

Corporate Governance Report

Last Update: April 9, 2021

Shiseido Company, Limited

President and CEO, Representative Director: Masahiko Uotani

Contact: +81-3-6218-5530

Securities Code: 4911

<https://corp.shiseido.com/en>

The corporate governance of Shiseido Company, Limited (the “Company”) is described below.

I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

1. Basic Views

The Shiseido Group including the Company sets out “BEAUTY INNOVATIONS FOR A BETTER WORLD” as THE SHISEIDO PHILOSOPHY, and defines the corporate governance as our “platform to realize sustainable growth through fulfilling the corporate philosophy”.

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

[Reasons for Non-compliance with the Principles of the Corporate Governance Code] **Updated**

As of April 9, 2021, the Company has implemented each Principle of the Corporate Governance Code.

[Disclosure Based on the Principles of the Corporate Governance Code] **Updated**

With respect to the items that have been updated, a ○ mark is affixed to the item number. (April 9, 2021)

Initiatives for the Company’s corporate governance are disclosed in convocation notices of general meetings of shareholders, annual securities reports, annual reports and others, in addition to this report.

Descriptions of the items disclosed based on each Principle of the Corporate Governance Code are as follows:

- 1. The Company’s corporate philosophy, corporate strategies and business plans <Principle 3.1: Proactive Provision of Information>

The Company’s corporate strategies and business plans are contained and disclosed in the Company’s Notice of Convocation of the 121st Ordinary General Meeting of Shareholders (pages 20 to 31).

https://corp.shiseido.com/en/ir/shareholder/2021/pdf/shm_0002.pdf

2. Basic Policy on Corporate Governance <Principle 3.1: Proactive Provision of Information>

The basic stance and basic policy on the Company's corporate governance are shown in 1. of "Basic Stance on Corporate Governance, Capital Structure, Corporate Attributes and Other Basic Information" in this report. In addition, reasons why we adopted the current corporate governance system are shown in 3. of the "Status of Management Structure for Management Decision-Making, Operational Execution and Supervising, and Other Corporate Governance Systems" in this report.

○3. Separation of monitoring and execution functions <Supplementary Principle 4.1.1: Summary of Scope of Matters Delegated from the Board of Directors to the Management>

The Company has specified matters to be determined by resolution of the Board of Directors in the Regulation on the Board of Directors. Such matters consist of items relating to the general meeting of shareholders, personnel/organization, account settlement stock/bonds, and stock acquisition rights, corporate property, etc., business management and others of the Shiseido Group, that are matters provided in the Companies Act and other laws and regulations, and any other important matters equivalent thereof. Meanwhile, with the aim of clarifying the allocation of responsibility for the business management and accelerating decision making by delegation of authority, the Company introduced an executive officer system in 2001. Authority for making decisions on matters relating to business executions other than those specified in the Regulation of the Board of Directors has been delegated to the extent appropriate so that President and CEO can make decisions after deliberation at the Executive Committee, Global Leadership Committee, and other meeting bodies.

After extensive discussions at the Board of Directors were held with regard to the corporate governance of the Company during fiscal 2015 and also assessment of the effectiveness of the Board of Directors was performed, and in light of the decision that the Company will adopt the "monitoring board-type corporate governance", the Company made revisions of matters that needed to be deliberated and decided at the meetings of the Board of Directors.

Also, since January 2021, in order to further evolve the matrix-type management execution system, further improve profitability and promptly implement structural reforms throughout the company, the Company introduced a new "executive officer" system (including current corporate officers). This is based on the idea of the system under which the head of each region in the global matrix-type organization is called Executive Officer who is to be globally responsible for business execution in his/her region. Aiming to strengthen the functions of the group headquarters, a system for the right person in the right place will be constructed regardless of gender, nationality, or organization to which the person belongs. Under this system, diverse values and ideas are reflected in our management system so as to achieve the goals of WIN2023 and realize the Company's long-term vision, "Be a Global Winner with Our Heritage."

○4. Diversity of Directors and Audit & Supervisory Board Members <Supplementary Principle 4.11.1: View on the Appropriate Balance between Knowledge, Experience and Skills, and Diversity and Size of the Board of Directors as a Whole>

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.

When selecting candidates, we place importance on ensuring rich diversity, taking into account not only the achievement of gender equality, but also other attributes including age and nationalities and personalities, and insights and experiences in various fields related to management. In addition, the Company has set a certain maximum term of office for external directors and external audit & supervisory board members in order to reflect their views, which are free from the Company's existing structure, to the management of the Company, and by allowing a handover period from long-serving external directors and audit & supervisory board members to newly-appointed external directors and audit & supervisory board members to ensure appropriate transition.

5. Ratio of External Directors at the Board of Directors <Principle 4.8: Approach concerning the Ratio of External Directors at the Board of Directors and the Roadmap for the Implementation>

Based on the Board of Directors' conclusion that it would be appropriate for the Company to adopt the "monitoring board-type corporate governance," the Company established its view on the ratio of external directors on the Board of Directors.

In the Company's articles of incorporation, the maximum number of board members is set at 12. Respecting this upper limit and in consideration of the Company's business portfolio and scale, an optimum number of directors is elected such that they are able to appropriately supervise the management.

For external directors, the number is set at three or above to allow such members a certain degree of influence within the board. In addition, the Company has established the target of electing half or more of its directors from outside.

For selecting external directors, high priority is given to independence. Our basic principle is that candidates for external directors are required to meet the Company's "Criteria for Independence of External Directors and Audit & Supervisory Board Members" as well as possess highly independent thinking.

○6. Criteria for Independence of "External Directors and Audit & Supervisory Board Members" <Principle 4.9: Independence Standards Aimed at Securing Effective Independence of Persons Who Will Become Independent Directors>

The Company establishes its own "Criteria for Independence of External Directors and Audit & Supervisory Board Members" (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 and audit & supervisory board members.

In connection with selecting candidates for external directors and audit & supervisory board members, the Company places emphasis on a high degree of 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.

Specific descriptions can be found in the Internet Disclosure Accompanying the Notice of Convocation of the 121st Ordinary General Meeting of Shareholders (Voluntary Disclosure) (pages 1 to 4), and [Independent Directors] in 1. Organizational Composition and Operation of "Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management" in this report.

https://corp.shiseido.com/en/ir/shareholder/2021/pdf/shm_0003.pdf

○7. Policies and Procedures in Appointing and Dismissing the Senior Management and Nominating Candidates for Directors and Audit & Supervisory Board Members by the Board of Directors <Principle 3.1: Proactive Provision of Information, Supplementary Principle 4.3.2: Appointment of a Qualified President and CEO, Supplementary Principle 4.3.3: Establishment of Procedures in Dismissing the President and CEO>

In nominating candidates for directors and Audit & Supervisory Board members and appointing executive officers, it is a policy of the Company to nominate or appoint appropriate persons who are able to fulfill their duties and responsibility, fully taking into consideration their personality and intellectuality and the like regardless of gender, age and nationality. In addition, the Company also takes into consideration "the importance of roles to fulfill in response to entrustment on management by shareholders" for candidates for directors, and "the importance of audit and functions of Audit & Supervisory Board members for the corporate management" for candidates for Audit & Supervisory Board members, in nominating them respectively.

Nomination of candidates for directors and appointment of executive officers are determined upon resolution by the Board of Directors after the Company receives a report from the Nomination & Remuneration Advisory Committee chaired by an external director on whether or not the candidates are adequate.

In addition to following the procedure, appointment of President and CEO is further carefully reviewed by the Nomination & Remuneration Advisory Committee. The candidate for President and CEO is selected from both inside and outside of the Company without excluding all sorts of possibilities from the standpoint of realizing the corporate philosophy and corporate strategies of the Company, and is

bound to be subject to deliberation at the Nomination & Remuneration Advisory Committee chaired by an external director and the CEO Review Meeting composed of external directors and external members of Audit & Supervisory Board, starting from this selecting stage. In a case where an appropriate person was appointed as the President and CEO through such processes, but the President and CEO cannot fulfill job responsibilities for unavoidable reasons, the person is dismissed after a resolution by the Board of Directors after careful review by the Nomination & Remuneration Advisory Committee and the CEO Review Meeting. The CEO Review Meeting assesses, during meetings that are held several times in a year, whether a President and CEO has fulfilled his/her duties and responsibilities, and the Nomination & Remuneration Advisory Committee deliberates the group's judgment at meetings.

