation weights of annual bonus for directors**

<table>
<tr><th rowspan="3">Evaluation item</th><th rowspan="3">Performance indicators</th><th colspan="10">Evaluation weight</th></tr>
<tr><th colspan="2" rowspan="2">President & CEO</th><th colspan="4">Corporate officers in charge of businesses</th><th colspan="4">Corporate officers other than those in charge of businesses</th></tr>
<tr><th colspan="2">Regional headquarters President</th><th colspan="2">Other</th><th colspan="2">Chief Officer of Management Strategy and Chief Officer of Finance</th><th colspan="2">Other</th></tr>
<tr><td rowspan="3">Whole group performance</td><td>Consolidated net sales</td><td>20%</td><td rowspan="3">70%</td><td>15%</td><td rowspan="3">35%</td><td>10%</td><td rowspan="3">20%</td><td>20%</td><td rowspan="3">70%</td><td>20%</td><td rowspan="3">70%</td></tr>
<tr><td>Consolidated operating income</td><td>30%</td><td>20%</td><td>10%</td><td>30%</td><td>50%</td></tr>
<tr><td>Consolidated net income</td><td>20%</td><td>—</td><td>—</td><td>20%</td><td>—</td></tr>
<tr><td>Performance of business unit in charge</td><td>Business performance evaluation</td><td colspan="2">—</td><td colspan="2">35%</td><td colspan="2">50%</td><td colspan="2">—</td><td colspan="2">—</td></tr>
<tr><td>Personal evaluation</td><td>Level of achievement of strategic goals set individually</td><td colspan="10">30%</td></tr>
</table>

Note: The weight of performance indicators for representative directors and directors are the same.

■ **Long-term incentive stock options**

Of the performance-linked remuneration, the Company has decided to impose terms and conditions regarding performance on stock compensation-type stock options as long-term incentive-type remuneration on two occasions when the stock acquisition rights are allotted and the exercise period of the stock acquisition rights allotted starts.

When actually allotting the stock acquisition rights after obtaining an approval for the maximum number of stock acquisition rights to be allotted at the general meeting of shareholders, the Company shall increase or decrease the number of stock acquisition rights to be granted in the range of 0% to 130% of the baseline by using the evaluation indicators for annual bonuses for the immediately preceding fiscal year. In addition, we have introduced a mechanism that when the stock acquisition right exercise period starts, the exercisable number of stock acquisition rights may be determined according the consolidated performance and other track records up to the immediately preceding fiscal year in the range of 30% to 100% of the allotted number, and thereby we reinforced incentives for improving medium- to long-term business performance and achieving the targets compared to the past stock options of the Company.

■ Terms and conditions regarding performance on long-term incentive-type remuneration

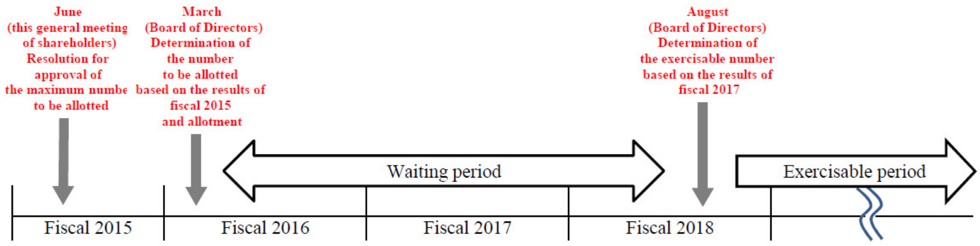
When stock acquisition rights are allotted

- Use the same items as used in calculating annual bonus to each officer. Items to be used differ from an officer to another, among consolidated business performance (consolidated net sales, consolidated operating income and consolidated net income), evaluation of performance of business of which respective officers are in charge, and personal evaluation.
- Determine the number of stock acquisition rights to be allotted through deliberation by the evaluation working group.

When the exercise period of the stock acquisition rights allotted starts

- Calculate the growth rate of operating income by comparing the operating income for the fiscal years preceding and following the fiscal year in which the stock acquisition rights allotment date is included.
- Calculate the growth rates of operating income for the same fiscal years as above of companies such as Kao Corporation (Japan), L'Oreal S.A. (France) and Estee Lauder Companies Inc. (USA), which are top sales cosmetic companies in Japan and overseas and designated in advance as companies to be compared with.
- Decide the number of stock acquisition rights allotted to each director or corporate officer that are exercisable based on the comparison of the growth rates of operating income between the Company and the companies for comparison.

■ Schedule of allotment and exercise of long-term incentive-type remuneration



■ Roles of Remuneration Advisory Committee and evaluation working group established in the Committee

In the new directors, audit & supervisory board members and corporate officers remuneration policy, personal evaluation of each director and corporate officer will have a significant impact on determination of the amount of all remunerations including basic remuneration, annual bonus and the long-term incentive-type remuneration. To ensure objectivity, fairness and transparency of the personal evaluation, the evaluation working group is established in the Remuneration Advisory Committee. The evaluation working group is comprised of external directors and Audit & Supervisory Board Members (full-time) as importance is put to the independence from the business execution.

The evaluation working group deliberates the personal evaluation of each director and corporate officer to facilitate the Committee's report on the performance evaluation, etc. of each director and corporate officer to the Board of Directors. As the details of personal evaluation relate to the promotion of demotion of directors and corporate officers, the details of deliberation at the evaluation working group and its results are also notified to the Nomination Advisory Committee.

4) Amount of Remuneration, etc. to Directors and Audit & Supervisory Board Members of the Fiscal Year Ended March 31, 2015

(Millions of yen)

	Basic Remuneration	Bonuses	Long-Term Incentive (Stock Option)	Total
Directors (11 persons)	262	51	130	445
External Directors among Directors (3 persons)	39	—	—	39
Audit & Supervisory Board Members (6 persons)	96	—	—	96
Audit & Supervisory Board Members (External) among Audit & Supervisory Board Members (3 persons)	36	—	—	36
Total	358	51	130	541

Notes:

1. Basic remuneration for directors has the ceiling amount of ¥30 million per month as per the resolution of the 89th ordinary general meeting of shareholders held on June 29, 1989. Basic remuneration for audit & supervisory board members has the ceiling amount of ¥10 million per month as per the resolution of the 105th ordinary general meeting of shareholders held on June 29, 2005.
2. The above amount of basic remuneration includes ¥32 million as basic remuneration for fiscal 2014 that four subsidiaries of the Company paid through the Company to one director of the Company who served concurrently as the director of said subsidiaries.
3. The above amount to be paid as bonuses to directors for fiscal 2014 is subject to the approval of the Fifth Item of Business (Payment of Bonuses to Directors) as proposed at this ordinary general meeting of shareholders.
4. The amount of long-term incentive type remuneration (stock options) indicated above represents the expenses associated with the fiscal year under review among the stock options (stock acquisition rights) in the fiscal year, upon the approval of the ordinary general meeting of shareholders, in consideration of performance of duties by directors.
5. In addition to the above payments, there are other remuneration, etc. as follows:
   1) ¥8 million was recorded for the fiscal year ended March 31, 2015 as expenses associated with stock options granted to three directors and one audit & supervisory board member of the Company, at the time they served as corporate officers not holding the offices of directors.
   2) ¥23 million of officers' retirement benefits was paid to a director who retired as of the conclusion of the 114th ordinary general meeting of shareholders held on June 25, 2014 as the portion of final payment following the abolishment of the officers' retirement benefit plan in 2004.
6. None of the directors or the audit & supervisory board members will be paid remunerations other than the executive remunerations described above (including those described in notes 1 through 5).

5) Amounts of Remunerations, etc. of Representative Directors and Directors Whose Total Amount of Remunerations, etc. Exceeds 100 Million Yen, by Type of Remuneration for the Fiscal Year Ended March 31, 2015

(Millions of yen)

	Basic remuneration	Bonuses	Long-term incentive (Stock option)	Total
Masahiko Uotani, Representative Director	47	6	9	63
Carsten Fischer, Representative Director	82	29	65	178

Notes:

1. The above amount of basic remuneration includes ¥32 million as basic remuneration for fiscal 2014 that four subsidiaries paid through the Company to Mr. Carsten Fischer, representative director, who served concurrently as the director of said subsidiaries.
2. The above amount to be paid as bonuses to directors during fiscal 2014 is subject to the approval of the Fifth Item of Business (Payment of Bonuses to Directors) as proposed at this ordinary general meeting of shareholders.
3. The amount of long-term incentive type remuneration (stock options) indicated above represents the expenses associated with the fiscal year under review among the stock options (stock acquisition rights) in the fiscal year, upon the approval of the ordinary general meeting of shareholders, in consideration of duties executed by directors.
4. None of the two directors above will be paid remunerations other than the remunerations described above (including those described in notes 1 through 3).

(11) Matters Concerning Accounting Auditor

1) Name of Accounting Auditor

KPMG AZSA LLC

Notes:

1. The Company does not conclude execution of agreements for limitation of liabilities with KPMG AZSA LLC.
2. Of the significant subsidiaries of the Company, some overseas subsidiaries are subject to audits of accounts by a certified public accountant or incorporated accounting firm (including overseas auditors possessing similar qualifications) other than the accounting auditor or certified public accountant of the Company.

2) Remuneration, etc. to the Accounting Auditor

(Millions of yen)

Category	Amount
Remuneration paid for services rendered as the accounting auditor for the fiscal year ended March 31, 2015	187
Total cash and other remuneration to be paid by the Company and its subsidiaries to the accounting auditor	224

Note: In the audit contract between the Company and its accounting auditor, remuneration paid for audits under the Companies Act and audits under the Financial Instruments and Exchange Act are not clearly distinguished and cannot be practically separated. Therefore, the total payment for both is shown in "Remuneration paid for services rendered as the accounting auditor for the fiscal year ended March 31, 2015" above.

3) Details of Services Other Than Audit

Not applicable.

4) Policy Relating to Determination of Dismissal of or Not to Reappoint Accounting Auditor

In the event that the Company determines that keeping an accounting auditor as its accounting auditor causes material troubles to the Company for the reasons, among other things, that the accounting auditor violates its duties, negates its duties or behaves in a manner inappropriate as accounting auditor, the Audit & Supervisory Board shall dismiss the accounting auditor pursuant to Article 340 of the Companies Act. Furthermore, in addition, in the event that it is deemed that the accounting auditor is unable to carry out its duties duly or change of the accounting auditor to another audit firm is reasonably required to enhance the appropriateness of accounting audit, the Board of Directors shall submit a proposal to the general meeting of shareholders for the dismissal of the accounting auditor or not reappointing the accounting auditor in accordance with the resolution of the Audit & Supervisory Board on the proposal resolved in consideration of the opinion of the executive agency.

Amounts in this business report have been rounded down to the nearest million JPY, thousand USD, thousand EUR, thousand RMB, or thousand TWD. In the notation of 1,000 shares, shares of less than one unit have been omitted.

SHISEIDO

Consolidated Balance Sheets

(As of March 31, 2015)

(Millions of yen)

	March 31, 2015	March 31, 2014 (Reference)
ASSETS		
Current Assets:	**415,069**	**402,588**
Cash and Time Deposits	103,603	95,774
Notes and Accounts Receivable	131,951	138,282
Short-Term Investments in Securities	18,266	33,129
Inventories	106,696	90,244
Deferred Tax Assets	32,240	26,568
Other Current Assets	24,046	20,076
Less: Allowance for Doubtful Accounts	-1,733	-1,487
Non-current Assets:	**408,567**	**398,758**
Property, Plant and Equipment:	**136,986**	**134,879**
Buildings and Structures	62,388	63,018
Machinery, Equipment and Vehicles	14,056	12,771
Tools, Furniture and Fixtures	24,790	22,086
Land	30,256	30,853
Leased Assets	3,743	2,867
Construction in Progress	1,752	3,282
Intangible Assets:	**167,121**	**166,732**
Goodwill	64,453	63,377
Leased Assets	635	586
Trademarks	58,005	55,173
Other Intangible Assets	44,027	47,595
Investments and Other Assets:	**104,458**	**97,145**
Investments in Securities	29,234	26,889
Long-Term Prepaid Expenses	12,842	11,994
Deferred Tax Assets	37,960	33,118
Other Investments	24,483	25,200
Less: Allowance for Doubtful Accounts	-62	-56
TOTAL ASSETS	**823,636**	**801,346**

	March 31, 2015	March 31, 2014 (Reference)
LIABILITIES		
Current Liabilities:	**265,381**	**249,783**
Notes and Accounts Payable	34,460	50,945
Electronically Recorded Obligations-Operating	25,980	—
Short-Term Debt	27,187	6,727
Commercial Papers	602	—
Current Portion of Bonds Payable	40,000	50,000
Current Portion of Long-Term Debt	5,952	5,926
Lease Obligations	1,873	1,400
Other Payables	35,329	48,043
Accrued Income Taxes	16,210	17,503
Provision for Sales Returns	15,101	11,084
Provision for Bonuses	17,012	18,094
Provision for Directors' Bonuses	182	290
Provision for Risk and Liabilities	649	486
Provision for Structural Reforms	10	122
Deferred Tax Liabilities	39	35
Other Current Liabilities	44,788	39,123
Non-current Liabilities:	**148,885**	**192,855**
Bonds	—	40,000
Long-Term Debt	28,831	49,714
Lease Obligations	2,450	2,149
Net Defined Benefit Liability	77,704	60,825
Provision for Losses on Guarantees	350	350
Provision for Environmental Measures	395	395
Provision for Structural Reforms	1,005	1,061
Deferred Tax Liabilities	33,198	33,413
Other Non-current Liabilities	4,949	4,945
Total Liabilities	**414,267**	**442,638**
NET ASSETS		
Shareholders' Equity:	**351,308**	**335,535**
Common Stock	64,506	64,506
Capital Surplus	70,258	70,258
Retained Earnings	218,757	203,452
Less: Treasury Stock, at Cost	-2,214	-2,682
Accumulated Other Comprehensive Income	**35,552**	**3,026**
Unrealized Gains (Losses) on Available-for-Sale Securities, Net of Taxes	6,443	3,544
Foreign Currency Translation Adjustments	48,544	19,690
Remeasurements of Defined Benefit Plans	-19,435	-20,207
Stock Acquisition Rights	**1,043**	**941**
Minority Interests in Consolidated Subsidiaries	**21,465**	**19,204**
Total Net Assets	**409,369**	**358,707**
TOTAL LIABILITIES AND NET ASSETS	**823,636**	**801,346**

Consolidated Statements of Income

(Fiscal Year from April 1, 2014 to March 31, 2015)

(Millions of yen)

	Fiscal Year	Previous Fiscal Year (Reference)
Net Sales	777,687	762,047
Cost of Sales	196,433	189,559
Gross Profit	**581,254**	**572,487**
Selling, General and Administrative Expenses	553,640	522,843
Operating Income	**27,613**	**49,644**
Other Income	4,938	5,173
Interest Income	1,194	985
Dividend Income	565	624
Equity in Earnings of Affiliates	212	82
Rental Income	1,006	890
Subsidy Income	874	687
Foreign Exchange Gain	—	739
Other	1,085	1,164
Other Expenses	3,312	3,391
Interest Expense	1,207	1,731
Foreign Exchange Loss	657	—
Other	1,447	1,660
Ordinary Income	**29,239**	**51,426**
Extraordinary Income	26,923	7,313
Gain on Transfer of Business	22,268	—
Gain on Sales of Property, Plant and Equipment	4,422	6,664
Gain on Sales of Investments in Securities	233	648
Extraordinary Loss	7,125	8,312
Impairment Loss	2,531	969
Structural Reform Expenses	3,273	5,555
Loss on Liquidation of Subsidiaries and Associates	125	—
Loss on Sales and Disposal of Property, Plant and Equipment	1,164	1,704
Loss on Sales of Investments in Securities	29	6
Loss on Revaluation of Investments in Securities	0	76
Income before Income Taxes	**49,038**	**50,427**
Income Taxes – Current	20,230	22,155
Income Taxes for Prior Periods	—	1,700
Income Taxes – Deferred	-7,419	-2,164
Income before Minority Interests	**36,227**	**28,736**
Minority Interests in Net Income of Consolidated Subsidiaries	2,558	2,587
Net Income	**33,668**	**26,149**

