

Internet Disclosure Accompanying the Notice of Convocation
The 116th Ordinary General Meeting of Shareholders
(Voluntary Disclosure)

Voluntary Disclosure Relating to “3. Matters Concerning Shares Held by the Company” on the Business Report of the Company

| | |
|--|---|
| The 30 Largest Stock-Holdings of Publicly Listed Companies in the Amount on the Balance Sheet, Which the Company Holds for Purposes Other Than Realizing Direct Investment Gains | 1 |
|--|---|

Voluntary Disclosure Relating to “5. Matters Concerning Status of Corporate Governance and Directors, Audit & Supervisory Board Members and Corporate Officers of the Company” of the Business Report of the Company

| | |
|--|---|
| The Company’s Revised “Basic Policy regarding Internal Control Systems” Effective January 1, 2016 | 2 |
| Criteria for “Important Concurrent Position” Assumed by Company’s Directors and Audit & Supervisory Board Members | 6 |
| 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” | 7 |

The Shiseido logo, featuring a stylized 'S' followed by the word 'HISEIDO' in a bold, sans-serif font.

The 30 Largest Stock-Holdings of Publicly Listed Companies in the Amount on the Balance Sheet, Which the Company Holds for Purposes Other Than Realizing Direct Investment Gains (As of December 31, 2015)

| | Name of Company | Number of Shares | Amount on Balance Sheet | Details of Transaction | Purpose for Holding Shares |
|----|--|-----------------------------|-------------------------|--|---|
| 1 | Mizuho Financial Group, Inc. | (thousand shares) 16,625 | (million yen) 4,048 | Financial transactions with the subsidiaries of the issuer | To further facilitate operations |
| 2 | ONO PHARMACEUTICAL CO., LTD. | 117 | 2,537 | Product sales | |
| 3 | Mitsubishi UFJ Financial Group, Inc. | 2,496 | 1,890 | Financial transactions with the subsidiaries of the issuer | |
| 4 | TOPPAN PRINTING CO., LTD. | 1,628 | 1,822 | Purchase of product packaging and sales promotion materials | |
| 5 | Tokio Marine Holdings, Inc. | 300 | 1,413 | Insurance transactions with the subsidiaries of the issuer | |
| 6 | Paltac Corporation | 600 | 1,296 | Product sales | |
| 7 | Dai Nippon Printing Co., Ltd. | 871 | 1,050 | Purchase of product packaging and sales promotion materials | |
| 8 | Sompo Japan Nipponkoa Holdings, Inc. | 221 | 887 | Insurance transactions with the subsidiaries of the issuer | |
| 9 | MS&AD Insurance Group Holdings, Inc. | 239 | 854 | Insurance transactions with the subsidiaries of the issuer | |
| 10 | Sumitomo Mitsui Trust Holdings, Inc. | 1,432 | 660 | Outsourcing administration business of share register and financial transactions with the subsidiaries of the issuer | |
| 11 | WACOAL HOLDINGS CORP. | 439 | 636 | Commissioned production transactions from the subsidiaries of the issuer | |
| 12 | Seven & i Holdings Co., Ltd. | 110 | 612 | Product sales to the subsidiaries of the issuer | |
| 13 | NIPPON FINE CHEMICAL CO., LTD. | 670 | 606 | Purchase of raw materials | |
| 14 | PLANET, INC. | 300 | 443 | Outsourcing development of product distribution systems | |
| 15 | J. FRONT RETAILING Co., Ltd. | 235 | 415 | Product sales to the subsidiaries of the issuer | |
| 16 | AEON CO., LTD. | 203 | 379 | Product sales to the subsidiaries of the issuer | |
| 17 | The Hyakujushi Bank, Ltd. | 712 | 322 | Financial transactions with the issuer | |
| 18 | TAKASAGO INTERNATIONAL CORPORATION | 70 | 205 | Purchase of raw materials | |
| 19 | Zeria Pharmaceutical Co., Ltd. | 126 | 203 | Contract manufacturing of products | |
| 20 | Nippon Pigment Company Limited | 491 | 99 | Purchase of raw materials | |
| 21 | Kintetsu Department Store, Co., Ltd. | 300 | 99 | Product sales | |
| 22 | H ₂ O RETAILING CORPORATION | 31 | 74 | Product sales to the subsidiaries of the issuer | |
| 23 | Starts Publishing Corporation | 48 | 73 | Business alliance for the Web-based business with the issuer | To strengthen the relationship based on strategic partnership |
| 24 | HEIWADO CO., LTD | 25 | 66 | Product sales | To further facilitate operations |
| 25 | ARATA CORPORATION | 22 | 57 | Product sales | |
| 26 | MARUI GROUP CO., LTD. | 20 | 39 | Product sales to the subsidiaries of the issuer | |
| 27 | TOKYU CORPORATION | 25 | 24 | Product sales to the subsidiaries of the issuer | |
| 28 | AOI Pro. Inc. | 19 | 19 | Product sales | |
| 29 | Matsuya Co., Ltd. | 15 | 28 | Product sales | |
| 30 | Kyodo Printing Co., Ltd. | 55 | 20 | Purchase of product packaging and sales promotion materials | |

Notes:

1. The Company does not hold shares for the purpose of realizing direct investment gains.
2. In terms of the top ten companies listed above, the amounts reported in the balance sheet

exceed one percent of the amount of the common stock of the Company.

The Company's Revised "Basic Policy regarding Internal Control Systems" Effective January 1, 2016

The Company has described the "Basic Policy regarding Internal Control Systems" adopted in the Company and the Shiseido Group in fiscal 2015 in the Business Report. This basic policy presented below was revised at the Board of Directors meeting held on January 29, 2016.