For nomination of candidates for Audit & Supervisory Board members, the representative directors select candidates, and the Company receives a report from the Nomination & Remuneration Advisory Committee on whether or not the candidates are adequate. Then the Board of Directors determines the nomination of candidates for Audit & Supervisory Board members upon receiving consent of the Audit & Supervisory Board on submitting a proposal for the election to the ordinary general meeting of shareholders.

We have clarified the concepts described above and operations that have been implemented up to now, and comprehensively set the rules for directors, Audit & Supervisory Board members and executive officers including criteria for appointment, appointment procedures, their upper limit of term, their maximum age, their retirement procedures, dismissal examination criteria for them, and dismissal procedures. The Regulations Regarding the Appointment and Dismissal of Executive Officers, Directors, and Audit & Supervisory Board Members were stipulated in fiscal 2019, and other rules related to officers were revised at the same time.

○8. Explanations with Respect to the reasons for Nominations of Candidates for Directors and Audit & Supervisory Board Members by the Board of Directors <Principle 3.1: Proactive Provision of Information>

With respect to all candidates for directors and Audit & Supervisory Board members, the Company has clarified "Reasons for Nomination of the Candidate" in relevant proposals for the election of the Notice of Convocation of the Ordinary General Meeting of Shareholders (Reference Document). The "Reasons for Nomination of the Candidates" for eight directors and one Audit & Supervisory Board member proposed for election at the 121st Ordinary General Meeting of Shareholders are shown below. In addition, reasons for nomination for election of four Audit & Supervisory Board members other than one member identified above out of five members in the office of the Audit & Supervisory Board members as of the conclusion of the 121st Ordinary General Meeting of Shareholders are also shown below.

[Directors]

Masahiko Uotani:

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 and 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 25 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.

In 2020, which was the final fiscal year of the medium-to-long-term strategy VISION 2020, he promoted the selection and concentration of businesses and brands, continued investments in global brands for sustainable growth, and worked on formulating and implementing measures to recover business results with the aim of realizing the Company's transformation to "Be a Global Winner with Our Heritage," despite an extremely harsh management background due to the global epidemic of COVID-19.

Due to these facts and the leadership that enables him to promote reforms, the Board of Directors has continuously selected him as a candidate for director.

(The 121st Ordinary General Meeting of Shareholders)

Yukari Suzuki

Since joining the Company, Ms. Yukari Suzuki has acquired business skills by handling several brands and new business at the Shiseido Group, and accumulated a wealth of experience and knowledge by striving to grow brands as the Representative Director and President of IPSA Company, Limited, a

subsidiary of Shiseido. Further, she has a wide range of experience in brand marketing focusing on prestige brands, a driving force of the Company's growth in the Prestige Brands Division of Shiseido Japan Co., Ltd. Additionally, she played a leading role in globally accelerating the growth of *Clé de Peau Beauté*, one of the Company's most valuable prestige brands in the Global Prestige Brands Division of the Company. Since January 2021, she has assumed office of Representative Director of the Company, and has assisted the CEO in general corporate management of the Company.

Due to these facts the Board of Directors has continuously selected her as a candidate for director.
(The 120th Ordinary General Meeting of Shareholders)

Norio Tadakawa

Since joining the Company, Mr. Norio Tadakawa has handled work related to marketing and product development, and possesses a wealth of experience in this field. Further, he acquired general management skills through his experience in the International Business Planning Department and Corporate Planning Department. He has also assumed the post of Chief Financial Officer, and thus possesses the experience and knowledge in finance and accounting. Based on those extensive experiences, until 2019, he played a leadership role in the reform of the supply network in which the supply shortage had been a serious issue, and actively contributed to solving management issues. In addition, since October 2020, he has assumed the office of Japan Region COO, and is promoting a reform of the Japan business, which is under a harsh environment due to the COVID-19 pandemic, overhauling strategies and taking charge of specific actions. Due to these facts the Board of Directors has continuously selected him as a candidate for director.

(The 121st Ordinary General Meeting of Shareholders)

Takayuki Yokota (newly appointed):

Mr. Takayuki Yokota possesses a high level of expertise in finance and accounting as well as international business and management capabilities in a diverse environment, having worked as head of Japan subsidiaries and a vast range of regions at global corporations, and as head of finance at global headquarters. He joined the Company as Vice President of Global Headquarters Finance in November 2019. Since January 2020, he has been efficiently identifying and resolving business challenges as Vice President of the Financial Accounting Department and promoting the globalization of the Company's finance function, a crucial element in its aim to "Be a Global Winner with Our Heritage."

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

(The 121st Ordinary General Meeting of Shareholders)

Yoshiaki Fujimori

Mr. Yoshiaki Fujimori is the first Asian to assume the position of Senior Vice President at General Electric Company in the United States. Further, he has a wealth of experience and a proven track record as a global leader serving a leading role in promoting globalization at JS Group Corporation (currently LIXIL Group Corporation) and its group companies. Mr. Fujimori has practical knowledge of the globalization of Japanese companies, based on which he has actively expressed opinions at meetings of the Board of Directors regarding the Company's medium-to-long-term strategy. He has achieved an adequate role on supervising the execution of business as external director of the Company. Accordingly, the Board of Directors has decided to continuously select him as a candidate for external director. After election, he is expected to continue fulfilling the abovementioned roles.

(The 121st Ordinary General Meeting of Shareholders)

Yoko Ishikura:

Ms. Yoko Ishikura has a high level of knowledge in international corporate strategy, based on which she has actively made statements at meetings of the Board of Directors. She has achieved as external director of the Company adequate role on supervising the execution of business. Also, as a Chair of the Company's Nomination Advisory Committee and a member of Remuneration Advisory Committee, she attended the meetings of these Committees and actively expressed opinions. Specifically, she played the leading role as a Chair of the Nomination Advisory Committee in discussing the reappointment of the current President and CEO.

She has not participated in management of companies other than as external director and Audit & Supervisory Board member. For the reasons stated above, however, the Company is of the opinion that she would be able to achieve adequately the role of external director.

Thus, the Board of Directors has decided to continuously select her as a candidate for external director. After election, she is expected to continue fulfilling the abovementioned roles.
(The 121st Ordinary General Meeting of Shareholders)

Shinsaku Iwahara:

Mr. Shinsaku Iwahara is a university professor and researcher specializing in legal studies, mainly with regard to companies and financial systems, with deep knowledge of law. He has also played important roles at the Legislative Council and Financial System Council, and has been involved in the establishment of the supervisory and examination systems of authorities such as the Financial Services Agency. He thus possesses a wealth of experience. Based on such knowledge and experience, he has been contributing toward improving the effectiveness of the Board of Directors. Also, as a member of the Company's Nomination Advisory Committee and Remuneration Advisory Committee, he attended the meetings of these Committees and actively expressed opinions.

He has not participated in management of companies other than as external director and audit & supervisory board member. For the reasons stated above, however, the Company is of the opinion that he would be able to achieve adequately the role of external director.

Thus, the Board of Directors has decided to continuously select him as a candidate for external director. After election, he is expected to continue fulfilling the abovementioned roles.
(The 121st Ordinary General Meeting of Shareholders)

Kanoko Oishi:

Ms. Kanoko Oishi has experiences and knowledge gained through her career in business management inside and outside Japan as well as from a standpoint of active manager who is pushing forward patient-centered transformation of the medical industry. She has achieved as external director of the Company adequate role on supervising the execution of business. Also, as a Chairman of the Company's Remuneration Advisory Committee and a member of Nomination Advisory Committee, she attended the meetings of these Committees and actively expressed opinions. Specifically, she played the leading role as a Chair of the Remuneration Advisory Committee in discussing the change of the remuneration plan in line with the reappointment of the current President and CEO.

For the reasons stated above, the Company is of an opinion that she would be able to fulfill adequately the role of external director. Accordingly, the Board of Directors has continuously selected her as a candidate for external director. After election, she is expected to continue fulfilling the abovementioned roles.

(The 121st Ordinary General Meeting of Shareholders)

[Audit & Supervisory Board Members]

Takeshi Yoshida:

Since joining the Company, Mr. Takeshi Yoshida has built up a career primarily in the field of personal care, and possesses a wealth of experience in the Cosmetics business in Japan and its administration as Department Director of the Cosmetics Business Planning Department. In addition, he led the Cosmetics business in the Americas as Executive Vice President of Shiseido Americas Corporation, the holding company in the Americas. He also contributed to stable business operation for the Group by focusing on internal control as the Department Director of the Company's Internal Audit Department.