Reference: Consolidated Statements of Comprehensive Income

(Fiscal Year from April 1, 2014 to March 31, 2015)

(Millions of yen)

	Fiscal Year	Previous Fiscal Year (Reference)
Income before Minority Interests	**36,227**	**28,736**
Other Comprehensive Income:		
Unrealized Gains (Losses) on Available-for-Sale Securities, Net of Tax	2,842	814
Foreign Currency Translation Adjustments	30,822	60,698
Remeasurements of Defined Benefit Plans	773	391
Share of Other Comprehensive Income of Associates Accounted for Under the Equity Method	2	81
Total Other Comprehensive Income	34,441	61,986
Comprehensive Income	**70,668**	**90,722**
(Breakdown)		
Comprehensive Income Attributable to Shareholders' Equity	66,193	84,750
Comprehensive Income Attributable to Minority Interests	4,474	5,971

Consolidated Statement of Changes in Net Assets

(Fiscal Year from April 1, 2014 to March 31, 2015)

(Millions of yen)

	Shareholders' Equity				
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock, at Cost	Total Shareholders' Equity
Balance as of April 1, 2014	64,506	70,258	203,452	-2,682	335,535
Effect of Changes in Accounting Policies (Cumulative)			-10,303		-10,303
Balance at Beginning of Fiscal Year Reflecting Changes in Accounting Policies	64,506	70,258	193,149	-2,682	325,231
Changes during Fiscal Year					
Dividends of Retained Earnings			-7,972		-7,972
Net Income			33,668		33,668
Acquisition of Treasury Stock				-6	-6
Disposal of Treasury Stock			-93	474	381
Change in Consolidation Scope			139		139
Equity Transactions with Noncontrolling Interests and Others			-133		-133
Net Change in Items Other than Shareholders' Equity					
Total Change during the Fiscal Year	—	—	25,608	468	26,076
Balance as of March 31, 2015	64,506	70,258	218,757	-2,214	351,308

(Millions of yen)

	Accumulated Other Comprehensive Income				Stock Acquisition Rights	Minority Interests in Consolidated Subsidiaries	Total Net Assets
	Unrealized Gains (Losses) on Available-for-Sale Securities, Net of Taxes	Foreign Currency Translation Adjustments	Remeasurements of Defined Benefit Plans	Total Accumulated Other Comprehensive Income			
Balance as of April 1, 2014	3,544	19,690	-20,207	3,026	941	19,204	358,707
Effect of Changes in Accounting Policies (Cumulative)						-2	-10,306
Balance at Beginning of Fiscal Year Reflecting Changes in Accounting Policies	3,544	19,690	-20,207	3,026	941	19,201	348,401
Changes during Fiscal Year							
Dividends of Retained Earnings							-7,972
Net Income							33,668
Acquisition of Treasury Stock							-6
Disposal of Treasury Stock							381
Change in Consolidation Scope							139
Equity Transactions with Noncontrolling Interests and Others							-133
Net Change in Items Other than Shareholders' Equity	2,899	28,854	771	32,525	102	2,263	34,891
Total Change during the Fiscal Year	2,899	28,854	771	32,525	102	2,263	60,967
Balance as of March 31, 2015	6,443	48,544	-19,435	35,552	1,043	21,465	409,369

Notes to the Consolidated Financial Statements

Basis of Presenting Consolidated Financial Statements

1. Scope of Consolidation

(1) Number of consolidated subsidiaries: 92

Principal subsidiaries are listed in 1.2 Outline of the Shiseido Group (3) Major Subsidiaries and Affiliates of Shiseido Group.

[Additions: 3 companies]

Shiseido Middle East FZCO, Shiseido India Private Limited and PT Shiseido Cosmetics Indonesia were established during the period and thus are included in the scope of consolidation in the fiscal year ended March 31, 2015.

[Exclusions: 5 companies]

All of the shares in Carita International S.A. and FIPAL S.A.S., as well as FIPAL's three subsidiaries, were sold. Accordingly, those companies were excluded from the scope of consolidation in the fiscal year ended March 31,2015.

(2) Unconsolidated subsidiaries

Major company name: Beauté Prestige International Ltd. (UK)

(Reasons for excluding unconsolidated subsidiaries from scope of consolidation)

Since these companies are small in scale or do not engage in full-scale operations, total assets, net sales, net income (the Company's share) and retained earnings (the Company's share) have a minimal impact on the Company's consolidated financial statements, and they are immaterial, thus they are not included in the scope of consolidation.

2. Application of the Equity Method

(1) Affiliates accounted for under the equity method: 4

Major company name: Pierre Fabre Japon Co., Ltd.

(2) Since the unconsolidated subsidiaries (Beauté Prestige International Ltd. (UK), and others) and affiliates not accounted for under the equity method are small in scale or do not engage in full-scale operations, their net income (the Company's share) and retained earnings (the Company's share) are immaterial and have a minimal impact on the Company's consolidated financial statements, thus they are not included in the scope of equity method application.

(3) The most recent financial statements are used for equity-method affiliates with fiscal year-ends that differ from that of the Company.

3. Fiscal Year of Consolidated Subsidiaries

Of the Company's consolidated subsidiaries, 68 companies – overseas consolidated subsidiaries, Tai Shi Trading Co., Ltd., Bare Escentuals, K.K. and Selan Anonymous Association – have fiscal years ending December 31. All other consolidated subsidiaries have fiscal years ending March 31.

The most recent financial statements are used for those 68 companies – overseas consolidated subsidiaries, Tai Shi Trading Co., Ltd., Bare Escentuals, K.K. and Selan Anonymous Association – with fiscal years ending in months other than March. When significant transactions occur at those subsidiaries between their fiscal year-ends and the Company's fiscal year-end, these transactions are included in the consolidated financial statements.

4. Notes on Accounting Standards

(1) Valuation of Major Assets

1) Securities

Available-for-sale securities:

Securities with readily determinable fair value:

Stated at fair value based on market price, based on market prices at fiscal year-end. (Net unrealized gains and losses are reported as a component of net assets. The cost of securities sold is mainly calculated using the moving-average method.)

Available-for-sale securities with qualities similar to that of deposits are stated at cost based on the moving-average method.

Securities without readily determinable fair value:

Primarily stated at cost, based mainly on the moving-average method. Investments in limited partnerships are recorded as investments in securities, at the amount of interest in such partnerships calculated based on ownership percentage. Investment gain or loss is included in net income or loss in proportion to the ownership interests in the net asset value of the partnership.

2) Inventories

Inventories held by the Company are generally stated at cost, determined by the periodic average method. (The carrying amount in the balance sheet is calculated with consideration of write-downs due to decreased profitability.)

(2) Depreciation of Major Assets

1) Property, Plant and Equipment (Excluding Leased Assets)

Property, Plant and Equipment are depreciated mainly using the straight-line method over the following estimated useful lives:

Buildings and structures:	mainly 2–50 years
Machinery, equipment and vehicles:	mainly 2-12 years
Tools, furniture and fixtures:	mainly 2–15 years

2) Intangible Assets (Excluding Leased Assets)

Intangible assets are mainly amortized using the straight-line method over the following estimated useful lives:

Goodwill:	mainly 20 years
Software:	mainly 5 years
Customer relationships:	mainly 10 years

3) Leased Assets

Leased assets associated with finance lease transactions that do not transfer ownership are depreciated using the straight-line method over the period of the lease, with zero residual value.

4) Long-Term Prepaid Expenses

Long-term prepaid expenses are primarily amortized using the straight-line method.

(3) Significant Reserves

1) Allowance for Doubtful Accounts

The Company and its domestic consolidated subsidiaries provide an allowance for doubtful accounts based on the historical percentage of actual bad debt losses as compared to the balance of total receivables and the amount of uncollectible receivables estimated on an individual basis. Overseas consolidated subsidiaries record an allowance based primarily on the amount of uncollectible receivables estimated on an individual basis.

2) Provision for Sales Returns

The Companies provide a reserve for sales returns for future losses considering the past return ratios and market distributors' stock.

3) Provision for Bonuses

The Companies provide accrued bonuses for employees based on the estimated amounts to be paid in respect of the fiscal year. This reserve includes bonuses for corporate officers who are non-Board members, for whom the calculations are the same as those for Provision for Directors' Bonuses.

4) Provision for Directors' Bonuses

The Companies provide accrued bonuses for members of the Board of Directors who concurrently serve as corporate executive officers based on the estimated amounts to be paid in respect of the fiscal year.

5) Provision for Risk and Liabilities

To provide for losses due to legal risks, product guarantee risks, tax risks, and other factors, certain overseas consolidated subsidiaries make provisions, the amounts of which are based on estimated losses to be incurred considering the likelihood of such losses in the future.

6) Provision for Losses on Guarantees

The Company provides an allowance for estimated probable losses on guarantees based on the financial status of the parties for which guarantees have been provided.

7) Provision for Environmental Measures

The Company and its domestic consolidated subsidiaries provide a reserve for the estimated cost to treat polychlorinated biphenyl (PCB) waste as required by the Act on Special Measures Concerning Promotion of Proper Treatment of PCB Wastes.

8) Provision for Structural Reforms

The Company provides a reserve for the estimated amount of expenses and losses to be incurred in association with structural reforms.

(4) Basis for Calculating Net Defined Benefit Liability

1) Method for Attributing Estimated Retirement Benefits to Individual Periods of Service

In calculating benefit obligation, the benefit formula basis is adopted for the purpose of attributing estimated retirement benefits to the period up to the end of the current fiscal year.

2) Calculation of Net Actuarial Gain or Loss and Prior Service Cost

Unrecognized prior service cost is primarily amortized on a straight-line basis over a 10-year period, which is shorter than the average remaining years of service of the eligible employees.

Unrecognized net actuarial gain or loss is primarily amortized from the following year on a straight-line basis over a 10-year period, which is shorter than the average remaining years of service of the eligible employees.

(5) Translation of Significant Foreign-Currency Assets and Liabilities into Japanese Yen

Receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rate prevailing at the end of the consolidated fiscal period and resulting exchange gains and losses are included in net income or loss for the fiscal year.

The financial statements of overseas consolidated subsidiaries and affiliates are translated into yen at the exchange rate prevailing on the respective balance sheet dates of those subsidiaries for assets and liabilities. All income and expenses are translated at the average rate of exchange during the fiscal year and resulting translation adjustments are included in Net Assets as Foreign Currency Translation Adjustments and Minority Interests.

(6) Significant Accounting for Hedges

Hedge accounting method

Deferral hedge accounting has been applied. The Company applies special accounting treatment to interest rate swaps that meet the requirement of special accounting. The Company also applies integral accounting treatment (special accounting treatment, assignment accounting treatment) to interest rate and currency swaps that meet the requirement of integral accounting.

(7) Other Significant Accounting Policies for Preparation of Consolidated Financial Statements

1) Consumption Taxes: The Companies adopted the tax-exclusive method for consumption tax and regional consumption tax.

2) Application of Consolidated Taxation System: The Company and certain domestic consolidated subsidiaries applied a consolidated taxation system.

(Supplementary Information)

Change in statutory corporate income tax rate

On March 31, 2015, amendments to the Japanese tax regulations were enacted into law. Based on the amendments, the statutory income tax rates utilized for the measurement of deferred tax assets and liabilities for the temporary differences expected to be reversed from April 1, 2015 to December 31, 2016 and on or after January 1, 2017 are changed from 36% for the fiscal year ended March 31, 2014 to 33% and 32%, respectively.

Due to these changes in statutory income tax rates, net deferred tax assets (after deducting the deferred tax liabilities) decreased by ¥3,253 million as of March 31, 2015, and income taxes – deferred expensed for the fiscal year ended March 31, 2015 and unrealized gains (losses) on available-for-sale securities and remeasurements of defined benefit plans increased by ¥2,715 million, ¥357 million and -¥896 million, respectively.

5. Changes to Accounting Policies

(Changes in Accounting Policies)

Application of Accounting Standard for Retirement Benefits

The Company and its consolidated domestic subsidiaries adopted article 35 of the “Accounting Standard for Retirement Benefits” (ASBJ Statement No. 26, May 17, 2012 (hereinafter, “Statement No. 26”)) and article 67 of the “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25, March 26, 2015 (hereinafter, “Guidance No. 25”)) from the fiscal year ended March 31, 2015, and have changed the determination of retirement benefit obligations and current service costs. In addition, the Company and its consolidated domestic subsidiaries have changed the method of attributing expected benefit to periods from a straight-line basis to a benefit formula basis and the method of determining the discount rates from the method of using the period approximating the expected average remaining working lives of employees for the period of underlying bonds to the method of using the discount rates reflecting the estimated timing of each benefit payment.

In accordance with article 37 of Statement No. 26, the effect of the change in accounting policies has been recognized in retained earnings at the beginning of the fiscal year ended March 31, 2015. As a result of the application, net defined benefit liability and deferred tax assets increased by ¥16,188 million and ¥5,882 million, respectively, while retained earnings and minority interests decreased by ¥10,303 million and ¥2 million, respectively. In addition, operating income, ordinary income and income before income taxes increased by ¥602 million in the fiscal year ended March 31, 2015, respectively. The effects on the earnings per share are explained in the "Per-Share Information."

Change in depreciation method for property, plant and equipment

The Company and its domestic consolidated subsidiaries have mainly adopted the declining-balance method for depreciation of property, plant and equipment (excluding buildings (excluding accompanying facilities attached to buildings) and leased assets up to March 31, 2014). Effective the fiscal year ended March 31, 2015, the Company and its domestic consolidated subsidiaries have applied the straight-line method. The Shiseido Group expects a long-term stability of capacity utilization and income generating resulting from drastic reassessments of its brand management (including for existing products) and business operational style. The Company and its domestic consolidated subsidiaries also look forward to sustained growth and stronger responsiveness in overseas markets and global advancement of the business. In addition, to make accounting processes standardized in the global operation, the Company and its domestic consolidated subsidiaries reviewed the depreciation method for property, plant and equipment. Consequently, the Company and its domestic consolidated subsidiaries have adopted the straight-line method of depreciation as adopted in the overseas consolidated subsidiaries since the Group believes that this method provides a more appropriate reflection of actual business conditions. As a result of this change, compared to the previous method used, depreciation decreased by ¥1,124 million while operating income, ordinary income, and income before income taxes each increased by ¥1,124 million in the fiscal year ended March 31, 2015. The impact of this change on per share information is shown in the relevant section of this report.

(Changes in Accounting Estimates)

Change in estimation of useful lives and residual values of property, plant and equipment

Following the aforementioned change in depreciation method, the Shiseido Group assessed the actual status of its operations and, effective the fiscal year ended March 31, 2015, changed the estimate of certain property, plant and equipment to reflect such actual status. As for determining residual value, the Company and its domestic consolidated subsidiaries have adopted the method in which the depreciable assets be depreciated to memorandum value at the end of their useful lives. As a result of this change, compared to the previous method used, depreciation increased by ¥49 million while operating income, ordinary income, and income before income taxes each decreased by ¥49 million. The impact of this change on per share information is shown in the relevant section of this report.