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 “Compliance Committee” has been set up in the Company, and while coordinating with organizations that have been set up to fulfill the compliance functions in the respective regional headquarters located in the major regions across the globe, this committee shall be responsible for improving the quality of the Company by enhancing legitimate and fair corporate activities of the group, and risk management. The Compliance Committee shall propose and report the status of the progress and important matters to the Board of Directors through the Representative Director, President and CEO as necessary.

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 Compliance Committee.

For the purpose of detection and remediation of types of conduct within the Group that are in violation of laws, the Articles of Incorporation, and internal regulations of the Shiseido Group, the Company shall set up a hotline under the Compliance Committee, where Compliance Committee Chairman will be appointed as a contact to receive informing or consultations, and it also sets up a hotline at each group company, where the person in charge of ethics promotion will be appointed as a contact to receive informing or consultations. In the Japan region, the Company shall establish one hotline as an in-house-counselor staffed internal point of contact, and one outside-counselor-staffed external point of contact.

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 relevant meeting etc. for decision making on business execution, consisting of corporate officers shall deliberate the business execution from viewpoints of various aspects.

The Board of Directors and the relevant meeting etc. for decision making on business execution 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 relevant meeting etc. for decision making on business execution 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 "Compliance Committee" is set up in the Company, and organizations for the purpose of fulfilling the compliance functions are set up in the respective regional headquarters located in the major regions across the globe. The Committee and the respective organizations will be responsible for overseeing risks related to corporate activities through Group-wide cross-sectional communication. The Compliance Committee recognizes and evaluates risks associated with management strategy and business execution, and takes necessary measures, or assists the regional headquarters located in the major regions across the globe to prepare their own contingency manuals to deal with emergency situations.

In the case of emergency, countermeasure headquarters shall be set up by the regional headquarters of the region where the emergency occurred, the Company, or both, pursuant to the situation, how serious the impact on the Group and other factors, and that headquarters shall take the 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 Compliance 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.

Criteria for "Important Concurrent Position" Assumed by Company's Directors and Audit & Supervisory Board Members

In order to clarify the status of competitive dealings by the Company's directors and audit & supervisory board members, and to enhance the independence of its external directors and audit & supervisory board members (external) (collectively the "External Director"), the Company has set forth the following criteria regarding "important concurrent positions" assumed by its directors and audit & supervisory board members, as defined in Articles 121 and 124 of the Ordinance for Enforcement of the Companies Act; and describes the status of the concurrent positions assumed by its directors and audit & supervisory board members in the business report based thereon.

<Criteria for Important Concurrent Positions>

If a director or audit & supervisory board member meets any of the following criteria, the position assumed by such director or audit & supervisory board member shall be described in the business report accompanying the Notice of Convocation as an "important concurrent position."

1. If the company in which the Company's director or audit & supervisory board member concurrently serves is a listed company or a company of similar scale, stature or social significance, and said directors and audit & supervisory board members serves as the executive of that company.
2. If the company in which the Company's director or audit & supervisory board member concurrently serves is a corporation other than a stock company or an unlisted company that does not correspond to item 1 above, and said directors and audit & supervisory board members is the representative of that company (in principle).
3. If transactions involving 10 million yen or more, or donations of 5 million yen or more exist between the Shiseido Group and the non-Group company in which the Company's director or audit & supervisory board member concurrently serves (in principle).

4. If as a result of the hours and the tight schedule involved in the concurrent position (major occupation), it is likely that the execution of duties as an External Director of the Company will be impacted (including cases where the concurrent position is held in organizations that are not corporations).

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"

In order to clarify the independence of its External Director, the Company has set forth the following criteria for stating the relationship between the Company and the organization in which the Company's External Director holds "Important Concurrent Positions," as defined in Article 124 of the Ordinance for Enforcement of the Companies Act; and describes in the Business Report the relationships between its External Director and the organizations in which they held concurrent positions based thereon.

<Criteria for stating the relationship between the Company and the organizations in which the Company's External Director holds "Important Concurrent Positions">

In order to confirm the independence of its External Director, the Company describes in detail the relationship between the Company and the organization in which its External Director hold "Important Concurrent Position" (Paragraph 1 of Article 124 of the Ordinance for Enforcement of the Companies Act) as per the following.

1. If any relationship including transactions, alliances, joint research, etc., exists between the Company and said organization; and the Shiseido Group pays cash as consideration, remuneration or donation to the organization or the Shiseido Group receives such cash from the organization;
In addition to the nature of the relationship, the Company will state the actual amount of the consideration, remuneration or donation, and the relevant ratios of said amount (In terms of payments from the Company to the organization, the percentage of said amount to "cost of sales; and selling, general and administrative expenses" will be stated; while in terms of payments from the organization to the Company, the percentage of said amount to "net sales" will be stated).
2. If item 1 above applies but transactions are limited to the use of services relating to social infrastructure (electricity, water, postal services, public transportation, etc.);
The Company shall state it has "no special relationship of interest" with said organization.
3. If any relationship including transactions, alliances, joint research, etc., exists between the Company and the organization but there is no payment or receipt of cash as consideration, remuneration or donation between the Shiseido Group and the organization;
The Company shall only the nature of the relationship (e.g. Joint research is being

conducted).

4. If no relationship including transactions, alliances, joint research, etc., exists between the Shiseido Group and the organization;

The Company shall state it has “no special relationship of interest” with said organization.

5. If relationship of mutual assumption regarding office of External Director during the past nine fiscal years and the current fiscal year exists;

The Company shall state as follows; 1. whether both persons are incumbent, one is incumbent and the other is retired, or both are retired, 2. in case of a retiree, his/her tenure of office, 3. special relationship regarding mutual assumption between the Company and the organization, and so on.

-End-