Furthermore, Mr. Yoshida has experience and knowledge in financing, accounting and taxation. Due to these facts the Board of Directors has decided to newly select him as a candidate for Audit & Supervisory Board member.

(The 118th Ordinary General Meeting of Shareholders)

Akiko Uno:

Since joining the Company, Ms. Akiko Uno has developed a career focused on areas such as analyzing cosmetics markets and developing sales channels through consumer surveys. In the Beauty Solution Development Center (previously), she subsequently played a leadership role in developing and operating the new realm of supervising appearance care with respect to providing support to all those with concerns regarding their appearances particularly due to side effects of medical treatments and aging, by providing them with makeup solutions that help them be true to themselves in their day-to-day lives. In the Consumer

Information Center (currently Consumer Communication Center of Shiseido Japan Co., Ltd.). she supervised consumer services and risk management while also promoting development of the “Mirror System” for aggregating consumer feedback from all over the world, sharing worldwide consumer feedback within the Company, applying it to management and communicating to the individual departments in the Company.

As described above, she has strived to implement the Shiseido Group’s CSR activities and risk management, and to build relationships with consumers. The Company is of the opinion that she would be able to fulfill functions of Audit & Supervisory Board member drawing on such experience and knowledge.

Thus, the Board of Directors has newly selected her as a candidate for Audit & Supervisory Board member.

(The 119th Ordinary General Meeting of Shareholders)

Yasuko Gotoh:

Ms. Yasuko Gotoh was the first female career bureaucrat in the Ministry of Transport (currently the Ministry of Land, Infrastructure, Transport and Tourism (MLIT)) and served as Director of Tourism Promotion Bureau at New York of Tourist of Bureau of Japan. Meanwhile, she has an extensive network having held a succession of various important posts including that of Deputy Governor of Yamagata Prefecture and Director General of the Policy Research Institute for land, Infrastructure and Transport and Tourism. After retiring from MLIT, she had joined Kyushu Railway Company and assumed some important posts in charge of tourism business. After served as Managing Director & CFO, she was appointed as a member of the Audit and Supervisory Committee of Kyushu Railway Company and thus she has a certain amount of experience and knowledge in finance and accounting as well as in business management.

The Company determined that she could monitor the legality and adequacy of directors’ execution of duties as a member of Audit & Supervisory Board utilizing her extensive experience.

Thus, the Board of Directors has selected her as a candidate for external Audit & Supervisory Board member.

(The 119th Ordinary General Meeting of Shareholders)

Ritsuko Nonomiya (newly appointed):

Ms. Ritsuko Nonomiya has sophisticated knowledge of finance and accounting acquired by engaging in M&As and business development projects at a UBS group company and GE group company in addition to working for an associated accounting firm and group company of KPMG LLP in the United States and Japan. Further, she has experience in and knowledge of business management, including M&A.

The Company is of the opinion that she would effectively utilize her wealth of knowledge based on her accumulated experience in a wide range of fields when conducting an audit to ascertain the legality and adequacy of directors’ execution of duties, and then be able to express necessary opinions at meetings of the Board of Directors, etc.

Thus, the Board of Directors has newly selected her as a candidate for external Audit & Supervisory Board member.

(The 120th Ordinary General Meeting of Shareholders)

Hiroshi Ozu:

Mr. Hiroshi Ozu has held a series of important positions in the legal world, such as Vice-Minister of Justice at the Ministry of Justice and Prosecutor General at the Supreme Public Prosecutors Office, he has wide-ranging experience and knowledge focused on the legal field. He also serves as external Audit & Supervisory Board member in other companies and possesses a wealth of experience and keen insight. He has not participated in management of companies other than as external director and audit & supervisory board member. For the reasons stated above, however, the Company is of an opinion that he would be able to fulfill adequately the role of external audit & supervisory board member. Accordingly, the Board of Directors has decided to continuously select him as a candidate for external audit & supervisory board member.

(The 121st Ordinary General Meeting of Shareholders)

○9. Succession Plan and Training for Directors, Audit and Supervisory Board Members and Corporate Officers <Supplementary Principle 4.1.3: Succession Plan of the President and CEO, Supplementary Principle 4.14.2: Training Policy for Directors and Audit & Supervisory Board Members>

The Company considers that the appointment of a successor candidate for the President and CEO requires the involvement of the incumbent one, and the incumbent one is also responsible for formulating the successor plan. On the other hand, in the event that the current President and CEO themselves have an option of reappointment, the necessity of the reappointment shall be considered only by the committee members who are the Chair or external directors in the Nomination & Remuneration Advisory Committee in order to ensure the fairness of deliberations. The Nomination & Remuneration Advisory Committee receives full reports from the President and CEO on the succession plan and the specific nomination for successor, then exchanges opinions and discusses the matter in light of an evaluation to the President and CEO from an independent perspective as well as the Company's management issues, and provides feedback. For the evaluation of the specific successor candidate, based on a candidate proposal selected by the President and CEO, the CEO Review Meeting, which consists of external directors and external audit & supervisory board members, makes a judgment from an independent and objective viewpoint as to whether the candidate is suitable. The function of the Nomination & Remuneration Advisory Committee, which includes the CEO Review Meeting, is to perform an important function of the Board of Directors. Therefore, the Board of Directors respects the committee's judgement. Furthermore, when actually selecting the President and CEO's successor, the Nomination & Remuneration Advisory Committee deliberates fully on matters such as the final candidate and the process employed to select the final candidate, prior to reporting its opinion. The Board of Directors accords this report the utmost respect in passing a resolution regarding the selection. In the event that there are problems when the Company's President and CEO selects the successor candidate, the Nomination & Remuneration Advisory Committee may take the leading role in the selection.

Based on the approval given by the Board of Directors in 2019 regarding the extension of the term of office of current President and CEO Uotani, the framework of a concrete succession plan, etc. we commenced the execution of the succession plan and reported its progress to the Nomination & Remuneration Advisory Committee and audit & supervisory board members in fiscal 2020.

The Company believes that it is important to have a succession plan for not only the President and CEO but also for the external directors and external audit & supervisory board members who play key roles in supervising functions over the business management. For that reason, the matters regarding the succession plan, such as the term of office, clarification of requirements for candidates for successors and further strengthening of diversity, are subject to the review by the Nomination & Remuneration Advisory Committee.

The Company also believes in addition to appointing personnel having credentials required to serve as directors, Audit & Supervisory Board members and corporate officers, it is also important to provide them with necessary training and information. The Company provides candidates for new directors and candidates for new audit and supervisory board members with training with regard to legal and statutory authorities and obligations, etc. utilizing training programs provided by external institutions as necessary. In addition, when a new external director or external Audit & Supervisory Board member is scheduled to come on board, the Company provides training regarding the industry the Company operates business in, the history, business overview, strategy, etc. of the Company.

In respect of the cultivation of the next generation of management, executives who are executive officer candidates are provided with training programs to nurture their leadership abilities and management expertise required for top management officers.

○10. Important Position at Other Organizations Concurrently Assumed by Directors and Audit & Supervisory Board Members <Supplementary Principle 4.11.2: Concurrent Posts Assumed by Directors and Audit & Supervisory Board Members>

Matters concerning important positions at other organizations concurrently assumed by directors and Audit & Supervisory Board members of the Company are shown in the Notice of Convocation of the 121st Ordinary General Meeting of Shareholders of the Company (page 62, pages 118 to 124, and pages 126 and 127).

Also, the important positions at other organizations concurrently assumed by external directors and external Audit & Supervisory Board members and relationships between organizations and the Company

are shown in the Notice of Convocation of the 121st Ordinary General Meeting of Shareholders of the Company (pages 63 to 65, pages 118 to 124, and pages 126 to 127).

https://corp.shiseido.com/en/ir/shareholder/2021/pdf/shm_0002.pdf

11. Information Exchange between External Directors and External Audit & Supervisory Board Members <Supplementary Principle 4.4.1: Coordination between the Audit & Supervisory Board Members and Audit & Supervisory Board, and External Directors, Supplementary Principle 4.8.1 and 2: Establishment of Framework for Information Exchange among Independent Directors/Establishment of Framework for Communication with Various Corporate Bodies>

The Company has elected a total of seven external directors and audit & external supervisory board members (four external directors and three external Audit & Supervisory Board members) with high degree of independence. To ensure that external directors and external Audit & Supervisory Board members can fully play their expected roles, the Company provides them with training with regard to the industry the Company belongs to, history, business overview and strategies and the like of the Company at the time they newly assume office, and the materials for meetings of the Board of Directors in advance. In addition to the “Board of Directors Member Meeting” consisting of all directors and Audit & Supervisory Board members that has been held as necessary for information exchange and discussions, In addition, information sharing meetings are held between external directors and Audit & Supervisory Board members.