Notes to Consolidated Balance Sheet

(1) Inventories

Merchandise and products	¥76,636 million
Work in process	¥5,558 million
Raw materials and supplies	¥24,501 million

(2) Collateralized assets and loan liabilities

Assets pledged as collateral are as follows, which are all assets corresponding to non-recourse debt:

Buildings and structures	¥14,197 million
Other investments (Guarantee deposit paid)	¥15,200 million
Investments in securities	¥1,155 million
Cash and time deposits	¥1,207 million
Machinery, equipment and vehicles, and tools, furniture and fixtures	¥1 million
Total	¥31,762 million

The above assets are pledged as collateral for derivative transactions (interest rate swaps) and the following collateralized liabilities, which are all non-recourse debt:

Current portion of long-term debt	¥730 million
Long-term debt	¥21,025 million

(3) Accumulated depreciation of property, plant and equipment ¥232,001 million

Notes to Consolidated Statement of Income

(1) Gain on transfer of business

This resulted from the sale of the DECLÉOR and CARITA brands.

(2) Impairment losses:

Impairment losses on overseas non-current assets are as follows.

Use	Type of asset	Location
Business-use assets	Other Intangible Assets, Buildings and Structures, and others	United States
Idle assets, and others	Buildings and Structures, and others	Taiwan and others

The Shiseido Group's business-use assets are grouped according to the minimum independent cash-flow-generating unit, based on business classification. Idle assets are pooled according to individual property.

In the Global Business segment, customer-related intangible assets of Bare Escentuals, Inc. were subject to impairment tests based on U.S. accounting standards after comprehensive consideration of the situation in which that company's net sales have fallen below projections. Consequently, such assets were devalued to their recoverable amount, resulting in an extraordinary loss of ¥2,377 million. The recoverable amount is measured as the value in use, at a discount rate of 11.5%.

Among business-use assets, the book values of buildings and structures have been devalued to their recoverable amount, resulting in a ¥42 million extraordinary loss. The recoverable amount is estimated based on the net sales amount, which is assessed based on the expected sale price.

With respect to idle assets, the Group's assets that are no longer expected to be used in the future have been devalued to their recoverable amount, resulting in a ¥111 million extraordinary loss. The recoverable amount is estimated based on the net sales amount, which is assessed based on the expected sale price.

(3) Structural reform expenses

Structural reform expenses refers to expenses related to optimizing store-level inventories (developing processes to prevent accumulation of store-level inventories) and strengthening human resource and personnel cost management. These are parts of one-time expenses related to business structural reforms resulting from reassessment of organizations, infrastructure, and processes aimed at building a robust business structure.

Expenses associated with optimization of store-level inventories in China	¥1,197 million
Retirement premiums for early retirees, and other expenses	¥2,075 million

(4) Loss on liquidation of subsidiary

The loss is related to the liquidation of a subsidiary in Australia.

Notes to Consolidated Statement of Changes in Net Assets

(1) Shares issued and outstanding

Category and number of shares issued and outstanding as of March 31, 2015

Common stock: 400,000 thousand shares

(2) Dividends

1) Cash dividends paid

Resolution	Share Class	Cash Dividends Paid (Millions of yen)	Cash Dividends per Share (Yen)	Record Date	Effective Date
Ordinary General Meeting of Shareholders on June 25, 2014	Common stock	3,985	10	March 31, 2014	June 26, 2014
Board of Directors Meeting on October 31, 2014	Common stock	3,986	10	September 30, 2014	December 4, 2014
Total		7,972			

2) Resolution at the Ordinary General Meeting of Shareholders to be held on June 23, 2015 concerning dividends on shares of common stock made for the fiscal year ended March 31, 2015 but for which the effective date is after the end of the fiscal year.

Cash dividends to be paid:	¥3,988 million
Cash dividends per share:	¥10
Record date:	March 31, 2015
Effective date:	June 24, 2015
Funding source:	Retained earnings

(3) Category and number of stock acquisition rights outstanding at fiscal year-end, excluding those for which the exercisable period has not commenced

Common stock 634 thousand shares

Financial Instruments

1. Financial Instruments

(1) Policy for financial instruments

The Shiseido Group limits fund management to short-term deposits, investments in securities and other methods. As a matter of policy, the Shiseido Group procures funds using bank loans, commercial papers, bonds and other methods. The Shiseido Group uses derivatives to avoid the risk of foreign exchange rate fluctuations associated with receivables and payables denominated in foreign currencies and the risk of interest rate fluctuations associated with loans. The Shiseido Group limits the use of derivatives to the volume of receivables and payables and actual requirements, and do not engage in speculative transactions.

(2) Types of financial instruments, related risks and risk management system

Notes and accounts receivable are exposed to customer credit risk. The Shiseido Group mitigates this risk by managing settlement date and amount due for each counterparty.

Investments in securities, primarily the equity securities of corporations with which the Shiseido Group does business, are exposed to the risk of fluctuations in market price. The Shiseido Group manages this risk by periodically examining market prices and the financial condition of the issuing entities.

Notes and accounts payable are due within one year.

Interest-bearing debt includes short-term borrowings and commercial paper, which the Shiseido Group uses to procure funds for operating transactions, as well as long-term borrowings, bonds and lease obligations, which the Shiseido Group uses to fund investments and loans, capital expenditures and operating transactions. Floating-rate debt is exposed to the risk of interest rate fluctuations. The Shiseido Group hedges this risk for specific long-term borrowings by using derivatives (interest rate swap contracts and interest rate and currency swap contracts) to avoid the risk of interest rate fluctuations and fix interest payments.

The Shiseido Group uses foreign exchange forward contracts and foreign currency options to hedge the risk of foreign exchange fluctuations associated with receivables and payables denominated in foreign currencies, and interest rate swap contracts to hedge the risk of fluctuations in interest rates associated with floating-rate debt, and interest rate and currency swap contracts to hedge the risk of foreign exchange fluctuations and fluctuations in interest rates associated with debt in foreign currencies.

The Shiseido Group executes and manages derivatives within the limits of established internal rules and regulations, and reduces credit risk by limiting counterparties to highly creditworthy financial institutions.

Payables and interest-bearing debt are exposed to liquidity risk that the Shiseido Group manages in ways such as preparing monthly cash flow plan.

2. Fair Value of Financial Instruments

Fair value and variance with carrying value presented on the balance sheet as of March 31, 2015 are as follows. Unlisted equity securities, investments in limited partnerships and other instruments with fair values that are not readily determinable are not included in the following table.

(Millions of yen)

		Carrying Value*	Fair Value*	Variance
(1)	Cash and time deposits	103,603	103,603	—
(2)	Notes and accounts receivable (less allowance for doubtful accounts)	130,217	130,217	—
(3)	Short-term investments in securities and investments in securities	40,779	40,779	
	Available-for-sale securities			—
(4)	Notes payable, Electronically recorded obligations - operating, Accounts payable and Other payables	(95,769)	(95,769)	—
(5)	Short-term debt	(27,187)	(27,187)	—
(6)	Commercial papers	(602)	(602)	—
(7)	Bonds	(40,000)	(40,036)	-36
(8)	Long-term debt	(34,783)	(38,979)	-4,195
(9)	Lease obligations	(4,324)	(4,380)	-56
(10)	Derivative instruments			
1)	Hedge accounting not applied	(303)	(303)	—
2)	Hedge accounting applied	—	3,547	3,547

* Liabilities are in parentheses. Derivative transactions are presented as net amounts receivable or payable, with net amounts payable in parentheses.

Note: Method for calculating the fair value of financial instruments, short-term investments in securities and derivative transactions

(1) Cash and time deposits; (2) Notes and accounts receivable

Carrying value is used for the fair value of these short-term items because these amounts are approximately the same.

(3) Short-term investments in securities and investments in securities

Short-term investments in securities are held as available-for-sale securities. Market prices on exchanges are used to determine the fair value of equity securities. Prices quoted by financial institutions are used to determine the fair value of bonds. Carrying value is used for the fair value of instruments with short-term maturities included in available-for-sale securities because these amounts are approximately the same.

(4) Notes payable, Electronically recorded obligations, Accounts payable and Other payables; (5) Short-term debt (6) Commercial papers

Carrying value approximates fair value for these short-term items.

(7) Bonds

Fair value of bonds issued by the Company is calculated based on market prices.

(8) Long-term debt

Floating-rate long-term debt reflects market interest rates. In addition, fair value approximates carrying value because the Company's creditworthiness does not vary significantly after assuming long-term debt. Therefore, carrying value is used for the fair value of floating-rate long-term borrowing. The fair value of fixed-rate long-term borrowing is the discounted value of total principal and interest using an assumed interest rate on equivalent new borrowings.

(9) Lease obligations

The fair value of lease obligations is the discounted present value of total principal and interest using an assumed interest rate on equivalent new lease transactions.

(10) Derivative instruments

The fair value of derivative instruments is based on prices quoted by financial institutions.

Per-Share Information

Net assets per share: ¥970.00

Net income per share: ¥84.44

As stated in “Changes in Accounting Policies,” the Accounting Standard for Retirement Benefits, etc. has been adopted effective the fiscal year ended March 31, 2015, whereby transitional treatment as determined in Paragraph 37 therein is followed. As a result, net assets per share at March 31, 2015 decreased by ¥24.88 and net income per share in the fiscal year ended March 31, 2015 increased by ¥0.96 compared with the previous method.

As stated in “Changes in Accounting Policies,” the Company has changed the depreciation method for property, plant and equipment, effective the fiscal year ended March 31, 2015. As a result of this change, net income per share in the fiscal year ended March 31, 2015 increased by ¥1.81 compared with the previous method.

As stated in “Changes in Accounting Estimates,” the Company has changed the estimate of useful lives and residual values of property, plant and equipment, effective the fiscal year ended March 31, 2015. As a result of this change, net income per share in the fiscal year ended March 31, 2015 decreased by ¥0.08 compared with the previous method.

Business Combinations

(Business Divestiture)

On April 30,2014, the Company transferred all of the shares, of its subsidiaries and affiliates responsible for the DECLÉOR and CARITA brands, which mainly comprise skincare, bodycare, and haircare businesses, and the related assets to L’Oréal S.A.

1. Outline of Business Divestiture

(1) Name of successor entity

L’Oréal S.A.

(2) Description of divested businesses

Manufacturing and sales of cosmetics

(3) Major reasons of business divestiture

The Professional Division of the Company will in the future direct its focus on the “hair” and “Asia” business areas. Accordingly, the Company determined that, for both the Company and the DECLÉOR and CARITA brands, it is the best option to sell the said brands, whose strengths are different from those of the Company’s focus areas to L'Oréal S.A.

(4) Effective date of business divestiture

April 30, 2014

(5) Other matters related to the transaction including legal form

The consideration of the transfer of shares and the related assets is limited to cash.

2. Outline of Accounting Treatment of Transaction
   (1) Gain on transfer of business: ¥22,268 million
   (2) Book value of assets and liabilities associated with the transferred businesses and the breakdown

Current assets	¥6,731 million
Non-current assets	¥7,623 million
Total assets	¥14,354 million
Current liabilities	¥4,085 million
Non-current liabilities	¥1,798 million
Total liabilities	¥5,884 million

3. Reportable segment(s) in which the divested businesses were included

   Global Business

4. Net sales and operating loss attributing to the transferred businesses recorded in the consolidated statement of income for the fiscal year ended March 31, 2015

Net sales	¥3,075 million
Operating loss	¥377 million

Subsequent Events

1. Transfer of significant assets and conclusion of significant agreements

   On April 9, 2015, BEAUTÉ PRESTIGE INTERNATIONAL S.A. (hereinafter: "BPI"), an affiliate of the Company entered into an agreement (the Agreement) with PUIG, S.L. (Puig) to transfer intellectual property rights (hereinafter: "IP rights") of Jean Paul GAULTIER (hereinafter: "JPG") regarding fragrance products and other related activities, under license of which BPI has been developing business.

(1) Reason for the transfer

   BPI has developed and distributed JPG fragrance products since 1991 under a license agreement (hereinafter: the "License Agreement") expiring in June 2016 for Class 3 products in accordance with the international classification of goods and services. Puig became the majority shareholder of the fashion house Jean Paul GAULTIER in 2011 and wants to develop and sell JPG fragrances on its own. Accordingly, BPI and Puig entered into the agreement regarding the transfer of IP rights to JPG fragrances.

(2) Name of counterparty to the agreement

   PUIG, S.L.

(3) Summary of properties and assets to be transferred

   IP rights (trademarks, design rights, and copyrights) and shares of Noms de Code S.A.S. held by BPI and the Company. Noms de Code S.A.S. is a subsidiary of the Company and owns part of the IP rights.

(4) Overview of the agreement

Agreement to transfer the properties and assets above and an early termination agreement of the License Agreement

(5) Signing and closing date and transfer date

April 9, 2015 and January 4, 2016 (planned)

(6)Transfer value

IP rights and shares of Noms de Code S.A.S.: €69,500,000

Extra bonus paid when JPG fragrance's business result in fiscal 2015 meets pre-agreed conditions: Maximum of €20,000,000

(7) Impact of the License Agreement on the Shiseido Group's financial position, and business results

The impact of the transfer on the consolidated financial statements including gain on sales and compensation for early termination of the License Agreement is currently being computed.

2. Issue of domestic unsecured straight bonds

At its meeting on April 27, 2015, the Board of Directors reached a comprehensive resolution related to domestic unsecured straight bonds as follows:

(1) Total issue amount	Maximum of ¥40.0 billion (However, multiple issues can be made within this range.)
(2) Amount to be paid	¥100 for ¥100 of the amount of each bond
(3) Interest rate	Maximum of +1.0 % over running yield of government bonds with same maturity
(4) Years to maturity	10 years (maximum)
(5) Redemption method	Lump sum payment upon maturity
(6) Issue period	From the resolution of Board of Directors through September 30, 2015
(7) Uses of funds	Redemption of bonds, repayments of loans, and others

Other

The amounts presented have been rounded down to the nearest million yen.

Non-Consolidated Balance Sheets

(As of March 31, 2015)

(Millions of yen)

	March 31, 2015	March 31, 2014 (Reference)
ASSETS		
Current Assets:	**171,869**	**174,340**
Cash and Time Deposits	22,465	21,925
Notes Receivable	88	145
Accounts Receivable	90,473	80,340
Short-Term Investments in Securities	15,069	30,365
Merchandise and Products	8,500	8,592
Work in Process	2,366	1,892
Raw Materials and Supplies	8,082	7,423
Prepaid Expenses	2,146	1,789
Short-Term Loans Receivable	970	1,122
Other Accounts Receivable	13,916	14,408
Deferred Tax Assets	6,168	5,345
Other Current Assets	1,930	990
Less: Allowance for Doubtful Accounts	-310	—
Non-current Assets:	**429,317**	**428,976**
Property, Plant and Equipment:	**52,185**	**52,611**
Buildings	20,392	20,847
Structures	579	615
Machinery and Equipment	3,407	3,074
Vehicles	27	16
Tools, Furniture and Fixtures	4,568	4,086
Land	20,195	21,013
Leased Assets	2,716	2,504
Construction in Progress	298	454
Intangible Assets:	**10,109**	**10,185**
Patent Rights	33	39
Telephone Rights	124	124
Software	8,470	9,453
Software in Progress	1,279	281
Leased Assets	199	284
Other Intangible Assets	2	3
Investments and Other Assets:	**367,022**	**366,178**
Investments in Securities	24,343	22,939
Investments in Shares of Subsidiaries and Affiliates	289,232	288,990
Other Investment Securities of Subsidiaries and Affiliates	18,786	18,350
Capital Investments	737	737
Capital Investments in Subsidiaries and Affiliates	11,816	11,816
Long-Term Loans Receivable	5,570	3,880
Prepaid Pension Expenses	6,010	7,984
Long-Term Prepaid Expenses	476	427
Deferred Tax Assets	6,635	6,391
Other Investments	5,024	6,038
Less: Allowance for Doubtful Accounts	-1,613	-1,378
TOTAL ASSETS	**601,186**	**603,317**

	March 31, 2015	March 31, 2014 (Reference)
LIABILITIES		
Current Liabilities:	**222,929**	**189,971**
Notes Payable	428	1,208
Electronically Recorded Obligations-Operating	25,980	—
Accounts Payable	9,624	27,790
Short-Term Debt	24,000	—
Current Portion of Bonds Payable	40,000	50,000
Current Portion of Long-term Debt	5,000	5,000
Lease Obligations	1,325	1,063
Other Accounts Payable	18,233	24,200
Accrued Expenses	518	681
Accrued Income Taxes	6,019	5,405
Deposits Received	1,327	397
Deposits Received from Subsidiaries and Affiliates	77,821	64,774
Provision for Sales Returns	6,700	4,606
Provision for Bonuses	3,202	3,899
Provision for Directors' Bonuses	182	290
Provision for Structural Reforms	10	122
Other Current Liabilities	2,555	530
Non-current Liabilities:	**31,413**	**87,283**
Bonds	—	40,000
Long-Term Debt	7,500	27,500
Lease Obligations	1,653	1,802
Provision for Retirement Benefits	19,310	13,845
Provision for Losses on Guarantees	350	433
Provision for Environmental Measures	310	310
Provision for Structural Reforms	1,005	1,061
Other Non-current Liabilities	1,283	2,330
Total Liabilities	**254,343**	**277,255**
NET ASSETS		
Shareholders' Equity:	**339,869**	**322,053**
Common Stock	64,506	64,506
Capital Surplus	70,258	70,258
Additional Paid-In Capital	70,258	70,258
Retained Earnings:	207,318	189,970
Legal Reserve	16,230	16,230
Other Retained Earnings	191,087	173,740
Retained Earnings Carried Forward	191,087	173,740
Less: Treasury Stock, at Cost	-2,214	-2,682
Valuation, Translation Adjustments and Others:	**5,930**	**3,066**
Unrealized Gains on Available-for-Sale Securities, Net of Taxes	5,930	3,066
Stock Acquisition Rights	**1,043**	**941**
Total Net Assets	**346,843**	**326,061**
TOTAL LIABILITIES AND NET ASSETS	**601,186**	**603,317**

Non-Consolidated Statements of Income

(Fiscal Year from April 1, 2014 to March 31, 2015)

(Millions of yen)

	Fiscal Year	Previous Fiscal Year (Reference)
Net Sales	241,099	219,219
Cost of Sales	109,445	101,466
Gross Profit	**131,653**	**117,752**
Selling, General and Administrative Expenses	112,578	111,701
Operating Income	**19,074**	**6,051**
Other Income	22,799	19,604
Interest Income	242	229
Dividend Income	15,358	12,626
Foreign Exchange Gain	432	566
Gain on Investment in Limited Partnerships	1,275	1,266
Royalty Income	3,880	3,511
Other	1,609	1,404
Other Expenses	1,941	1,991
Interest Expense	815	924
Provision of Allowance for Doubtful Accounts	545	323
Loss on Investment in Limited Partnerships	7	10
Other	572	733
Ordinary Income	**39,933**	**23,663**
Extraordinary Income	3,736	1,097
Gain on Sales of Property, Plant and Equipment	3,485	467
Gain on Sales of Investments in Securities	233	629
Gain on Cancellation of Lease Contracts	18	0
Extraordinary Loss	2,750	5,457
Structural Reform Expenses	1,606	5,165
Loss on Sales and Disposal of Property, Plant and Equipment	272	214
Loss on Sales of Investments in Securities	15	—
Loss on Revaluation of Investments in Securities	0	8
Loss on Revaluation of Shares in Subsidiaries and Affiliates	819	—
Loss on Revaluation of Capital Investments	—	35
Loss on Cancellation of Lease Contracts	35	33
Income before Income Taxes	**40,919**	**19,303**
Income Taxes – Current	9,692	156
Income Taxes for Prior Periods	—	1,700
Income Taxes – Deferred	727	1,964
Net Income	**30,498**	**15,482**

SHISEIDO

Non-Consolidated Statements of Changes in Net Assets

(Fiscal Year from April 1, 2014 to March 31, 2015)

(Millions of yen)

	Shareholders' Equity		
	Common Stock	Capital Surplus	
		Additional Paid-In Capital	Total Capital Surplus
Balance as of April 1, 2014	64,506	70,258	70,258
Effect of Changes in Accounting Policies (Cumulative)			
Balance at Beginning of Fiscal Year Reflecting Changes in Accounting Policies	64,506	70,258	70,258
Changes during Fiscal Year			
Dividends of Retained Earnings			
Net Income			
Acquisition of Treasury Stock			
Disposal of Treasury Stock			
Net Change in Items Other than Shareholders' Equity			
Total Change during the Fiscal Year	—	—	—
Balance as of March 31, 2015	64,506	70,258	70,258

	Shareholders' Equity				
	Retained Earnings			Treasury Stock, at Cost	Total Shareholders' Equity
	Legal Reserve	Retained Earnings Carried Forward	Total Retained Earnings		
Balance as of April 1, 2014	16,230	173,740	189,970	-2,682	322,053
Effect of Changes in Accounting Policies (Cumulative)		-5,085	-5,085		-5,085
Balance at Beginning of Fiscal Year Reflecting Changes in Accounting Policies	16,230	168,654	184,885	-2,682	316,967
Changes during Fiscal Year					
Dividends of Retained Earnings		-7,972	-7,972		-7,972
Net Income		30,498	30,498		30,498
Acquisition of Treasury Stock				-6	-6
Disposal of Treasury Stock		-93	-93	474	381
Net Change in Items Other than Shareholders' Equity					
Total Change during the Fiscal Year	—	22,432	22,432	468	22,901
Balance as of March 31, 2015	16,230	191,087	207,318	-2,214	339,869

(Millions of yen)

	Valuation, Translation Adjustments and Others		Stock Acquisition Rights	Total Net Assets
	Unrealized Gains (Losses) on Available-for-Sale Securities, Net of Taxes	Total Valuation, Translation Adjustments and Others		
Balance as of April 1, 2014	3,066	3,066	941	326,061
Effect of Changes in Accounting Policies (Cumulative)				-5,085
Balance at Beginning of Fiscal Year Reflecting Changes in Accounting Policies	3,066	3,066	941	320,976
Changes during Fiscal Year				
Dividends of Retained Earnings				-7,972
Net Income				30,498
Acquisition of Treasury Stock				-6
Disposal of Treasury Stock				381
Net Change in Items Other than Shareholders' Equity	2,863	2,863	102	2,965
Total Change during the Fiscal Year	2,863	2,863	102	25,866
Balance as of March 31, 2015	5,930	5,930	1,043	346,843

Notes to the Non-Consolidated Financial Statements

Significant Accounting Policies

1. Notes on Accounting Standards

(1) Valuation of Assets

1) Securities

Stock of subsidiaries and affiliates: Stated at cost, based on the moving-average method.

Available-for-sale securities

Securities with readily determinable fair value:

Stated at fair value based on market price, based on market prices at fiscal year-end. (Net unrealized gains and losses are reported as a component of net assets. The cost of securities sold is mainly calculated using the moving-average method.)

Available-for-sale securities with qualities similar to that of deposits are stated at cost based on the moving-average method.

Securities without readily determinable fair value:

Primarily stated at cost, based on the moving-average method. Investments in limited partnerships are recorded as investments in securities, at the amount of interest in such partnerships calculated based on ownership percentage. Investment gain or loss is included in net income or loss in proportion to the ownership interests in the net asset value of the partnership.

2) Inventories

Inventories are generally stated at cost, determined by the periodic average method. (The carrying amount in the balance sheet is calculated with consideration of write-downs due to decreased profitability.)

(2) Depreciation of Non-current Assets

1) Property, Plant and Equipment (Excluding Leased Assets)

Property, Plant and Equipment are depreciated mainly using the straight-line method over the following estimated useful lives:

Buildings	2–50 years
Structures	7–50 years
Machinery and equipment	2–12 years
Vehicles	4–7 years
Tools, furniture and fixtures	2–15 years

2) Intangible Assets (Excluding Leased Assets)

Intangible assets are mainly amortized using the straight-line method over the following estimated useful lives:

Software	5 years

3) Leased Assets

Leased assets associated with finance lease transactions that do not transfer ownership are depreciated using the straight-line method over the period of the lease, with zero residual value.

4) Long-term Prepaid Expenses

Long-term prepaid expenses are amortized using the straight-line method.

(3) Reserves

1) Allowance for Doubtful Accounts

The Company provides an allowance for doubtful accounts based on the historical percentage of actual bad debt loss as compared to the balance of total receivables and the amount of uncollectible receivables estimated on an individual basis.

2) Provision for Sales Returns

The Company provides a reserve for sales returns for future losses considering the past return ratios and market distributors' stock.

3) Provision for Bonuses

The Company provides accrued bonuses for employees based on the estimated amounts to be paid in respect of the fiscal year. This reserve includes bonuses for corporate officers who are non-Board members, for whom the calculations are the same as those for Provision for Directors' Bonuses.

4) Provision for Directors' Bonuses

The Company provides accrued bonuses to members of the Board of Directors who concurrently serve as corporate executive officers based on the estimated amounts to be paid in respect of the fiscal year.

5) Provision for Retirement Benefits

The Company has an obligation to pay retirement benefits to its employees, and therefore the Company provides accrued retirement benefits based on the estimated amount of projected benefit obligation and the fair value of plan assets.

Method for attributing estimated retirement benefits to individual periods of service in calculating liability related to retirement benefits, benefit formula basis is adopted for the purpose of attributing estimated retirement benefits to the period up to the end of the current fiscal year.

Unrecognized prior service cost is amortized by the straight-line method over a 10-year period, which is shorter than the average remaining years of service of the eligible employees.

Unrecognized net actuarial gain or loss is primarily amortized from the following year on a straight-line basis over a 10-year period, which is shorter than the average remaining years of service of the eligible employees.

6) Provision for Losses on Guarantees

The Company provides an allowance for estimated probable losses on guarantees based on the financial status of the parties for which guarantees have been provided.

7) Provision for Environmental Measures

The Company provides a reserve for the estimated cost to treat polychlorinated biphenyl (PCB) waste as required by the Act on Special Measures Concerning Promotion of Proper Treatment of PCB Wastes.

8) Provision for Structural Reforms

The Company provides a reserve for the estimated amount of expenses and losses to be incurred in association with structural reforms.

(4) Significant Accounting for Hedges

Hedge accounting method

Deferral hedge accounting has been applied. The Company applies integral accounting treatment (special accounting treatment, assignment accounting treatment) to interest rate and currency swaps that meet the requirement of integral accounting.

(5) Other Significant Accounting Policies for Preparation of Financial Statements

1) Consumption Taxes: The Company adopted the tax-exclusive method for consumption tax and regional consumption tax.

2) Application of Consolidated Taxation System: The Company applied a consolidated taxation system.

3) Accounting Treatment Related to Retirement Benefits: Method accounting for unrecognized net actuarial gain or loss and unrecognized prior service cost related to retirement benefits is different from the method adopted in the consolidated financial statements.

(6) Changes in Accounting Policies

Application of Accounting Standard for Retirement Benefits

The Company adopted article 35 of the “Accounting Standard for Retirement Benefits” (ASBJ Statement No. 26, May 17, 2012 (hereinafter, “Statement No. 26”)) and article 67 of the “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25, March 26, 2015 (hereinafter, “Guidance No. 25”)) from the fiscal year ended March 31, 2015, and have changed the determination of retirement benefit obligations and current service costs. In addition, the Company and its consolidated domestic subsidiaries have changed the method of attributing expected benefit to periods from a straight-line basis to a benefit formula basis and the method of determining the discount rates from the method of using the period approximating the expected average remaining working lives of employees for the period of underlying bonds to the method of using the discount rates reflecting the estimated timing of each benefit payment.

In accordance with article 37 of Statement No. 26, the effect of the change in accounting policies has been recognized in retained earnings at the beginning of the fiscal year ended March 31, 2015. As a result of the application, provision for retirement benefits and deferred tax assets increased by ¥6,199 million and ¥2,860 million, respectively, while prepaid pension expenses and retained earnings carried forward decreased by ¥1,746 million and ¥5,085 million, respectively. In addition, operating income, ordinary income and income before income taxes increased by ¥243 million in the fiscal year ended March 31, 2015, respectively. The effects on the earnings per share are explained in the “Per-Share Information.”

Change in depreciation method for property, plant and equipment

The Company and its domestic consolidated subsidiaries have mainly adopted the declining-balance method for depreciation of property, plant and equipment (excluding buildings (excluding accompanying facilities attached to buildings) and leased assets up to March 31, 2014). Effective the fiscal year ended March 31, 2015, the Company and its domestic consolidated subsidiaries have applied the straight-line method. The Shiseido Group expects a long-term stability of capacity utilization and income generating resulting from drastic reassessments of its brand management (including for existing products) and business operational style. The Company and its domestic consolidated subsidiaries also look forward to sustained growth and stronger responsiveness in overseas markets and global advancement of the business. In addition, to make accounting processes standardized in the global operation, the Company and its domestic consolidated subsidiaries reviewed the depreciation method for property, plant and equipment. Consequently, the Company and its domestic consolidated subsidiaries have adopted the straight-line method of depreciation as adopted in the overseas consolidated subsidiaries, since the Group believes that this method provides a more appropriate reflection of actual business conditions. As a result of this change, compared to the previous method used, depreciation decreased by ¥1,019 million while operating income, ordinary income, and income before income taxes each increased by ¥1,019 million in the fiscal year ended March 31, 2015. The impact of this change on per-share information is shown in the relevant section of this report.

(7) Changes in Accounting Estimates

Change in estimation of useful lives and residual values of property, plant and equipment

Following the aforementioned change in depreciation method, the Group assessed the actual status of its operations and, effective the fiscal year ended March 31, 2015, changed the estimate of certain property, plant and equipment to reflect such actual status. As for determining residual value, the Company has adopted the method in which the depreciable assets be depreciated to memorandum value at the end of their useful lives. As a result of this change, compared to the previous method used, depreciation decreased by ¥290 million, while operating income, ordinary income, and income before income taxes each increased by ¥290 million. The impact of this change on per-share information is shown in the relevant section of this report.

Notes to Balance Sheets

(1) Accumulated depreciation of property, plant and equipment: ¥97,076 million

(2) Guarantees

(Millions of yen)

Warrantee	Guaranteed Amount	Liability Guaranteed
Shiseido Korea Co., Ltd.	1,476	Loans
Shiseido Professional Korea Co., Ltd.	108	Loans
Shiseido Americas Corporation	3,023	Commercial papers and others
Total	4,609	

(3) Monetary Receivables and Payables to Subsidiaries and Affiliates

Short-term receivables	¥103,239 million
Long-term receivables	¥5,570 million
Short-term payables	¥85,607 million

Notes to Statement of Income

(1) Transactions with Subsidiaries and Affiliates

Sales	¥233,647 million
Purchases	¥18,594 million
Other operating transactions	¥10,408 million
Non-operating transactions	¥20,474 million

Notes to Statement of Changes in Net Assets

Treasury Stock

(Thousand shares)

	Number of shares at April 1, 2014	Increase in shares in the year ended March 31, 2015	Decrease in shares in the year ended March 31, 2015	Number of shares at March 31, 2015
Common stock	1,422	3	251	1,173

Note 1: Shares of common stock held as treasury stock increased due to the purchase of 3 thousand shares in response to purchase demands for less than one unit.

Note 2: Shares of common stock held as treasury stock decreased due to exercise of stock options for 251 thousand shares and sale of 0 thousand shares in response to requests from less-than-one-unit shareholders.