In addition, external directors and external Audit & Supervisory Board members exchange and share information and confirmed mutual recognition through lively discussions in the CEO Review Meeting. The CEO Review Meeting was established as a deliberation body by the Nomination & Remuneration Advisory Committee, and the body is comprised of external directors and external Audit & Supervisory Board members. The body’s mission is to conduct overall business evaluation including the performance evaluation for President and CEO, and confirm appropriateness of the remuneration level. The CEO Review Meeting also deliberates and reviews reappointment or replacement of President and CEO, playing an extensive role concerning appropriate appointment of President and CEO and determining incentives.

○12. Assessment of the Effectiveness of the Board of Directors <Supplementary Principle 4.11.3: Summary of Analysis and Evaluation concerning Effectiveness of the Board of Directors>

The Company conducts an evaluation concerning effectiveness of the Board of Directors with the aim of identifying issues and improvements required to enhance effectiveness of the Board of Directors. Questionnaires and interviews for all directors and Audit & Supervisory Board members are conducted every year to evaluate and analyze the activities of the Board of Directors, the Nomination & Remuneration Advisory Committee and the Audit & Supervisory Board as well as the support system by the secretariat, and the secretariat of the Board of Directors conducts analysis using the data after aggregation.

As a result, the Company confirmed that the Board of Directors overall received high marks in evaluation on the Company’s business conditions, and the size/structure/effectiveness of the Board of Directors in fiscal 2019 although leaving room for improvement on several points such as preparing a more effective meeting agenda to have a discussion focusing on material management issues, and exploring more opportunities to have communication outside the Board of Directors. On top of that, the Company has been fully aware that the Board of Directors’ secretariat system must be further strengthened.

In response to these results, the Company constantly conducts initiatives to enhance the effectiveness of the Board of Directors such as the optimization of meeting agenda aiming to further strengthen the monitoring function of the Board of Directors, information sharing inside and outside the Board of Directors for deeper discussions, operational improvement, and the reinforcement of the secretariat system.

Information on the implementation results of fiscal 2020 will be disclosed when the aggregation and analysis are completed.

○13. Policies and Procedures in Determining the Remuneration of the Senior Management and Directors by the Board of Directors <Principle 3.1: Proactive Provision of Information>

The directors, Audit & Supervisory Board members and corporate officers’ remuneration policy of the Company is established by the Nomination & Remuneration Advisory Committee, which is chaired by

an external director and includes external professionals as the Committee members, to maintain objectivity and high transparency. Remuneration to directors, Audit & Supervisory Board members and corporate officers of the Company consists of a basic remuneration 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 and by taking the Company's financial condition into consideration.

External directors and Audit & Supervisory Board members receive only basic remuneration, as performance-linked remuneration is inconsistent with their supervisory functions from a stance independent from business execution. There is no officers' retirement benefit plan.

More details on the directors, Audit & Supervisory Board members and corporate officers' remuneration policy are shown for disclosure on the Notice of Convocation of the 121st Ordinary General Meeting of Shareholders of the Company (pages 69 to 74).

https://corp.shiseido.com/en/ir/shareholder/2021/pdf/shm_0002.pdf

○14. Fundamental Approach to Capital Policy <Principle 1.3: 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. With regard to financing, we will implement timely financing to the best of our abilities, taking into account market conditions and other factors. We set a target of debt-to-equity ratio of 0.2 and interest-bearing debt to EBITDA ratio of 0.5 in order to maintain a single-A credit rating, which enables financing on favorable terms. However, considering future earning ability and capability to create cash flow, we will review these indices as well as the current approach to providing returns to shareholders timely, so as to optimize the capital structure that can contribute to further improvement in capital efficiency.

We aim to achieve total returns, comprising direct returns to shareholders through dividends and medium-to-long term share price gains. Based on this approach, our basic policy is to focus on making strategic investment for sustainable growth, thus aiming for maximization of corporate value. At the same time, we will enhance capital efficiency while focusing on capital costs, with a view to increasing dividends and our share price over the medium-to-long term.

Upon determining dividends, we will achieve long-term, stable and continuous enhancement of returns with emphasis given to consolidated business results and free cash flow, and set the minimum level of Dividend on Equity (DOE) of 2.5%, which we see as an indicator that reflects our capital policy. We will also buy back shares flexibly taking the market environment into consideration.

○15. Corporate Strategies Focused on Capital Costs <Principle 5.2: Establishing and Disclosing Corporate Strategies and Business Plans >

We have positioned the three-year period through 2023 as a phase of rebuilding the foundation to increase financial muscle through structural reforms and generate stable cash flow. In the process, we will improve operating profit and EBITDA and raise the profitability of the business itself by strengthening the skin beauty business, which is our core business, and structural reforms. In 2023, we aim for net sales of approximately ¥1 trillion, an operating profit margin of 15%, an EBITDA margin above 20%, and free cash flow of approximately ¥100 billion. Regarding capital efficiency, we aim to achieve 14% for ROIC and 18% for ROE in 2023 while paying attention to capital costs, such as NPV and hurdle rate.

Business performance data of the most recent quarter and the corresponding corporate strategies are listed in the website below.

<https://corp.shiseido.com/en/ir/library/tanshin/>

(Home > Investors > IR Library > Consolidated Settlement of Accounts / Presentation Material)

○16. The Company's Policy with Regard to Reduction of Strategic Stockholdings <Principle 1.4: Policy with Regard to Strategic Stockholdings, Verification Details Whether Holdings is Adequate and Criteria for Exercising Voting Rights with Regard to Strategic Stockholdings>

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

- The Company conducts strategic stockholdings at the minimum level necessary only when it determines that such stockholdings would contribute to sustainable growth and mid- and long-term improvement of corporate value.
- The Company regularly examines whether the purpose of holdings and benefits from holdings are balanced with capital costs for each stock it holds, makes the Board of Directors verify the adequacy of the holdings, and discloses the status of reduction.
- When a company that holds the Company's shares for the purpose of strategic stockholdings wants to sell the shares, the Company should neither prevent the sales nor suggest that the Company would reduce transactions with the holding company.

As of the end of December 2020, the Company holds stocks of five companies as strategic stockholdings. The Company reduced strategic stockholdings by about 9% based on book value since the end of the previous fiscal year by selling all shares of 3 companies (of which, shares of 2 companies are new listings) and some shares of 3 companies.

In addition, 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 relevant factors to determine its approval or disapproval before exercising its voting rights.

The Company discusses the matter with the investee company to confirm the intent of an item of business, etc., based on the intent of stewardship code and corporate governance code.

17. Roles of Corporate Pension Funds as Asset Owners <Principle 2.6: Roles of Corporate Pension Funds as Asset Owners>

For adequate pension fund investments, the Company takes the following actions to perform its roles expected as an asset owner:

- The Company regularly convenes meetings of the asset-investment review conference, which consists of the corporate officer in charge of finance, the Department Director of the Human Resources Department, the Department Director of the Financial Department, board members of the pension fund, and others; at the meeting, the Company determines asset portfolios, investment policies, and investment products based on opinions and advice from external consulting firms.
- Based on the policy determined by the asset-investment review conference, the board member in charge of investment of the pension fund conducts asset investments and reports the results to the asset-investment review conference, the board of representatives, and the board of directors of the pension fund, who monitor investment results.
- The executive board members and the board member in charge of investment are selected from among candidates who have years of experience in corporate pension fund operations at other financial institutions. The members of the asset-investment review conference gain expertise by participating in seminars held by external consulting firms and other professional organizations.

18. Framework for Confirmation of Transactions with Related Parties <Principle 1.7: 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."