Notes on Tax-Effect Accounting

(1) Principal components of deferred tax assets and deferred tax liabilities

(Millions of yen)

Deferred tax assets	
Write-down of investments in shares of subsidiaries and affiliates	14,046
Provision for retirement benefits	4,256
Depreciation	3,326
Inventories	2,968
Write-down of investments in securities and other investments	1,918
Provision for bonuses	1,203
Provision for sales returns	753
Other	2,592
Subtotal	31,064
Less: Valuation allowance	-15,113
Total	15,950
Deferred tax liabilities	
Unrealized losses on available-for-sale securities	-2,790
Unrealized losses on property, plant and equipment due to company split	-332
Asset retirement obligation	-23
Total	-3,146
Net deferred tax assets	12,804

(2) Amendments to the amounts of deferred tax assets and deferred tax liabilities due to the change of corporate income tax rate

On March 31, 2015, amendments to the Japanese tax regulations were enacted into law. Based on the amendments, the statutory income tax rates utilized for the measurement of deferred tax assets and liabilities for the temporary differences expected to be reversed from April 1, 2015 to December 31, 2016 and on or after January 1, 2017 are changed from 36% for the fiscal year ended March 31, 2014 to 33% and 32%, respectively.

Due to these changes in statutory income tax rates, net deferred tax assets (after deducting the deferred tax liabilities) decreased by ¥1,345 million as of March 31, 2015, and income taxes – deferred expensed for the fiscal year ended March 31, 2015 and unrealized gains (losses) on available-for-sale securities increased by ¥1,694 million and ¥348 million, respectively.

Transactions with Related Parties

Subsidiaries, affiliates and other related parties

Type	Name	Voting Rights Held by Company (or held by others)	Relationship	Transactions	Amount of Transactions (Millions of yen)	Accounts name	Balance as of March 31, 2015 (Millions of yen)
Subsidiary	Shiseido Sales Co., Ltd.	Direct, 100%	Product sales Concurrent directors	Sales of cosmetics (Note 1)	71,172	Accounts receivable	44,034
				Deposit received (Note 2)	-	Deposits received from subsidiaries and affiliates	13,766
Subsidiary	Shiseido FITIT Co., Ltd.	Direct, 100%	Product sales	Sales of cosmetics (Note 1)	39,835	Accounts receivable	3,673
Subsidiary	FT Shiseido Co., Ltd.	Direct, 100%	Product sales Concurrent directors	Sales of toiletry products (Note 1)	31,151	Accounts receivable	12,067
				Deposit received (Note 2)	-	Deposits received from subsidiaries and affiliates	8,952
Subsidiary	Shiseido International Inc.	Direct, 100%	Product sales	Sales of cosmetics (Note 1)	29,076	Accounts receivable	12,525
Subsidiary	Shiseido International Europe S.A.	Direct, 100%	No trade transactions	Deposit received (Note 2)	-	Deposits received from subsidiaries and affiliates	38,758

Note 1: Transaction Terms and Relevant Policies

For prices and other transaction terms, the Company sets prices in consideration of market prices and decides final prices based on negotiation.

Note 2: Funding transactions with subsidiaries are carried out as a part of a cash management system.

Amounts stated in the "Amount of transactions" column above do not include consumption tax, while balances stated in the "Balance as of March 31, 2015" column above include consumption tax (except for Affiliate Company deposits).

Directors, audit & supervisory board members and corporate officers, and individual shareholders, etc.

Type	Name	Voting Rights Held by Company (or held by others)	Relationship	Transactions	Amount of Transactions (Millions of yen)	Accounts name	Balance as of March 31, 2015 (Millions of yen)
Directors, audit & supervisory board members and corporate officers	Shinzo Maeda (Note)	Direct, 100% Indirect, 100%	Representative Director, Chairman	Exercise of stock acquisition rights (stock options)	11	-	-

Note: Mr. Shinzo Maeda resigned from office as Representative Director and Chairman of the Company on June 25, 2014, and the above contents refer to his period in office during the fiscal year under review.

Per-Share Information

Net assets per share ¥867.04

Net income per share ¥76.49

As stated in "Changes in Accounting Policies," the Accounting Standard for Retirement Benefits, etc. has been adopted effective the fiscal year under review, whereby transitional treatment as determined in Paragraph 37 therein is followed. As a result, net assets per share at March 31, 2015 decreased by ¥12.36 and net income per share in the fiscal year under review increased by ¥0.39 compared with the previous method.

As stated in “Changes in Accounting Policies,” the Company has changed the depreciation method for property, plant and equipment, effective the fiscal year under review. As a result of this change, net income per share in the fiscal year under review increased by ¥1.64 compared with the previous method.

As stated in “Changes in Accounting Estimates,” the Company has changed the method of estimating useful lives and residual values of property, plant and equipment, effective the fiscal year under review. As a result of this change, net income per share in the fiscal year under review increased by ¥0.47 compared with the previous method.

Subsequent Events

Issue of domestic unsecured straight bonds

At its meeting on April 27, 2015, the Board of Directors reached a comprehensive resolution related to domestic unsecured straight bonds. The overview is disclosed under the “Subsequent Events” in the Notes to the Consolidated Financial Statements.

Other

The amounts presented have been rounded down to the nearest million yen.

Copy of the Accounting Auditor's Report (Consolidated)

Independent Auditor's Report

May 14, 2015

The Board of Directors
Shiseido Company, Limited

KPMG AZSA LLC

Masahiro Mekada (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Ryoji Fujii (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Takashi Kawakami (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

We have audited the consolidated financial statements, comprising the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and the related notes of Shiseido Company, Limited as at March 31, 2015 and for the year from April 1, 2014 to March 31, 2015 in accordance with Article 444-4 of the Companies Act.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audit as independent auditor. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and the results of operations of Shiseido Company, Limited and its consolidated subsidiaries for the period, for which the consolidated financial statements were prepared, in accordance with accounting principles generally accepted in Japan.

Other Matter

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

Notes to the Reader of Independent Auditor’s Report:

The Independent Auditor’s Report herein is the English translation of the Independent Auditor’s Report as required by the Companies Act.

Copy of the Accounting Auditor's Report

Independent Auditor's Report

May 14, 2015

The Board of Directors
Shiseido Company, Limited

KPMG AZSA LLC

Masahiro Mekada (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Ryoji Fujii (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Takashi Kawakami (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

We have audited the financial statements, comprising the balance sheet, the statement of income, the statement of changes in net assets and the related notes, and the supplementary schedules of Shiseido Company, Limited as at March 31, 2015 and for the year from April 1, 2014 to March 31, 2015 in accordance with Article 436-2-1 of the Companies Act.

Management's Responsibility for the Financial Statements and Others

Management is responsible for the preparation and fair presentation of the financial statements and the supplementary schedules in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements and the supplementary schedules that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements and the supplementary schedules based on our audit as independent auditor. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the supplementary schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the supplementary schedules. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements and the supplementary schedules, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements and the supplementary schedules in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the supplementary schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements and the supplementary schedules referred to above present fairly, in all material respects, the financial position and the results of operations of Shiseido Company, Limited for the period, for which the financial statements and the supplementary schedules were prepared, in accordance with accounting principles generally accepted in Japan.

Other Matter

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

Notes to the Reader of Independent Auditor's Report:

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Companies Act.

Copy of the Audit & Supervisory Board's Report

Audit Report

With respect to the directors' performance of their duties during the 115th business year (from April 1, 2014 to March 31, 2015), The Audit & Supervisory Board has prepared this audit report after deliberations based on the audit reports prepared by each of the audit & supervisory board members, and hereby report as follows:

1. Method and Contents of Audit by the Audit & Supervisory Board members and the Audit & Supervisory Board

The Audit & Supervisory Board has established the audit policies, audit plans, etc. and received a report from each of the Audit & Supervisory Board members regarding the status of implementation of their audits and results thereof. In addition, the Audit & Supervisory Board has received reports from the directors, the corporate officers etc., and the accounting auditor regarding the status of performance of their duties, and requested explanations as necessary.

In conformity with the Audit & Supervisory Board member audit standards established by the Audit & Supervisory Board, and in accordance with the audit policies and audit plans, etc., each of the Audit & Supervisory Board members endeavored to facilitate a mutual understanding with the directors, the corporate officers, the internal audit division and other employees, etc., endeavored to collect information and maintain and improve the audit environment, has attended the meetings of the Board of Directors and other important meetings, received reports on the status of performance of duties from the directors and the internal audit division and requested explanations as necessary, examined important approval/decision documents, and inspected the status of the corporate affairs and assets at the head office and other principal business locations. Also, each of the Audit & Supervisory Board members monitored and inspected the status of the contents of the Board of Directors' resolutions regarding the development and maintenance of the system to ensure that the directors' performance of their duties complied with all laws, regulations and the articles of incorporation of the company and other systems that are set forth in Article 100, paragraphs 1 and 3 of the Ordinance for Enforcement of the Companies Act of Japan as being necessary for ensuring the appropriateness of the corporate affairs of a joint stock company, and the systems (internal control systems) based on such resolutions. With respect to the internal control related to the financial report, the Audit & Supervisory Board received reports regarding the assessment and status of their audits from the directors, the corporate officers, and KPMG AZSA LLC, and also requested explanations when necessary. With respect to the subsidiaries, each of the Audit & Supervisory Board members endeavored to facilitate a mutual understanding and exchanged information with the directors and the Audit & Supervisory Board members, etc. of each subsidiary and received from subsidiaries reports on their respective business as necessary. Based on the above-described methods, each of the audit & supervisory board members examined the business report and the supplementary schedules for the business year under consideration.

In addition, each of the Audit & Supervisory Board members monitored and verified whether the accounting auditor maintained its independence and properly conducted its audit, received a report from the accounting auditor on the status of its performance of duties, and requested explanations as necessary. Each of the Audit & Supervisory Board members were notified by the accounting auditor that it had established a "system to ensure that the performance of the duties of the accounting auditor was properly conducted" (the matters listed in the items of Article 131 of the Company Accounting Regulations) in accordance with the "Quality Control Standards for Audits" (Business Accounting Council on October 28, 2005), and requested explanations as necessary. Based on the above-described methods, each of the Audit & Supervisory Board members examined the financial statements (balance sheet, profit and loss statement, shareholders' equity variation statement, and schedule of individual notes) and the supplementary schedules thereto, as well as the consolidated financial statements (consolidated balance sheet, consolidated profit and loss statement, consolidated shareholders' equity variation statement, and schedule of consolidated notes), for the business year under consideration.

2. Results of Audit

(1) Results of Audit of Business Report, etc.

i) We acknowledge that the business report and the supplementary schedules thereto fairly present the status of the Company in conformity with the applicable laws and regulations and the articles of incorporation of the company.

ii) We acknowledge that no misconduct or material fact constituting a violation of any law or regulation or the articles of incorporation of the company was found with respect to the directors' performance of their duties.

iii) We acknowledge that the Board of Directors' resolutions with respect to the internal control systems are appropriate. We did not find any matter to be mentioned with respect to the directors' performance of their duties concerning the internal control systems.

The Audit & Supervisory Board received reports from the directors stating that the internal control regarding financial reports was effective, and from KPMG AZSA LLC stating that no deficiency was identified in the internal control which was likely to correspond to material weakness, at the time of preparation of the Audit Report.

(2) Results of Audit of Financial Statements and their Supplementary Schedules

We acknowledge that the methods and results of audit performed by the accounting auditor, KPMG AZSA LLC, are appropriate.

(3) Results of Audit of Consolidated Financial Statements

We acknowledge that the methods and results of audit performed by the accounting auditor, KPMG AZSA LLC, are appropriate.

May 14, 2015

Audit & Supervisory Board of
Shiseido Company, Limited

Audit & Supervisory Board Member (Full-time)
Yoshinori Nishimura (Seal)
Audit & Supervisory Board Member (Full-time)
Yasuko Takayama (Seal)
Audit & Supervisory Board Member (External)
Akio Harada (Seal)
Audit & Supervisory Board Member (External)
Nobuo Otsuka (Seal)
Audit & Supervisory Board Member (External)
Eiko Tsujiyama (Seal)

Reference Document Concerning the General Meeting of Shareholders

1. Total Number of Voting Rights Held by Shareholders: **3,984,131**

2. Items of Business and Reference Information:

First Item of Business: Dividends of Retained Earnings

The Company would like to propose the amount of dividend for the fiscal year ended March 31, 2015 be ¥10 per share, according to the basic policy for returns to shareholder below placing emphasis on stable dividends. The total dividend per share for the fiscal year under review will be ¥20, together with ¥10 interim dividend per share.

(1) Matter related to assignment of assets to be distributed to shareholders and the total amount thereof

An amount per share of common stock of the Company: ¥10
The total amount thereof: ¥3,988,261,060

(2) The date on which dividends of retained earnings become effective (the commencement day for payment)

June 24, 2015

Basic Policy for Returns to Shareholder

The Company aims to achieve a maximum return to shareholders through direct means and also generating medium- and long-term share price gains. To this end, our fundamental policy is to make strategic investments that drive earnings growth while raising capital efficiency, which will lead to medium- and long-term increases in dividends and share price.

Our target for returns over the medium term is a consolidated payout ratio of 40 percent. Based on this target, we will prioritize payment of stable dividends while implementing share buybacks in a flexible manner.

Trends of Dividends, etc.

(Millions of yen, unless otherwise noted)

	112th Business Term (4/1/2011 - 3/31/2012)	113th Business Term (4/1/2012 - 3/31/2013)	114th Business Term (4/1/2013 - 3/31/2014)	115th Business Term (Current term) (4/1/2014 - 3/31/2015)
Annual cash dividends per share (Yen)	50	50	20	20 (P)
Annual dividends	19,899	19,900	7,968	7,975 (P)
Consolidated payout ratio (%)	137.1	—	30.5	23.7 (P)

Notes:

1. Annual cash dividends per share and annual dividends for the 115th Business Term (current term) are predicated on the approval of this item at the ordinary general meeting of shareholders to be held on June 23, 2015.
2. The consolidated payout ratio for the 113th Business Term has not been calculated because a net loss was posted for the same business term.

Second Item of Business: Partial Amendments to the Articles of Incorporation

The Company intends to unify the fiscal period for all of consolidated subsidiaries, to promote integrated group operations, and further enhance management efficiency and transparency through the timely and adequate disclosure of financial and business information. To achieve this goal, the Company has resolved to change its fiscal period (closing date of business year) at its meeting held April 25, 2014, and disclosed about it on the same day. The change of its fiscal period is subject to the approval of the matter concerning Partial Amendments to the Articles of Incorporation at the 115th Ordinary General Meeting of Shareholders.

Consequently, the required amendments will be made to the current Articles of Incorporation with regard to Article 13 (Record date), Article 15 (Convening of general meetings), Article 37 (Financial year), and Article 38 (Record date for distribution of retained earnings). Additionally, in order to broaden the options concerning venues for the ordinary general meeting of shareholders, Article 14 (Place to hold general meetings) of the current Articles of Incorporation will be deleted, and the article numbers of subsequent articles will be raised. As a result of the change in the business year, the 116th business period of the Company will be nine (9) months, commencing on April 1, 2015, and ending on December 31, 2015, and supplementary provisions have therefore been provided as a transitional measure.

Contents of the amendments:

The content of the amendments is as follows:

(Underlined portion is proposal for changes.)

Current Articles of Incorporation	Proposed Amendments
(Record date) Article 13. The Company shall treat the shareholders with voting rights appearing or recorded in the final register of shareholders as of March 31 of each year as shareholders entitled to exercise their rights at the ordinary general meeting of shareholders relating to the relevant financial year.	(Record date) Article 13. The Company shall treat the shareholders with voting rights appearing or recorded in the final register of shareholders as of December 31 of each year as shareholders entitled to exercise their rights at the ordinary general meeting of shareholders relating to the relevant financial year.
(Place to hold general meetings) Article 14. General meetings of shareholders shall be held at some place in any ku (or ward) of Tokyo.	(Delete. Article number of subsequent articles will be raised.)
(Convening of general meetings) Article 15. The ordinary general meeting of shareholders of the Company shall be convened within three (3) months from April 1 of each year and an extraordinary general meeting of shareholders shall be convened whenever necessary.	(Convening of general meetings) Article 14. The ordinary general meeting of shareholders of the Company shall be convened within three (3) months from January 1 of each year and an extraordinary general meeting of shareholders shall be convened whenever necessary.
(Financial year) Article 37. The financial year of the Company shall be annual, commencing on April 1 of each year and ending on March 31 of the following year.	(Financial year) Article 36. The financial year of the Company shall be annual, commencing on January 1 of each year and ending on December 31 of the same year.
(Record date for distribution of retained earnings) Article 38. The Company shall pay year-end dividends to the shareholders appearing or recorded in the final register of shareholders as of March 31 of each year. 2. By resolution of the Board of Directors, the Company may pay interim dividends to the shareholders appearing or recorded in the final register of shareholders as of September 30 of each year.	(Record date for distribution of retained earnings) Article 37. The Company shall pay year-end dividends to the shareholders appearing or recorded in the final register of shareholders as of December 31 of each year. 2. By resolution of the Board of Directors, the Company may pay interim dividends to the shareholders appearing or recorded in the final register of shareholders as of June 30 of each year.

SHISEIDO

(Underlined portion is proposal for changes.)

Current Articles of Incorporation	Proposed Amendments
SUPPLEMENTARY PROVISIONS	SUPPLEMENTARY PROVISIONS
(New provision)	Article 1. Notwithstanding the provision of Article 36 (Financial year), the Company's 116th financial year shall be nine (9) months, commencing on April 1, 2015 and ending on December 31, 2015.
(New provision)	Article 2. Notwithstanding the provision of paragraph 2 of Article 37 (Record date for distribution of retained earnings), the Company's record date for interim dividends of the Company's 116th financial year shall be September 30, 2015.
(New provision)	Article 3. This article and the preceding two articles shall be deleted after the close of the 116th financial year of the Company.

Third Item of Business: Election of Six (6) Directors

The Company's Articles of Incorporation provide that the term of director is one (1) year, in order to ask shareholders' confidence on the appointment of directors each year from a viewpoint of directors' management responsibilities. Moreover, the Articles of Incorporation of the Company provide that the authorized number of director is twelve (12) or less upon reduction of the number of the Board of Directors of the Company.

The term of office of seven (7) directors will expire at the conclusion of this general meeting of shareholders. Thus, the Company cordially asks shareholders to elect six (6) directors including three (3) external directors in accordance with the provisions of the Articles of Incorporation in order to promote an agile management capable of responding appropriately to changes in management environment.

Policy and Process under Which Candidates for Directors Are Selected

It is a policy of the Company selecting candidates for directors from an appropriate person who is able to fulfill the duties and responsibility of director in response to entrustment on management by shareholders, fully taking into consideration his/her personality and intellectuality and the like regardless of gender, age and nationality. Pursuant to this policy the Board of Directors decided candidates for directors upon receiving a report from the Nomination Advisory Committee.

Furthermore, the Company sets forth the Criteria for Independence of "External Directors" as stated in pages 39 to 41. The three (3) candidates for external directors have fulfilled the Criteria in full.

Candidates for Directors

No.	Name	Current Position and Responsibilities at the Company	Attributes of the Candidate		
1	Masahiko Uotani	President and CEO Chairman of the Board (Responsible for Global Business and Corporate Communication)			
2	Toru Sakai	President, Japan Region (Responsible for Japan Business, Health Care Business and Digital Business)			
3	Tsunehiko Iwai	Chief Technology and Innovation Officer (Responsible for Research and Development, SCM, and Technical Strategy)			
4	Yoko Ishikura	—	Candidate for New Director	Candidate for External Director	Candidate for Independent Director
5	Shoichiro Iwata	External Director Chairman of Remuneration Advisory Committee Member of Nomination Advisory Committee		Candidate for External Director	Candidate for Independent Director
6	Tatsuo Uemura	External Director Chairman of Nomination Advisory Committee Member of Remuneration Advisory Committee		Candidate for External Director	Candidate for Independent Director

SHISEIDO

1. Masahiko Uotani (Date of birth: June 2, 1954)

Career Summary, and Position and Responsibilities at the Company

Apr.	1977:	Joined the Lion Dentifrice Co., Ltd. (currently Lion Corporation)
Jun.	1983:	Graduated from Columbia University in the City of New York, Graduate School of Business Administration (MBA)
Jan.	1988:	Manager, Citibank, N.A.
Apr.	1991:	Representative Director, Vice President of Kraft Japan Limited (currently Mondelēz Japan Limited)
May	1994:	Director, Executive Vice President and Chief Officer of Marketing of Coca-Cola (Japan) Co., Ltd.
Oct.	2001:	Representative Director, President of Coca-Cola (Japan) Co., Ltd. (Global Officer)
Aug.	2006:	Representative Director, Chairman of Coca-Cola (Japan) Co., Ltd.
Jun.	2007:	Representative Director, Chief Executive Partner of BrandVision Inc.
Aug.	2011:	Outside Director of ASKUL Corporation
Jan.	2012:	Corporate Advisor of Coca-Cola West Co., Ltd. [incumbent]
Oct.	2012:	Director of Citibank Japan Ltd. (part time)
Apr.	2013:	Outside Chief Marketing Advisor of the Company
Apr.	2014:	President & CEO of the Company [incumbent]
		Chairman of CSR Committee of the Company [incumbent]
Jun.	2014:	Representative Director of the Company [incumbent]
Jan.	2015:	Responsible for Human Resources and Corporate Culture Reforms of the Company
Feb.	2015:	Responsible for Global Business (International Business, China Business and Professional Business) of the Company
		Chief Officer of International Business Division of the Company
Apr.	2015:	Responsible for Global Business and Corporate Communication of the Company [incumbent]

Important Positions at Other Organizations Concurrently Held

None

Reasons for Nomination of the Candidate for Director

As detailed in the above career summary, Mr. Masahiko Uotani has a proven track record in business management and is particularly highly regarded within the marketing field. As a result of this and other factors, the Company invited him to become President & CEO, and in April 2014 he assumed that office. Following his appointment as a director of the Company at the 114th ordinary general meeting of shareholders held on June 25th that year, he was selected as representative director by the Board of Directors and since then has undertaken the mandate given by our shareholders to steer the Company's management.

During fiscal 2014, Mr. Uotani demonstrated high-level marketing capabilities and leadership, discarding organizational hierarchy to build a structure enabling the entire Company to work as one to generate value and deliver that value to customers. He also fully identified all the issues challenging the Company and faced them head-on, formulating the VISION 2020 medium-to-long term strategy to define a road map for resolving those issues.

Due to these facts the Board of Directors has newly selected him as a candidate for director.

Based on his career stated in "Career summary, and Position and Responsibilities at the Company" and other career, Mr. Uotani has experience, knowledge and professional information as follows:

- Experience and knowledge to the competent extent on all over the management
- Experience and knowledge to the competent extent on marketing and product development
- Experience and knowledge to the competent extent on sales and marketing
- Experience and knowledge to the competent extent on the general consumer product industry

- Number of shares of the Company owned
  12,700 Shares
- Number of years in office of the Company as Director
  1 Year
- Number of attendance at the Board of Directors meetings of the Company for the fiscal year ended March 31, 2015
  14 out of 14 Board of Directors meetings (100%)
- Number of attendance at the Remuneration Advisory Committee meetings of the Company for the fiscal year ended March 31, 2015
  3 out of 3 Remuneration Advisory Committee meetings (100%)
- Number of attendance at the Nomination Advisory Committee meetings of the Company for the fiscal year ended March 31, 2015
  3 out of 3 Nomination Advisory Committee meetings (100%)
- Number of attendance at the CSR Committee meetings of the Company for the fiscal year ended March 31, 2015
  3 out of 3 CSR Committee meetings (100%)

■ Experience and knowledge to the competent extent on international business

Special Interest between the Candidate and the Company

There is no special interest between Mr. Masahiko Uotani and the Company.

Message from the President

Since assuming the office of President & CEO of the Company, I have visited almost all the Company's principal business locations in Japan and overseas. I held discussions with employees in those locations to fully identify all the issues challenging the Shiseido Group, and moved to resolve those issues by formulating the VISION 2020 medium-to-long term strategy. I believe that my mission from now on will be to steadily deal with the issues to address identified on pages 19 to 24 and build a foundation for Shiseido to continue flourishing as a company for the next 100 years. By achieving long-term growth for the Company I will undertake the mandate given by our shareholders.

2. Toru Sakai (Date of birth: October 16, 1956)

Career Summary, and Position and Responsibilities at the Company

Apr. 1982: Joined the Company
Apr. 2008: General Manager of Purchasing Department of the Company
Apr. 2010: Corporate Officer of the Company
Responsible for Production, Purchasing and Logistics of the Company
Apr. 2012: General Manager of Corporate Planning Department of the Company
Apr. 2013: Corporate Executive Officer of the Company [incumbent]
Responsible for Domestic Cosmetics Business, Business Strategies of the Company
Jun. 2013: Director of the Company
Apr. 2014: Responsible for Domestic Cosmetics Business and Healthcare Business of the Company
Chief Officer of Domestic Cosmetics Business Division of the Company
Apr. 2015: Representative Director of the Company [incumbent]
President, Japan Region of the Company [incumbent]
Responsible for Japan Business, Health Care Business and Digital Business [incumbent]

Important Positions at Other Organizations Concurrently Held

President & CEO of Shiseido Sales Co., Ltd.

Reasons for Nomination of the Candidate for Director

Mr. Toru Sakai has actively made statements at the Board of Directors as Director of the Company and performed appropriately, determining important managerial events and matters and supervising business execution. He has ample business experience in overall supply chain operations including production, purchasing and logistics, and after assuming the office of corporate officer he planned companywide management strategies and implemented structural reforms as General Manager of the Corporate Planning Department. From fiscal 2013 he took responsibility for the domestic cosmetics business, taking charge of the planning and implementation of its business strategies. During fiscal 2014 he led the implementation of the ICHIGAN Project whereby everybody in the Company works in unison to convey the value of our brands and lines to customers. He also, as a member of the CSR Committee of the Company, has attended Committee meetings and actively expressed opinions.

Due to these facts the Board of Directors has continuously selected him as a candidate for director.

Based on his career stated in "Career summary, and Position and Responsibilities at the Company" and other career, Mr. Sakai has experience, knowledge and professional information as follows:

■ Experience and knowledge to the competent extent on supply chains including production, purchasing and logistics
■ Experience and knowledge to the competent extent on cosmetics and the related consuming

■ Number of shares of the Company owned
3,000 Shares
■ Number of years in office of the Company as Director
2 Years
■ Number of attendance at the Board of Directors meetings of the Company for the fiscal year ended March 31, 2015
14 out of 14 Board of Directors meetings (100%)
■ Number of attendance at the CSR Committee meetings of the Company for the fiscal year ended March 31, 2015
3 out of 3 CSR Committee meetings (100%)

product industry

- Experience and knowledge on sales and marketing
- Experience and knowledge on all over the management

Special Interest between the Candidate and the Company

There is no special interest between Mr. Toru Sakai and the Company.

3. Tsunehiko Iwai (Date of birth: May 28, 1953)

Career Summary, and Position and Responsibilities at the Company

Apr. 1979:	Joined the Company
Apr. 2002:	General Manager of Product Commercialization Planning Department of the Company
Apr. 2004:	Chief Officer of Fine Chemical Division of the Company
Apr. 2006:	General Manager of Technical Department of the Company
Apr. 2008:	Corporate Officer of the Company
Apr. 2009:	General Manager of Quality Management Department of the Company
Apr. 2010:	Responsible for Technical Planning, Quality Management and Frontier Science Business of the Company
Apr. 2013:	Responsible for Technical Planning, Quality Management, Pharmaceuticals Affairs, CSR, Environmental Affairs and Frontier Science Business of the Company
Apr. 2014:	Corporate Executive Officer of the Company [incumbent]
	Responsible for Research & Development, Production, and Technical Affairs of the Company [incumbent]
Jun. 2014:	Director of the Company [incumbent]
Apr. 2015:	Chief Technology and Innovation Officer [incumbent]
	Responsible for Research and Development, SCM, and Technical Strategy [incumbent]

- Number of shares of the Company owned
  3,700 Shares
- Number of years in office of the Company as Director
  1 Year
- Number of attendance at the Board of Directors meetings of the Company for the fiscal year ended March 31, 2015
  14 out of 14 Board of Directors meetings (100%)
- Number of attendance at the CSR Committee meetings of the Company for the fiscal year ended March 31, 2015
  3 out of 3 CSR Committee meetings (100%)

Important Positions at Other Organizations Concurrently Held

None

Reasons for Nomination of the Candidate for Director

Mr. Tsunehiko Iwai has actively made statements at the Board of Directors as director of the Company and performed appropriately, determining important managerial events and matters and supervising business execution. Since assuming the office of corporate officer, he has served as officer responsible for quality management, pharmaceuticals affairs, CSR, environmental affairs, and frontier science business. Since fiscal 2014 he has served as officer with overall responsibility for research and development, production, and technical affairs. In the research and development field his contribution included leading the advancement of value development from the customer's perspective. He also, as a member of CSR Committee of the Company, has actively made statements at the meetings of the Committee.

Due to these facts the Board of Directors has continuously selected him as a candidate for director.

Based on his career stated in "Career summary, and Position and Responsibilities at of the Company" and other career, Mr. Iwai has experience, knowledge and professional information as follows:

- Experience and knowledge to the competent extent on technology and innovation
- Experience and knowledge to the competent extent on pharmaceuticals affairs and quality management
- Experience and knowledge to the competent extent on cosmetics and the related consuming product industry

Special Interest between the Candidate and the Company

There is no special interest between Mr. Tsunehiko Iwai and the Company.

Candidate for New Director
Candidate for External Director
Candidate for Independent Director

4. Yoko Ishikura (Date of birth: March 19, 1949)

Career Summary, and Position and Responsibilities at the Company

Jul.	1985:	Joined McKinsey & Company Inc. Japan Office
Apr.	1992:	Professor, School of International Politics, Economics and Communication, Aoyama Gakuin University
Mar.	1996:	Director (part-time), Avon Products Inc.
Apr.	2000:	Professor, Graduate School of International Corporate Strategy, Hitotsubashi University
Feb.	2001:	Member of the Central Education Council
Apr.	2004:	Director (part-time), Vodafone Holdings K.K.
		Outside Director (part-time) of Japan Post
Oct.	2005:	Vice President, the Science Council of Japan
Jun.	2006:	Outside Director, Mitsui O.S.K. Lines, Ltd.
Jan.	2008:	Member (part-time) of the Council for Science and Technology Policy
Jun.	2010:	Outside Director, Nissin Food Holdings Co., Ltd. [incumbent]
		Outside Director, Fujitsu Limited
Apr.	2011:	Professor, Graduate School of Media Design, Keio University
Apr.	2012:	Professor Emeritus, Hitotsubashi University [incumbent]
Jun.	2012:	Outside Director, Lifenet Insurance Company [incumbent]
Jun.	2014:	Outside Director, Sojitz Corporation [incumbent]

- Number of shares of the Company owned
  0 Shares
- Number of years in office of the Company as Outside Director
  —
- Number of attendance at the Board of Directors meetings of the Company for the fiscal year ended March 31, 2015
  —

Important Positions at Other Organizations Concurrently Held

Outside Director, Nissin Food Holdings Co., Ltd.
Outside Director, Lifenet Insurance Company
Outside Director, Sojitz Corporation
Professor Emeritus, Hitotsubashi University

Reasons for Nomination of the Candidate for Director

Ms. Yoko Ishikura is a candidate for external director fulfilling the requirements provided in Item 7 of Paragraph 3 of Article 2 of the Ordinances for Enforcement of the Companies Act.