19. Communication with Investors <Principle 5.1: Policies concerning the Measures and Organizational Structures Aimed at Promoting Constructive Dialogue with Shareholders>

The Company established the Disclosure Policy, consisting of "Basic Policy on Information Disclosure," "Standards for Information Disclosure," "Method of Information Disclosure," "Quiet Periods," and "Forward-Looking Statements" in 2006. The Disclosure Policy was partially amended in order to include

provisions concerning recognition of material information in January, 2018, and the amended policy is disclosed on the website of the Company.

<https://corp.shiseido.com/en/ir/library/policy/>

Currently, the Company is aggressively implementing the initiatives described in 1. and 2. of “Implementation of Measures for Shareholders and Other Stakeholders” in this report, based on the Disclosure Policy, with the aim of appropriately providing both institutional investors (shareholders) and individual investors (shareholders) with information.

As we believe that the Company is expected to make further improvements in these various activities, from the standpoint of “promoting constructive dialogue,” we are continuously studying this point. We will inform you of results of the study in a timely manner.

2. Capital Structure

Foreign Shareholding Ratio	More than 30%
-----------------------------------	---------------

[Status of Major Shareholders]

Name / Company Name	Number of Shares Owned	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	54,054,400	13.53
Custody Bank of Japan, Ltd. (Trust Account)	24,066,000	6.02
BNYM TREATY DTT 15	11,486,845	2.87
Mizuho Trust & Banking Co., Ltd. Employees Pension Trust for Mizuho Bank re-trusted to Custody Bank of Japan, Ltd.	10,000,000	2.50
JP MORGAN CHASE BANK 385632	8,871,238	2.22
Custody Bank of Japan, Ltd. (Trust Account 7)	8,606,300	2.15
THE BANK OF NEW YORK 134104	7,355,391	1.84
SSBTC CLIENT OMNIBUS ACCOUNT	6,395,912	1.60
Custody Bank of Japan, Ltd. (Trust Account 5)	6,307,900	1.57
STATE STREET BANK WEST CLIENT - TREATY 505234	5,983,978	1.49

Controlling Shareholder (except for Parent Company)	—
Parent Company	None

Supplementary Explanation **Updated**

- All shares held by The Master Trust Bank of Japan, Ltd. (Trust Account) and Custody Bank of Japan, Ltd. (Trust Account, Trust Account 5, and Trust Account 7) are in connection with the respective bank's trust business.
- A merger of Japan Trustee Services Bank, Ltd. and Trust & Custody Services Bank, Ltd. (absorption-type merger) took effect on July 27, 2020, with Japan Trustee Services Bank, Ltd. as the surviving entity and Trust & Custody Services Bank, Ltd. and JTC Holdings, Ltd. as disappearing entities. Japan Trustee Services Bank, Ltd. was renamed as Custody Bank of Japan, Ltd. as of July 27, 2020.
- A report of amendment to large shareholdings from BlackRock Japan Co., Ltd., that on November 21, 2018, it held 24,051 thousand shares through joint holdings (Percentage of shareholding: 6.02%), of which 8,130 thousand shares (2.03%) are held by BlackRock Japan Co., Ltd., has been filed with the

Director-General of the Kanto Finance Bureau. However, BlackRock Japan Co., Ltd. has been excluded from the above major 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.

4. A report of amendment to large shareholdings from Mitsubishi UFJ Financial Group, Inc., that on October 19, 2020, it held 32,327 thousand shares through joint holdings (Percentage of shareholding: 8.09%), of which 21,536 thousand shares (5.39%) are held by Mitsubishi UFJ Trust and Banking Corporation, has been filed with the Director-General of the Kanto Finance Bureau. However, Mitsubishi UFJ Trust and Banking Corporation has been excluded from the above major 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 Sumitomo Mitsui Trust Bank, Ltd., that on October 21, 2020, it held 25,651 thousand shares through joint holdings (Percentage of shareholding: 6.42%), of which 14,823 thousand shares (3.71%) are held by Sumitomo Mitsui Trust Asset Management Co., Ltd. and 10,828 thousand shares (2.71%) are held by Nikko Asset Management Co., Ltd., has been filed with the Director-General of the Kanto Finance Bureau. However, Sumitomo Mitsui Trust Asset Management Co., Ltd. and Nikko Asset Management Co., Ltd. have been excluded from the above major shareholders, as the actual number of shares held by the said companies has not been confirmed by the Company as of the end of the fiscal year.

A report of amendment to large shareholdings from Sumitomo Mitsui Trust Bank, Limited, that on March 19, 2021, it held 27,450 thousand shares through joint holdings (Percentage of shareholding: 6.87%), of which 16,406 thousand shares (4.10%) and 11,044 thousand shares (2.76%) are held by Sumitomo Mitsui Trust Asset Management Co., Ltd. and Nikko Asset Management Co., Ltd., respectively, has been filed with the Director-General of the Kanto Finance Bureau.

6. A report of amendment to large shareholdings from Nomura Asset Management Co., Ltd., that on October 22, 2020, it held 23,411 thousand shares through joint holdings (Percentage of shareholding: 5.86%), has been filed with the Director-General of the Kanto Finance Bureau. However, Nomura Asset Management Co., Ltd. has been excluded from the above major 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.

7. A report of amendment to large shareholdings from Mizuho Bank, Ltd., that on November 20, 2020, it held 28,435 thousand shares through joint holdings (Percentage of shareholding: 7.11%), of which 16,517 thousand shares (4.13%) are held by Asset Management One Co., Ltd., has been filed with the Director-General of the Kanto Finance Bureau. However, Asset Management One Co., Ltd. has been excluded from the above major 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.

A report of amendment to large shareholdings from Mizuho Bank, Ltd., that on March 5, 2021, it held 30,887 thousand shares through joint holdings (Percentage of shareholding: 7.73%), of which 14,570 thousand shares (3.64%) and 6,317 thousand shares (1.58%) are held by Asset Management One Co., Ltd. and Mizuho Securities Co., Ltd., respectively, has been filed with the Director-General of the Kanto Finance Bureau.

3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange First Section
Fiscal Year-End	December
Type of Business	Chemicals
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1000
Sales (consolidated) as of the End of the Previous Fiscal Year	From ¥100 billion to less than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 50 to less than 100

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

N/A

5. Other Special Circumstances which may have Material Impact on Corporate Governance

None.

II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

1. Organizational Composition and Operation

Organization Form	Company with <i>Kansayaku</i> Board
-------------------	-------------------------------------

[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	12
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President
Number of Directors	8
Appointment of External Director	Appointed
Number of External Directors	4
Number of Independent Directors	4

External Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*											
		a	b	c	d	e	f	g	h	i	j	k	
Yoshiaki Fujimori	Originally from other company												
Yoko Ishikura	Other												
Shinsaku Iwahara	Scholar												
Kanoko Oishi	Originally from other company												

* Categories for "Relationship with the Company"

* "○" when the director presently falls or has recently fallen under the category;

"△" when the director fell under the category in the past

* "●" when a close relative of the director presently falls or has recently fallen under the category;

"▲" when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiaries

b. Non-executive director or executive of a parent company of the Company

c. Executive of a fellow subsidiary company of the Company

d. A party whose major client or supplier is the Company or an executive thereof

e. Major client or supplier of the listed company or an executive thereof

f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director/*kansayaku*

g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)

h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)

- i. Executive of a company, between which and the Company outside directors/*kansayaku* are mutually appointed (the director himself/herself only)
- j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)
- k. Others