Ms. Ishikura has deep professional knowledge in international politics and economics, as well as international corporate strategy, and has built up experience serving as outside director in a number of companies. She has also been involved in activities to facilitate greater global competitiveness and innovation by promoting diversity and women's empowerment. We believe that Ms. Ishikura can help to enhance the Company's corporate value by drawing on this experience and knowledge, professional and otherwise, not only to supervise management as an external director, but also to actively participate in promoting diversity and more active roles for women.

Ms. Ishikura has not participated in management of companies other than as an outside director. For the reasons stated above, the Company is of an opinion that she would be able to achieve adequately the role of external director. Accordingly, the Board of Directors has decided to select her as a new candidate for external director.

Based on her career stated in "Career summary, and Position and Responsibilities at the Company" and other career, Ms. Ishikura has experience, knowledge and professional information as follows:

- Professional knowledge on international politics and economics
- Professional knowledge on international corporate strategy

Special Interest between the Candidate and the Company

Ms. Yoko Ishikura concurrently holds the office of Outside Director of Sojitz Corporation ("Sojitz"), with which the Company has the following transactions:

Transaction Matter, etc.	Vendor, Recipient of Supporting Money, etc.	Purchaser, Provider of Supporting Money, etc.	Percentage of Transaction Value	Value for Comparison	Significance of Relations
Raw materials	Sojitz Corporation	The Company	Less than 0.1%	Total amount of the cost of sales and the selling, general and administrative expenses of the Company for the fiscal year ended March 31, 2015	Transaction value is minimal for the Company.
			Less than 0.1%	Net sales of Sojitz Corporation for the fiscal year ended March 31, 2015	Transaction value is minimal for Sojitz Corporation.
Raw materials	Sojitz Group	Shiseido Group	Less than 0.1%	Total amount of the consolidated cost of sales and the consolidated selling, general and administrative expenses of the Shiseido Group for the fiscal year ended March 31, 2015	Transaction value is minimal for the Shiseido Group.
			Less than 0.1%	Operating revenues of Sojitz Corporation on a consolidated basis for the fiscal year ended March 31, 2015	Transaction value is minimal for Sojitz Group.

5. Shoichiro Iwata (Date of birth: August 14, 1950)

Candidate for External Director
Candidate for Independent Director

- Number of shares of the Company owned
  16,500 Shares
- Number of years in office of the Company as External Director
  9 Years
- Number of attendance at the Board of Directors meetings of the Company for the fiscal year ended March 31, 2015
  14 out of 14 Board of Directors meetings (100%)

Career Summary, and Position and Responsibilities at the Company

Mar. 1973: Joined Lion Fat and Oil Co., Ltd. (currently Lion Corporation)
Mar. 1986: Joined Plus Corporation
Deputy General Manager of Product Development Division
May 1992: Head of ASKUL Business Project, Sales Division of Plus Corporation
Nov. 1995: Manager of ASKUL Business Division, Plus Corporation
Mar. 1997: President of ASKUL Corporation [incumbent]
May 2000: Chief Executive Officer of ASKUL Corporation [incumbent]
Jun. 2006: External Director of the Company [incumbent]
Chairman of Remuneration Advisory Committee of the Company [incumbent]

Important Positions at Other Organizations Concurrently Held

President & Chief Executive Officer of ASKUL Corporation

Reasons for Nomination of the Candidate for External Director

Mr. Shoichiro Iwata is a candidate for external director fulfilling the requirements provided in Item 7 of Paragraph 3 of Article 2 of the Ordinances for Enforcement of the Companies Act.

Mr. Iwata has reflected his view as an active operator of the different business and industry free from the conventional framework on the management of the Company and he has actively made statements at the Board of Directors. Mr. Iwata performed appropriately as external director including supervising business execution. He also, as the Chairman of Remuneration Advisory Committee and Nomination Advisory Committee of the Company, has actively made statements at the meetings of these Committees.

Due to these facts the Board of Directors has continuously selected him as a candidate for external director.

Based on his career stated in "Career summary, and Position and Responsibilities at the Company" and other career, Mr. Iwata has experience, knowledge and professional information as follows:

- Experience and knowledge to the competent extent on all over the management
- Experience and knowledge to the competent extent on corporate governance
- Experience and knowledge to the competent extent on marketing and product development
- Experience and knowledge to the competent extent on consumer product industry

Special Interest between the Candidate and the Company

Mr. Shoichiro Iwata concurrently holds the office of President & Chief Executive Officer of ASKUL Corporation ("ASKUL"), with which the Company has the following transactions:

Transaction Matter, etc.	Vendor, Recipient of Supporting Money, etc.	Purchaser, Provider of Supporting Money, etc.	Percentage of Transaction Value	Value for Comparison	Significance of Relations
Stationeries, etc.	ASKUL Corporation	The Company	Less than 0.1%	Total amount of the cost of sales and the selling, general and administrative expenses of the Company for the fiscal year ended March 31, 2015	Transaction value is minimal for the Company.
			Less than 0.1%	Net sales of ASKUL Corporation for the fiscal year ended May 31, 2014	Transaction value is minimal for ASKUL Corporation.
Stationeries, etc.	ASKUL Group	Shiseido Group	Less than 0.1%	Total amount of the consolidated cost of sales and the consolidated selling, general and administrative expenses of the Shiseido Group for the fiscal year ended March 31, 2015	Transaction value is minimal for the Shiseido Group.
			Approx. 0.1%	Consolidated net sales of ASKUL Corporation for the fiscal year ended May 31, 2014	Transaction value is minimal for ASKUL Group.
Cosmetics, etc.	Shiseido Group	ASKUL Group	Less than 0.1%	Consolidated net sales of the Company for the fiscal year ended March 31, 2015	Transaction value is minimal for the Shiseido Group.
			Approx. 0.1%	Consolidated cost of sales of ASKUL Corporation for the fiscal year ended May 31, 2014	Transaction value is minimal for ASKUL Group.
ASKUL Corporation sells cosmetics, etc. and has a relationship with the Company consisting of transactions in competition. Consequently, the contents and maximum amounts of transactions between the Company and ASKUL Corporation are approved in advance at the Board of Directors along with matters pertaining to transactions with conflicts of interest, and the results are reported to the Board of Directors following the end of the business year of ASKUL Corporation. The amount of ASKUL Corporation's net sales of cosmetics, etc. in that period was approximately 0.4% of the consolidated net sales of the Company, and in the fiscal year ended May 31, 2014, ASKUL Corporation's net sales of cosmetics, etc. accounted for approximately 1.1% of its total sales.					Transactions in competition with organization where position is concurrently assumed have no impact on interests of shareholders
Mr. Tadakatsu Saito, who is an outside director of ASKUL Corporation assumed the office of Director of the Company during June 1997 to June 2004, but the Company has no special relationships of interest with Mr. Saito at present.					No issue with mutual assumption of office by directors, audit & supervisory board members and corporate officers

- Number at attendance of the Remuneration Advisory Committee meetings of the Company for the fiscal year ended March 31, 2015

  3 out of 3 Remuneration Advisory Committee meetings (100%)

- Number of attendance at the Nomination Advisory Committee meetings of the Company for the fiscal year ended March 31, 2015

  3 out of 3 Nomination Advisory Committee meeting (100%)

6. Tatsuo Uemura (Date of birth: April 19, 1948)

Candidate for External Director

Candidate for Independent Director

- Number of shares of the Company owned
  2,400 Shares
- Number of years in office of the Company as External Director
  9 Years
- Number of attendance at the Board of Directors meetings of the Company for the fiscal year ended March 31, 2015
  12 out of 14 Board of Directors meetings (85.7%)
- Number of attendance at the Remuneration Advisory Committee meetings of the Company for the fiscal year ended March 31, 2015
  3 out of 3 Remuneration Advisory Committee meetings (100%)
- Number of attendance at the Nomination Advisory Committee meetings of the Company for the fiscal year ended March 31, 2015
  3 out of 3 Nomination Advisory Committee meeting (100%)

Career Summary, and Position and Responsibilities at the Company

Apr. 1977: Lecturer, Faculty of Law, The University of Kitakyushu
Apr. 1979: Associate Professor, Faculty of Law, The University of Kitakyushu
Apr. 1981: Associate Professor, School of Law, Senshu University
Apr. 1986: Professor, School of Law, Senshu University
Apr. 1990: Professor, College of Law and Politics, Rikkyo University
Apr. 1997: Professor, School of Law, Waseda University [incumbent]
Oct. 2003: Director, Center of Excellence-Waseda Institute for Corporation Law and Society
Professor, Waseda Law School
Jun. 2004: External Director, Jasdaq Securities Exchange, Inc.
Jun. 2006: External Director of the Company [incumbent]
Chairman of Nomination Advisory Committee of the Company [incumbent]
Sep. 2006: Dean of Faculty of Law and the School of Law, Waseda University
Jul. 2008: Director, Global Center of Excellence- Waseda Institute for Corporation Law and Society [incumbent]
Mar. 2012: Member of the Board of Governors of Japan Broadcasting Corporation (NHK)
Auditor of the Audit Committee of NHK
Jul. 2013: Acting Chairman of the Board of Governors of NHK

Important Positions at Other Organizations Concurrently Held

Professor, School of Law, Waseda University

Reasons for Nomination of the Candidate for External Director

Mr. Tatsuo Uemura is a candidate for external director fulfilling the requirements provided in Item 7 of Paragraph 3 of Article 2 of the Ordinances for Enforcement of the Companies Act.

Mr. Uemura has deep experience and knowledge on capital markets and corporate governance in addition to knowledge on laws as a university professor specializing in research on laws, based on which he has made actively statements at the Board of Directors. He has achieved as external director adequate role on supervising the execution of business. He also, as a member of Remuneration Advisory Committee and as the Chairman of Nomination Advisory Committee of the Company, has actively made statements at the meetings of these Committees.

He has not participated in management of companies other than as external auditor. For the reasons stated above, the Company is of an opinion that he would be able to achieve adequately the role of external director. Accordingly, the Board of Directors has continuously selected him as a candidate for external director.

Based on his career stated in "Career summary, and Position and Responsibilities at the Company" and other career, Mr. Uemura has experience, knowledge and professional information as follows:

- Professional knowledge on legal matters
- Professional knowledge on corporate governance

Special Interest between the Candidate and the Company

There is no special interest between Mr. Tatsuo Uemura and the Company

Notes:

1. Conclusion of liability limiting agreement

   The Company established provisions in the Articles of Incorporation enabling the Company to enter into an agreement with external directors limiting their liability for compensation of damages through a resolution of the 106th ordinary general meeting of shareholders held on June 29, 2006 for the purpose of inducing external directors to fully perform expected roles and enabling the Company to invite competent personnel.

Pursuant to these provisions the Company has entered into such agreement with each of Mr. Shoichiro Iwata and Mr. Tatsuo Uemura, under which his/her liability for compensation of damages is limited to the minimum limited liability amount provided in the laws and regulations. Upon appointment at the ordinary general meeting of shareholders, the Company and Ms. Yoko Ishikura will enter into an agreement limiting her liability, under which her liability for compensation of damages is limited to the minimum limited liability amount provided in the laws and regulations.

2. Independent Directors

The Company has designated Mr. Shoichiro Iwata and Mr. Tatsuo Uemura as Independent Directors prescribed in Article 436-2 of the Securities Listing Regulations of the Tokyo Stock Exchange. Upon appointment at the ordinary general meeting of shareholders, the Company will once again designate them as Independent Directors. Upon appointment at the ordinary general meeting of shareholders, the Company will designate Ms. Yoko Ishikura as Independent Director.

3. Presentation of name

Ms. Yoko Ishikura is well-known by the name Ishikura, and that name is therefore presented here, but her name as recorded on the official family register is Ms. Yoko Kurita.

Fourth Item of Business: Election of Two (2) Audit & Supervisory Board Members

The term of office of Audit & Supervisory Board Member (Full-time), Ms. Yasuko Takayama and Audit & Supervisory Board Member (External), Mr. Nobuo Otsuka will expire at the conclusion of this ordinary general meeting of shareholders. Accordingly, it is proposed that two (2) audit & supervisory board members be elected.

In regards to submission of this item of business to this general meeting of shareholders, the consent of the Audit & Supervisory Board has been obtained.

Policy and Process under Which the Candidates for Audit & Supervisory Board Member Are Selected

Taking into consideration the importance of audit and roles of audit & supervisory board members for the corporate management, and the personality and knowledge of a candidate therefor, representative directors of the Company select an adequate person as a candidate and the Company receives a report from the Nomination Advisory Committee on whether or not the candidate is adequate. Then the Board of Directors determines the candidate for audit & supervisory board member upon receiving consent of the Audit & Supervisory Board on submitting a proposal for the election to the ordinary general meeting of shareholders.

Furthermore, the Company sets forth the Criteria for Independence of "External Directors" as stated in pages 39 to 41. The one (1) candidate for external audit & supervisory board member has fulfilled the Criteria in full.

Candidates for Audit & Supervisory Board Member

No.	Name	Current Position at the Company	Attributes of the Candidate		
1	Kyoko Okada	General Manager, Executive Section, General Affairs Department	Candidate for New Audit & Supervisory Board Member		
2	Nobuo Otsuka	Audit & Supervisory Board Member (External)		Candidate for External Audit & Supervisory Board Member	Candidate for Independent Audit & Supervisory Board Member

1. Kyoko Okada (Date of birth: July 26, 1959)

Candidate for New Audit & Supervisory Board Member

Career Summary, and Position at the Company

Apr. 1982: Joined the Company
Apr. 2003: Professional Business Operations Division of the Company
Sep. 2004: Corporate Social Responsibility Department of the Company
Apr. 2006: Corporate Culture Department of the Company
Oct. 2011: General Manager of Corporate Culture Department of the Company
Oct. 2012: General Manager of Corporate Culture Department of the Company and Group Leader for the 150-Year History Compilation Project
Apr. 2015: General Manager, Executive Section, General Affairs Department of the Company [incumbent]

Important Positions at Other Organizations Concurrently Held

None

Reasons for Nomination of the Candidate for Audit & Supervisory Board Member

In addition to her service in the Corporate Culture Department of the Company, Ms. Kyoko Okada has also experienced a variety of other departments including the CSR Department and the Institute of Beauty Science. She is familiar with the Company's intangible assets and related information, such as its information relating to beauty techniques and knowhow, the Company's history and corporate culture, and its support for external cultural endeavors. Ms. Okada therefore has ample knowledge in areas that complement the experience and knowledge of the other audit & supervisory board members. The Company is of the opinion that Ms. Okada would be able to draw on this expertise to cooperate with the other audit and supervisory board members in fulfilling the auditors' function. Accordingly, the Board of Directors decided to select her as a new candidate for audit & supervisory board member.

Based on her career stated in "Career summary, and Position at the Company" and other career, Ms. Okada has experience, knowledge and professional information as follows:

- Experience and knowledge of corporate social responsibility (CSR) activities
- Experience and knowledge to the competent extent of corporate cultural activities
- Experience and knowledge to the competent extent of cosmetics and related consumer goods industries

Special Interest between the Candidate and the Company

There is no special interest between Ms. Kyoko Okada and the Company.

- Number of shares of the Company owned
  3,000 Shares
- Number of years in office of the Company as Audit & Supervisory Member
  —
- Number of attendance at the Board of Directors meetings of the Company for the fiscal year ended March 31, 2015
  —
- Number of attendance at the Audit & Supervisory Board Members meeting of the Company for the fiscal year ended March 31, 2015
  —

SHISEIDO

Candidate for External Audit & Supervisory Board Member

Candidate for Independent Audit & Supervisory Board Member

2. Nobuo Otsuka (Date of birth: January 10, 1942)

Career Summary, and Position at the Company

May 1967: Assistant of classes in the Department of Neuropsychiatry at School of Medicine of Keio University

May 1968: Hired by Inokashira Hospital

Feb. 1980: Director of Oume Keiyu Hospital

Nov. 1988: President and Director of Keiseikai Hospital

Feb. 2001: Full-time position of President of Keiseikai Hospital

Jun. 2007: Audit & Supervisory Board Member of Shiseido (External) [incumbent]

Apr. 2010: Chairman of Keiseikai Hospital [incumbent]

Important Positions at Other Organizations Concurrently Held

Chairman of Keiseikai Hospital

Reasons for Nomination of the Candidate for Audit & Supervisory Board Member

Nobuo Otsuka is a candidate for external audit & supervisory board member fulfilling the requirements provided in Item 8 of Paragraph 3 of Article 2 of the Ordinances for Enforcement of the Companies Act.