External Directors' Relationship with the Company (2) Updated

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Yoshiaki Fujimori	○	<p>With regard to Mr. Yoshiaki Fujimori, none of the relationship classifications stated above (classification “a” – classification “k”) applies to him.</p> <p>Mr. Fujimori’s “Important Position of Other Organizations Concurrently Assumed” stated in the Companies Act are as follows:</p> <ul style="list-style-type: none"> • External Director, Takeda Pharmaceutical Company Limited • External Director, Boston Scientific Corporation • Senior Executive Advisor, CVC Asia Pacific (Japan) Ltd. • External Director and Chair, Oracle Corporation Japan • Outside Director, Toshiba Corporation <p>*In February 2021, the Company has concluded a legally binding agreement pertaining to the transfer of the Company’s Personal Care business to an entity financed by funds advised by CVC Asia Pacific Limited, which is a group company of CVC Asia Pacific (Japan) Kabushiki Kaisha (“CVC”), at which he serves as a Senior Executive Advisor, and its affiliates. The agreement stipulates that the Company will provide cooperation aimed at further growth and development of the business as a shareholder of the company which will operate the said business after the transfer. While Mr. Fujimori is not involved in the business execution of CVC,</p>	<p><Reasons for appointing as an external director and roles and functions in the Company></p> <p>Mr. Fujimori has a wealth of practical knowledge about the globalization of a Japanese company based on his accumulated experience and achievements as a business manager and a global leader, and would be able to contribute toward further improving the effectiveness of the Board of Directors by fully utilizing his knowledge.</p> <p>Further, as a member of the Company’s Nomination & Remuneration Advisory Committee, he attended the meetings of these committees and actively expressed opinions.</p> <p><Status of meeting the standards for the independent directors and reason for appointing as independent director></p> <p>Mr. Fujimori maintains full independence as none of the items (1) through (5) stated below applies. Furthermore, the Company sets forth the Criteria for Independence of “External Directors.” Mr. Fujimori has fulfilled the Criteria in full. Hence Mr. Fujimori has been determined capable of sufficiently protecting the interests of the general shareholder and has been appointed independent director.</p> <p>(1) Corporate officer, etc. of a parent company or sister company; (2) A person whose main business partner is the Company, or a corporate officer, etc. thereof; a major business partner of the Company, or a corporate officer, etc. thereof; (3) A consultant, an accountant or a legal specialist receiving significant</p>

		to ensure fairness of the said transaction, he did not participate in any determinations of the Board of Directors of the Company related to the transaction, nor did he participate in any information sharing and discussions, consultations or negotiations with CVC held by the Company pertaining to the said transaction.	sums of money from the Company other than executive remunerations; (4) A principle shareholder of the Company; (5) A close relative of a person (excluding inconsequential persons) meeting either condition (a) or (b) below (a) person described in items (1) through (4); (b) A corporate officer of the Company or the Company's subsidiary
Yoko Ishikura	○	<p>With regard to Ms. Yoko Ishikura, none of the relationship classifications stated above (classification “a” – classification “k”) applies to her.</p> <p>Ms. Ishikura’s “Important Position of Other Organizations Concurrently Assumed” stated in the Companies Act are as follows:</p> <ul style="list-style-type: none"> • Outside Director, Sekisui Chemical Co., Ltd. • Outside Director, TSI Holdings Co., Ltd. <p>The Company considers not only the independence against the Company, but also other various viewpoints such as “Principal Occupation” when it estimates the importance of Ms. Ishikura’s “Important Position of Other Organizations Concurrently Assumed.”</p>	<p><Reasons for appointing as an external director and roles and functions in the Company> Ms. Ishikura has a high level of knowledge in international corporate strategy, based on which she has actively made statements at meetings of the Board of Directors. She has achieved as external director of the Company adequate role on supervising the execution of business. Also, as a Chairman of the Company’s Nomination & Remuneration Advisory Committee, she attended the meetings of these committees and actively expressed opinions.</p> <p><Status of meeting the standards for the independent directors and reason for appointing as independent director> Ms. Ishikura maintains full independence as none of the items (1) through (5) stated below applies. Furthermore, the Company sets forth the Criteria for Independence of “External Directors.” Ms. Ishikura has fulfilled the Criteria in full. Hence Ms. Ishikura has been determined capable of sufficiently protecting the interests of the general shareholder and has been appointed independent director. (1) Corporate officer, etc. of a parent company or sister company; (2) A person whose main business partner is the Company, or a corporate officer, etc. thereof; a major business partner of the Company, or a corporate officer, etc. thereof; (3) A consultant, an accountant or a legal specialist receiving significant sums of money from the Company other than executive remunerations;</p>

			<p>(4) A principle shareholder of the Company;</p> <p>(5) A close relative of a person (excluding inconsequential persons) meeting either condition (a) or (b) below</p> <p>(a) person described in items (1) through (4);</p> <p>(b) A corporate officer of the Company or the Company's subsidiary</p>
--	--	--	--

<p>Shinsaku Iwahara</p>	<p>○</p>	<p>With regard to Mr. Shinsaku Iwahara, none of the relationship classification stated above (classification "a" – classification "k") applies to him.</p> <p>Mr. Iwahara's "Important Position of Other Organizations Concurrently Assumed" stated in the Companies Act are as follows:</p> <ul style="list-style-type: none"> • Professor, Faculty of Law, Waseda University <p>The Company considers not only the independence against the Company, but also other various viewpoints such as "Principal Occupation" when it estimates the importance of Mr. Iwahara's "Important Position of Other Organizations Concurrently Assumed."</p>	<p><Reasons for appointing as an external director and roles and functions in the Company></p> <p>Mr. Iwahara has been appointed external director to reflect his legal knowledge, particularly regarding the Companies Act and Financial Laws, to the management of the Company, as well as his knowledge and experiences in the area of corporate governance.</p> <p>Also, as a member of the Company's Nomination & Remuneration Advisory Committee, he attended the meetings of these committees and actively expressed opinions.</p> <p><Status of meeting the standards for the independent directors and reason for appointing as independent director></p> <p>Mr. Iwahara maintains full independence as none of the items (1) through (5) stated below applies. Furthermore, the Company sets forth the Criteria for Independence of "External Directors." Mr. Iwahara has fulfilled the Criteria in full. Hence Mr. Iwahara has been determined capable of sufficiently protecting the interests of the general shareholder and has been appointed independent director.</p> <p>(1) Corporate officer, etc. of a parent company or sister company;</p> <p>(2) A person whose main business partner is the Company, or a corporate officer, etc. thereof; a major business partner of the Company, or a corporate officer, etc. thereof;</p> <p>(3) A consultant, an accountant or a legal specialist receiving significant sums of money from the Company other than executive remunerations;</p> <p>(4) A principle shareholder of the Company;</p> <p>(5) A close relative of a person (excluding inconsequential persons) meeting either condition (a) or (b) below</p> <p>(a) person described in items (1) through (4);</p> <p>(b) A corporate officer of the Company or the Company's subsidiary</p>
-------------------------	----------	--	--

Kanoko Oishi	○	<p>With regard to Ms. Kanoko Oishi, none of the relationship classification stated above (classification "a" – classification "k") applies to him.</p> <p>Ms. Oishi's "Important Position of Other Organizations Concurrently Assumed" stated in the Companies Act are as follows:</p> <ul style="list-style-type: none"> • CEO, MEDIVA Inc. • CEO, Seeds 1 Co., Ltd. • Outside Director, Ezaki Glico Co., Ltd. • External Board Member, Santen Pharmaceutical Co., Ltd. <p>The Company considers not only the independence against the Company, but also other various viewpoints such as "Principal Occupation" when it estimates the importance of Ms. Oishi's "Important Position of Other Organizations Concurrently Assumed."</p>	<p><Reasons for appointing as an external director and roles and functions in the Company> Ms. Oishi has many years of experience in managing businesses in Japan and overseas. Currently, she is primarily involved in efforts to transform the healthcare industry from the patient's point of view. In addition, she has accumulated experience as an external director in multiple companies. We believe that Ms. Oishi can help to enhance the Company's corporate value by leveraging this experience and knowledge, in addition to supervising management as an external director. Also, as a member of the Company's Nomination & Remuneration Advisory Committee, she attended the meetings of these committees and actively expressed opinions.</p> <p><Status of meeting the standards for the independent directors and reason for appointing as independent director> Ms. Oishi maintains full independence as none of the items (1) through (5) stated below applies. Furthermore, the Company sets forth the Criteria for Independence of "External Directors." Ms. Oishi has fulfilled the Criteria in full. Hence Ms. Oishi has been determined capable of sufficiently protecting the interests of the general shareholder and has been appointed independent director.</p> <p>(1) Corporate officer, etc. of a parent company or sister company; (2) A person whose main business partner is the Company, or a corporate officer, etc. thereof; a major business partner of the Company, or a corporate officer, etc. thereof; (3) A consultant, an accountant or a legal specialist receiving significant sums of money from the Company other than executive remunerations; (4) A principle shareholder of the Company; (5) A close relative of a person (excluding inconsequential persons) meeting either condition (a) or (b) below</p>
--------------	---	---	---

			(a) person described in items (1) through (4); (b) A corporate officer of the Company or the Company's subsidiary
--	--	--	--

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established
---	-------------

Committee's Name, Composition, and Attributes of Chairperson

	Committee Corresponding to Nomination Committee	Committee Corresponding to Remuneration Committee
Committee's Name	Nomination & Remuneration Advisory Committee	
All Committee Members	5	
Full-time Members	0	
Inside Directors	1	
External Directors	4	
Outside Experts	0	
Other	0	
Chairperson	External Director	

Supplementary Explanation

In January, 2021, the Nomination Advisory Committee and the Remuneration Advisory Committee were integrated into "the Nomination & Remuneration Advisory Committee" for more effective implementation of decisions and operation. The Nomination & Remuneration Advisory Committee deliberates on the selection of candidates for directors and corporate officers, their promotions and demotions, the remuneration system for them, their performance evaluation-based remuneration, etc. The Committee consists of four external directors and Masahiko Uotani, President and CEO, which is the same as the membership of the predecessor committees, "the Nomination Advisory Committee," and "the Remuneration Advisory Committee."

The Nomination Advisory Committee and the Remuneration Advisory Committee conducted the following activities in fiscal 2020.

The Nomination Advisory Committee held four meetings to discuss, and report on the appointment of corporate officers and executive officers in addition to the selection of candidates for directors and Audit & Supervisory Board members.

The Remuneration Advisory Committee held four meetings to discuss bonuses for directors and corporate officers for fiscal 2019, and deliberate on the remuneration policy and individual remuneration for directors and corporate officers for fiscal 2020.

[Audit & Supervisory Board Members (*Kansayaku*)]

Establishment of Audit & Supervisory Board (<i>Kansayaku</i> Board)	Established
Maximum Number of <i>Kansayaku</i> Stipulated in Articles of Incorporation	The Company doesn't set a ceiling on the number of corporate auditors
Number of <i>Kansayaku</i>	5

Cooperation among *Kansayaku*, Accounting Auditors and Internal Audit Departments

The Audit & Supervisory Board members receive reports on audit plans for audit system and schedule from the accounting auditors, and opinions are exchanged. The Audit & Supervisory Board members receive reports on audit results and its method from accounting auditors throughout the fiscal year. The Audit & Supervisory Board members receive reports on audit plans and the results of audits and surveys from the Internal Auditing Department, and opinions are exchanged on necessary commitments. In addition, representative directors and Audit & Supervisory Board members periodically hold meeting for exchanging opinions.

Appointment of External <i>Kansayaku</i>	Appointed
Number of Outside <i>Kansayaku</i>	3
Number of Independent <i>Kansayaku</i>	3

External *Kansayaku*'s Relationship with the Company (1)

Name	Attribute	Relationship with the Company*												
		A	b	c	d	e	f	g	h	i	j	k	l	m
Yasuko Gotoh	Originally from other company													
Ritsuko Nonomiya	Originally from other company													
Hiroshi Ozu	Attorney at Law													

* Categories for "Relationship with the Company"

* "○" when the director presently falls or has recently fallen under the category;

"△" when the director fell under the category in the past

* "●" when a close relative of the director presently falls or has recently fallen under the category;

"▲" when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiary

b. Non-executive director or accounting advisor of the Company or its subsidiaries

c. Non-executive director or executive of a parent company of the Company

d. *Kansayaku* of a parent company of the Company

e. Executive of a fellow subsidiary company of the Company

f. A party whose major client or supplier is the Company or an executive thereof

g. Major client or supplier of the Company or an executive thereof

h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a *kansayaku*

- i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
- j. Executive of a client or supplier company of the Company (which does not correspond to any of f, g, or h) (the *kansayaku* himself/herself only)
- k. Executive of a company, between which and the Company outside directors/*kansayaku* are mutually appointed (the *kansayaku* himself/herself only)
- l. Executive of a company or organization that receives a donation from the Company (the *kansayaku* himself/herself only)
- m. Others

External *Kansayaku*'s Relationship with the Company (2) Updated

Name	Designation as Independent <i>Kansayaku</i>	Supplementary Explanation of the Relationship	Reasons of Appointment
Yasuko Gotoh	○	<p>With regard to Ms. Yasuko Gotoh, none of the relationship classifications stated above (classification "a" – classification "m") applies to her.</p> <p>Ms. Gotoh's "Important Position of Other Organizations Concurrently Assumed" stated in the Companies Act are as follows:</p> <ul style="list-style-type: none"> • Outside Auditor and Supervisory Board Member, DENSO CORPORATION <p>The Company considers not only the independence against the Company, but also other various viewpoints such as "Principal Occupation" when it estimates the importance of Ms. Gotoh's "Important Position of Other Organizations Concurrently Assumed."</p>	<p><Reasons for appointing as an external member of Audit & Supervisory Board and roles and functions in the Company> Ms. Gotoh has been appointed as an Audit & Supervisory Board member (external) to ensure the execution of an audit based on her accumulated experience that she obtained by assuming important posts at public offices, and by serving as CFO and as a committee members such as an auditor at some businesses. Ms. Gotoh has expressed necessary views from an independent perspective.</p> <p><Status of meeting the standards for the independent auditors and reason for appointing as independent auditor> Ms. Gotoh maintains full independence as none of the items (1) through (5) stated below applies. Furthermore, the Company sets forth the Criteria for Independence of "External Directors." Ms. Gotoh has fulfilled the Criteria in full. Hence Ms. Gotoh has been determined capable of sufficiently protecting the interests of the general shareholder and has been appointed independent auditor.</p> <p>(1) Corporate officer, etc. of a parent company or sister company; (2) A person whose main business partner is the Company, or a corporate officer, etc. thereof; a major business partner of the Company, or a corporate officer, etc. thereof; (3) A consultant, an accountant or a legal specialist receiving significant sums of money from the Company other than executive remunerations;</p>

			<p>(4) A principle shareholder of the Company;</p> <p>(5) A close relative of a person (excluding inconsequential persons) meeting either condition (a) or (b) below</p> <p>(a) person described in items (1) through (4);</p> <p>(b) A corporate officer of the Company or the Company’s subsidiary</p>
Ritsuko Nonomiya	○	<p>With regard to Ms. Ritsuko Nonomiya, none of the relationship classifications stated above (classification “a” – classification “m”) applies to her.</p> <p>Ms. Nonomiya’s “Important Position of Other Organizations Concurrently Assumed” stated in the Companies Act are as follows:</p> <ul style="list-style-type: none"> • Director, GCA Corporation • Outside Director, Nagase & Co., Ltd. <p>The Company considers not only the independence against the Company, but also other various viewpoints such as “Principal Occupation” when it estimates the importance of Ms. Nonomiya’s “Important Position of Other Organizations Concurrently Assumed.”</p>	<p><Reasons for appointing as an external member of Audit & Supervisory Board and roles and functions in the Company></p> <p>Ms. Nonomiya has been appointed as an Audit & Supervisory Board member (external) to ensure the execution of an audit based on her sophisticated financial and accounting knowledge as well as business management skills including M&A and business development that were acquired through her work experience at an accounting firm, etc. in the United States and Japan.</p> <p>Ms. Nonomiya has expressed necessary views from an independent perspective.</p> <p>Ms. Nonomiya has expressed necessary views from an independent perspective.</p> <p><Status of meeting the standards for the independent auditors and reason for appointing as independent auditor></p> <p>Ms. Nonomiya maintains full independence as none of the items (1) through (5) stated below applies. Furthermore, the Company sets forth the Criteria for Independence of “External Directors.” Ms. Nonomiya has fulfilled the Criteria in full. Hence Ms. Nonomiya has been determined capable of sufficiently protecting the interests of the general shareholder and has been appointed independent auditor.</p> <p>(1) Corporate officer, etc. of a parent company or sister company;</p> <p>(2) A person whose main business partner is the Company, or a corporate officer, etc. thereof; a major business partner of the Company, or a corporate officer, etc. thereof;</p> <p>(3) A consultant, an accountant or a legal specialist receiving significant sums of money from the Company other than executive remunerations;</p> <p>(4) A principle shareholder of the Company;</p>