Mr. Otsuka has ample knowledge and strong intellect as a doctor, as well as long experience in managing a medical corporation offering thoroughly patient-oriented services unbound by conventional modes of hospital operation. In these respects, he is fulfilling the function of audit & supervisory board member well, for example by actively making statements as external audit & supervisory board member of the Company.

Mr. Otsuka has not participated in management of companies other than as external director. For the reasons stated above, the Company is of an opinion that he would be able to achieve adequately the role of external audit & supervisory board member. Accordingly, the Board of Directors has continuously selected him as a candidate for external audit & supervisory board member.

Based on his career stated in "Career summary, and Position at the Company" and other career, Mr. Otsuka has experience, knowledge and professional information as follows:

- Professional knowledge in health care and related businesses

Special Interest between the Candidate and the Company

There is no special interest between Mr. Nobuo Otsuka and the Company

- Number of shares of the Company owned

  35,800 Shares

- Number of years in office of the Company as Audit & Supervisory Member

  8 Years

- Number of attendance at the Board of Directors meetings of the Company for the fiscal year ended March 31, 2015

  14 out of 14 Board of Directors meetings (100%)

- Number of attendance at the Audit & Supervisory Board Members meetings of the Company for the fiscal year ended March 31, 2015

  14 out of 14 Audit & Supervisory Board Members meetings (100%)

Notes:

1. Conclusion of liability limiting agreement

   The Company established provisions in the Articles of Incorporation enabling the Company to enter into an agreement with external audit & supervisory board members limiting their liability for compensation of damages through a resolution of the 106th ordinary general meeting of shareholders held on June 29, 2006 for the purpose of inducing external audit & supervisory board members to fully perform expected roles and enabling the Company to invite competent personnel.

   Pursuant to these provisions the Company has entered into such agreement with Mr. Nobuo Otsuka, under which his/her liability for compensation of damages is limited to the minimum limited liability amount provided in the laws and regulations.

2. Independent Directors

   The Company has designated Mr. Nobuo Otsuka as Independent Directors prescribed in Article 436-2 of the Securities Listing Regulations of the Tokyo Stock Exchange. Upon appointment at the ordinary general meeting of shareholders, the Company will once again designate them as Independent Directors.

Fifth Item of Business: Payment of Bonuses to Directors

This Item of Business is related to a bonus based on annual business performance as a component of the performance-linked remuneration in remuneration, etc. to directors of the Company. The Company hereby asks shareholders to approve the proposal to pay bonuses to five (5) directors in office as a group as at March 31, 2015 excluding three (3) external directors, in the aggregate amount of Yen 5,137 million in accordance with the calculation standards and determination method stated below.

Remuneration, etc. to external directors consist of only fixed remuneration. Accordingly, director bonuses shall not be paid to external directors.

Calculation Bases and Determination Method of Director Bonuses

Calculation Bases for "Bonuses" consist of consolidated performance for the fiscal year (the achievement of management targets regarding net sales, operating profitability, and net income for the fiscal year), results of operation of business segment in charge of each director and personal evaluation of each director. Furthermore, in principle, the ratio of the bonus payment based on the annual consolidated results increases with their degree of responsibility as corporate officers. Under these Calculation Standards, the Board of Directors decides draft of bonuses payment upon receipt of a report from the Remuneration Advisory Committee.

Basic Principle of Director Remuneration System

The directors, audit & supervisory board members and corporate officers remuneration policy of the Company is established by the Remuneration Advisory Committee, which is chaired by an external director, to maintain objectivity and high transparency. Remuneration to directors, audit & supervisory board members and corporate officers of the Company consists of a basic remuneration that is not linked to business performance and a performance-linked remuneration that fluctuates depending on the achievement of management targets and share price. The Company sets appropriate remuneration levels by making comparisons with companies in the same industry or of the same scale in Japan and overseas, taking the Company's performance into consideration.

External directors and audit & supervisory board members receive only basic remuneration, as fluctuating remuneration such as performance-linked remuneration is inconsistent with their supervisory functions from a stance independent from business execution. Meanwhile, the Company abolished its officers' retirement benefit plan as of June 29, 2004 on which the 104th ordinary general meeting of shareholders was held.

The Company will amend the policy for directors, audit & supervisory board members and corporate officers remuneration effective from fiscal 2015, but there will be no change to this basic principle.

Directors, audit & supervisory board members and corporate officers remuneration policy of fiscal 2014

Through the end of fiscal 2014, the remuneration to directors, audit & supervisory board members and corporate officers of the Company consisted of a basic remuneration as a fixed portion and a performance-linked portion that fluctuates depending on the achievement of management targets and share price.

The performance-linked remuneration consisted of a "bonus" provided based on annual business performance, monetary remuneration provided in the form of "medium-term incentive type remuneration" which would be paid after the final year of the Three-Year Plan based on the level of achievement of management targets of the plan, and stock compensation-type stock options as "long-term incentive-type remuneration," primarily aimed at fostering a shared awareness of profits with shareholders. The performance-linked remuneration was designed to motivate directors and corporate officers to manage business operation while being more conscious about the Company's performance and share price from the perspectives of not only a single-year but also a medium to long term.

However, the Company did not plan to provide a medium-term incentive type remuneration for fiscal 2014 because the Company positioned the year to focus on preparation for the next stage of growth under the new management structure and to formulate a new medium-term business plan over a year to achieve the growth, and the Company also assumed to introduce a new remuneration policy in fiscal 2015. In addition, the Company replaced a certain proportion, but not all, of a portion for fiscal 2014 of the medium-term incentive type remuneration (the average proportion for all directors and corporate officers eligible for the remuneration is approximately 60%) with bonuses for the fiscal year and stock options as long-term incentive-type remuneration. As a result of this change, the level of amount of "bonuses to directors" for each director eligible to receive bonus in this item of business is higher than the level for prior fiscal years.

New directors, audit & supervisory board members and corporate officers remuneration policy aligned to the Three-Year Plan of fiscal 2015 through fiscal 2017

The Company launched a new Three-Year plan starting fiscal 2015. Taking this opportunity, we implemented changes to the directors, audit & supervisory board members and corporate officers remuneration policy to be more closely linked to performance and responsibility of respective directors, audit & supervisory board members and corporate officers. With this new policy, we intend to motivate them to steadily achieve the Three-Year Plan of fiscal 2015 through fiscal 2017, and ensure that the solid foundation will be established for Shiseido to continue to shine bright 100 years from now.

The new directors, audit & supervisory board members and corporate officers remuneration policy is described on pages 54 to 60.

Sixth Item of Business: Determination of Provision of Long-Term Incentive Type Remuneration to Directors

This Item of Business is related to the long-term incentive type remuneration of the Company's performance-linked remunerations. Under this long-term incentive type remuneration, shares instead of cash will be provided to directors as remuneration. For this purpose, stock acquisition rights with the exercise price of ¥1 per share will be provided to directors as stock option.

The Company proposes to provide stock acquisition rights to three (3) directors (excluding external directors and subject to approval of the Third Item of Business), as remuneration for the purpose of inducing directors to share with shareholders awareness of the Company's profit and risks through fluctuation of share prices and enhance their volition to improve results of operations and raise the share price of the Company, by linking the enrichment of long-term shareholders' value with directors' remuneration.

For this purpose, the Company cordially requests shareholders to approve allotting as remuneration stock acquisition rights, in which details are stated below, to directors of the Company within a total amount of ¥6,200 million. The total amount of stock acquisition rights is an amount obtained by multiplying the fair value of stock acquisition right by the total number of stock acquisition rights (not more than 600) to be allotted. Stock acquisition rights for allotment as stock options concerning this item of business will be allotted after the consolidated performance for fiscal 2015 is finalized. In the allotment of stock acquisition rights, the number to be allotted will be determined by the Board of Directors based on the level of achievement of consolidated performance targets for fiscal 2015 within the maximum number and the maximum amount subject to the approval of this proposal. In addition, stock acquisition rights to be allotted are subject to the terms and conditions described in (4) below, the number of exercisable stock acquisition rights are designed to fluctuate depending on the level of achievement of performance targets as described in (4) 2).

In connection with the grant of stock acquisition rights, the payment amount per stock acquisition right will be fair value of stock acquisition right and the Company will be deemed to provide directors with an amount equivalent to the payment amount (i.e., the claim for remuneration). Directors will set off the payment amount with the claim for remuneration.

The Company does not schedule to grant stock acquisition rights to external directors due to remuneration of external directors consisting of only basic fixed remuneration.

Particulars

(1) The Number of Shares Which May Be Issued upon Exercise of Stock Acquisition Rights:

The number of shares which may be issued upon exercise of one stock acquisition right will be 100 ordinary shares (the "Subject Number of Shares").

In the event that the Company is subject to adjustment of the Subject Number of Shares such as in case of share split (including free distribution of the Company's common stock) or share consolidation, the Company may adjust the Subject Number of Shares to the reasonable extent.

(2) An Amount Contributed upon Exercise of Stock Acquisition Rights:

An object contributed upon exercise of stock acquisition rights shall be cash and the amount shall be obtained by multiplying ¥1, which is the exercise price per share, by the Subject Number of Shares.

(3) Exercise Period of Stock Acquisition Rights:

From September 1, 2018 to February 28, 2031

(4) Terms and Conditions of the Exercise of Stock Acquisition Rights:

1) Any grantee is required to be in the office of director or executive officer when he or she exercises stock acquisition rights; provided, however, that the foregoing shall not be applicable in case of resignation due to the termination of the term or any other due reason.
2) The other terms and conditions of exercise of stock acquisition rights will be provided for in the "grant agreement of stock acquisition rights" to be made between the grantee and the Company.

(5) Restriction on a Transfer of Stock Acquisition Rights:

Any transfer of stock acquisition rights shall be subject to approval of the Board of Directors of the Company.

(6) Other Details of Stock Acquisition Rights

The Board of Directors will determine through its resolution with respect to details of items (1) to (5) and matters not stated in items (1) to (5).

New Directors, Audit & Supervisory Board Members and Corporate Officers Remuneration Policy Aligned to the Three-Year Plan of Fiscal 2015 through Fiscal 2017

The Company launched a new Three-Year plan starting fiscal 2015. Taking this opportunity, we implemented changes to the directors, audit & supervisory board members and corporate officers remuneration policy to be more closely linked to performance and responsibility of respective directors and corporate officers.

For details of the new directors, audit & supervisory board members and corporate officers remuneration policy, please refer to pages 54 to 60 herein.

New Long-Term Incentive Type Remuneration

The Company has decided to impose terms and conditions regarding performance on stock compensation-type stock options as long-term incentive-type remuneration on two occasions when the stock acquisition rights are allotted and the exercise period of the stock acquisition rights allotted starts.

When actually allotting the stock acquisition rights after obtaining an approval for the maximum number of stock acquisition rights to be allotted at the general meeting of shareholders, the Company shall increase or decrease the number of stock acquisition rights to be granted in the range of 0% to 130% of the baseline by using the evaluation indicators for annual bonuses for the immediately preceding fiscal year. In addition, we have introduced a mechanism that when the stock acquisition right exercise period starts, the exercisable number of stock acquisition rights may be determined according the consolidated performance and other track records up to the immediately preceding fiscal year in the range of 30% to 100% of the allotted number, and thereby we reinforced incentives for improving medium- to long-term business performance and achieving the targets compared to the past stock options of the Company.

[Terms and conditions regarding performance on long-term incentive-type remuneration]

When stock acquisition rights are allotted

- Use the same items as used in calculating annual bonus to each officer. Items to be used differ from an officer to another, among consolidated business performance (consolidated net sales, consolidated operating income and consolidated net income), evaluation of performance of business of which respective officers are in charge, and personal evaluation.
- Determine the number of stock acquisition rights to be allotted through deliberation by the evaluation working group.

When the exercise period of the stock acquisition rights allotted starts

- Calculate the growth rate of operating income by comparing the operating income for the fiscal years preceding and following the fiscal year in which the stock acquisition rights allotment date is included.
- Calculate the growth rates of operating income for the same fiscal years as above of companies such as Kao Corporation (Japan), L'Oreal S.A. (France) and Estee Lauder Companies Inc. (USA), which are top sales cosmetic companies in Japan and overseas and designated in advance as companies to be compared with.
- Based on the comparison of the growth rates of operating income between the Company and the companies for comparison, decide the number of stock acquisition rights allotted to each director or corporate officer that are exercisable.

Linkage with Long-Term Performance

Since the long-term incentive type remuneration of the Company is a system to continually pay to the subject directors in office every year, directors are entitled to payment of the long-term incentive remuneration during the term of office by continuously assuming the office as directors due to execution of suitable management. Also, the exercise period of stock acquisition rights always commences on and after two years after being granted. As a result, the long-term incentive type remuneration works as at least incentive for periods of the term of office as directors in future, plus certain period of time before the exercise period of stock acquisition rights.

Accordingly, stock acquisition rights subject to this Item of Business will fully work as incentive to directors to be granted stock acquisition rights, in order to encourage them to improve the long-term performance and share price appreciation, but not result in management aiming only for the short-term business performance.

Any Influence That Stock Acquisition Rights Subject to This Item of Business to the Total Number of Shares Outstanding Is as Follows:

		Ratio to total outstanding of shares excluding treasury stock (As of March 31, 2015)
Number of subject shares (maximum number)	60,000 shares	0.01%
Number of shares to be issued upon exercise of stock acquisition rights as of March 31, 2015	1,061,000 shares	0.26%
Total	1,121,000 shares	0.28%

Note: The number of subject stock acquisition rights fluctuates due to the fair market value to be calculated. The maximum number, however, is 600.

- End -

Note: In Article 361 of the Companies Act of Japan, financial benefits receivable as a consideration for the execution of duties from the Company such as remuneration and bonus of directors are defined as “remuneration, etc.,” and the term “remuneration, etc.” stated in this item of business is synonymous with such definition.

Information for Other Matters Related to This Notice of Convocation of the Ordinary General Meeting of Shareholders on the Company's Website

The Company's Notice of Convocation of the Ordinary General Meeting of Shareholders is posted on the Company's website and on the Tokyo Stock Exchange's website (http://www.jpx.co.jp/) (Japanese and English).

1. In the Company's website, the following are voluntarily disclosed by the Company in the column entitled "Home>IR>General Meeting of Shareholders / Corporate Governance>General Meeting of Shareholders>Notice of the Convocation: the 115th Ordinary General Meeting of Shareholders" (http://www.shiseidogroup.com/ir/shareholder/e1506shm/html/index.html):

2. Items voluntarily disclosed on the Company's website relating to business report:

   "The 30 Largest Stockholdings of Publicly Listed Companies in the Amount on the Balance Sheet, Which the Company Holds for Purposes Other Than Realizing Direct Investment Gains"

   "Criteria for "Important Concurrent Position" assumed by Company's directors, audit & supervisory board members and corporate officers"

   "Criteria for Stating the Relationship between the Company and the Organizations in Which the Company's Directors and Audit & Supervisory Board Members Hold "Important Concurrent Positions""

   "Non-financial Information Report Regarding ESG (FY2014)" as reference information relating to the corporate governance and CSR of the Company

3. In cases that the attached documents and "Reference Document Concerning the General Meeting of Shareholders" are amended, the Company will announce updated on the Company's website.

   (http://www.shiseidogroup.jp/ir/account/shareholder/2015/)