			(5) A close relative of a person (excluding inconsequential persons) meeting either condition (a) or (b) below (a) person described in items (1) through (4); (b) A corporate officer of the Company or the Company's subsidiary
Hiroshi Ozu	○	<p>With regard to Mr. Hiroshi Ozu, none of the relationship classifications stated above (classification "a" – classification "m") applies to him.</p> <p>Mr. Ozu's "Important Position of Other Organizations Concurrently Assumed" stated in the Companies Act are as follows:</p> <ul style="list-style-type: none"> • Director of Ozu Law Office • External Audit & Supervisory Board Member of MITSUI & CO., LTD. • Outside Audit & Supervisory Board Member of TOYOTA MOTOR CORPORATION • Representative Director of Shimizu Scholarship Foundation, general incorporated foundations • President of Criminal Justice Welfare Forum Oasis (general incorporated association) • President of Japan Criminal Policy Society <p>The Company considers not only the independence against the Company, but also other various viewpoints such as "Principal Occupation" when it estimates the importance of Mr. Ozu's "Important</p>	<p><Reasons for appointing as an external member of Audit & Supervisory Board and roles and functions in the Company> Mr. Ozu has been appointed as an Audit & Supervisory Board member (external) to ensure the execution of an audit based on his experience and knowledge in the legal field. Mr. Ozu has expressed necessary views from an independent perspective.</p> <p><Status of meeting the standards for the independent auditors and reason for appointing as independent auditor> Mr. Ozu maintains full independence as none of the items (1) through (5) stated below applies. Furthermore, the Company sets forth the Criteria for Independence of "External Directors." Mr. Ozu has fulfilled the Criteria in full. Hence Mr. Ozu has been determined capable of sufficiently protecting the interests of the general shareholder and has been appointed independent auditor.</p> <p>(1) Corporate officer, etc. of a parent company or sister company; (2) A person whose main business partner is the Company, or a corporate officer, etc. thereof; a major business partner of the Company, or a corporate officer, etc. thereof; (3) A consultant, an accountant or a legal specialist receiving significant sums of money from the Company other than executive remunerations; (4) A principle shareholder of the Company; (5) A close relative of a person (excluding inconsequential persons) meeting either condition (a) or (b) below (a) person described in items (1) through (4); (b) A corporate officer of the Company or the Company's subsidiary</p>

		Position of Other Organizations Concurrently Assumed.”	
--	--	---	--

[Independent Directors/*Kansayaku*]Number of Independent Directors/*Kansayaku*

7

Matters relating to Independent Directors/*Kansayaku*

The Company establishes its own rules of “Criteria for Independence of External Directors/Audit & Supervisory Board Members” (the “Criteria”) and “Insignificance Criteria for Omission of Description about Relationships between the Company and the External Directors/Audit & Supervisory Board Members in the Notification/Disclosure Documents” (the “Insignificance Criteria”), which is contingent upon the Criteria. In this report, some of the descriptions about the relationships between the Company and other organizations in which external directors/Audit & Supervisory Board members concurrently assume important position are omitted according to the Insignificance Criteria.

<Criteria for Independence of External Directors/Audit & Supervisory Board Members>

Shiseido Company, Limited (the “Company”) deems an external director and Audit & Supervisory Board member (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 nor has been an executive personⁱ of the Company or an affiliated companyⁱⁱ (collectively the “Shiseido Group”);
In the case of an Audit & Supervisory Board members (external), in addition to the above, he/she has not been a non-executive director nor accounting advisor (in the case of accounting advisor being an artificial person, a staff 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 Groupⁱⁱⁱ, or its executive person (including a person having once been 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 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 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 members (external).
 - 1) An important persons^{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 persons^{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, corporate auditor or the office equivalent thereto^{viii} of a company other than the Company, in Japan or overseas (the “Subject Company”), an executive person, an external director, corporate auditor (excluding the aforesaid External Director or candidate for the External Director) or person in the office equivalent thereto of the Shiseido Group assumes director (including an external director), executive officer, corporate auditor (including external corporate auditor), 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, an external director, corporate auditor (excluding aforesaid executive officer or candidate for External Director) or person in the office equivalent thereto of the Shiseido Group assumes the office of 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.

Note:

- i. An “affiliated company” means the affiliated company stated in Article 2, Paragraph 3, Item 22 of the Ordinance on Company Accounting.
- ii. 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 a 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 a artificial person or organization including a company.
- 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 exceeds Yen10 million per fiscal year, and which exceeds 2% of consolidated net sales of the counterparty (or if the counterparty does not prepare consolidated financial statement, 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 exceeds Yen10 million as at the end of each fiscal year, and which exceeds 2% of consolidated total assets (or if the counterparty does not prepare consolidated financial statement, 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 exceeds ¥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 exceeds Yen10 million as at the end of each fiscal year, and which 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 in excess of Yen 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, corporate auditor or the position equivalent thereto” includes the positions such as “Counselor”, “Advisor”, etc. assumed by retired director, retired corporate auditor, 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 corporate auditor (including external corporate auditor).
 - 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.

 < Insignificance Criteria for Omission of Description about Relationships between the Company and the External Directors/Audit & Supervisory Board Members in the Notification/Disclosure Documents >

Shiseido Company, Limited (the “Company”) establishes its own rules of ” Insignificance Criteria for Omission of Description about Relationships between the Company and the External Directors/Audit & Supervisory Board Members in the Notification/Disclosure Documents” (the “Insignificance Criteria”) in accordance with its own rules of “Criteria for Independence of External Directors/Audit & Supervisory Board Members” as described below. This Insignificance Criteria defines monetary amount standards by which the Company deems an external director and Audit & Supervisory Board member (collectively the “External Director”) or a candidate for the External Director to axiomatically have sufficient independence against the Company and it is allowed to omit detailed descriptions in the notification documents and disclosure documents (collectively the “Notification Documents”.) Descriptions about the independence of the External Directors in the Notification Documents are made according to this Insignificance Criteria and, in principle, some of the descriptions about the relationships between the Company and other organizations in which External Directors concurrently assume important position to be omitted according to this Insignificance Criteria. In addition, the “Relevant Fiscal Years” in this Insignificance Criteria means “the current fiscal year and the last nine (9) fiscal years.”

1. Descriptions on “A principal counterparty of the Shiseido Group, or its executive person” and “A counterparty which has transactions principally with the Shiseido Group, or its executive person ”

The Company shall omit descriptions about the transactional relationships if all of transaction amount specified in the following 1) through 5) are smaller than Yen 10 million per year in the Relevant Fiscal Years.

- 1) Total amount of transactions of providing products or services from a counterparty group to the Shiseido Group in each Relevant Fiscal Years
- 2) Shiseido Group’s total unpaid amount to a counterparty group at the end of each fiscal year of the Relevant Fiscal Years

- 3) Total amount of transactions of providing products or services from Shiseido Group to a counterparty group in each Relevant Fiscal Years
- 4) Shiseido Group's total amount of trade receivable to a counterparty group at the end of each fiscal year of the Relevant Fiscal Years
- 5) Total amount of debt loan from a financial institution group at the end of each fiscal year of the Relevant Fiscal Years

2. Descriptions on "A consultant, accounting professional or legal professional who has been paid a large amount of money or other assets in addition to the External Director's remunerations"

The Company shall omit descriptions about a consultant, accounting professional, or legal professional who has been paid some money from Shiseido Group in addition to the External Director's remunerations if the amount of payment is smaller than Yen 10 million per year in the Relevant Fiscal Years.

3. Descriptions on "A person/organization who received donation of a large amount of money or other assets"

The Company shall omit descriptions about a person/organization who received donation from Shiseido Group if the amount of donation is smaller than Yen 5 million per year in the Relevant Fiscal Years.

4. Descriptions on "Relatives of the External Directors"

The Company shall omit descriptions about relatives in fourth or more degree. However, descriptions about a relative living in the same place with the External Directors or a person with whom living costs are shared with the External Directors can not be omitted.

5. Descriptions on "Cross-Assumption of Offices of Directors, etc."

The Company shall omit descriptions about "cross-assumption of offices of directors, etc. (*)" if ten years or more have passed after severing such situations.

* In the event that the External Directors or a candidate for the External Director currently assumes the office of an executive person, external director, corporate auditor or the office equivalent thereto of a company other than the Company, in Japan or overseas (the "Subject Company"), an executive person, an external director, corporate auditor (excluding the aforesaid External Director or candidate for the External Director) or person in the office equivalent thereto of the Shiseido Group assumes director (including an external director), executive officer, corporate auditor (including external corporate auditor), executive officer or person in the position equivalent thereto of the Subject Company.

And also 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, an external director, corporate auditor (excluding aforesaid executive officer or candidate for External Director) or person in the office equivalent thereto of the Shiseido Group assumes the office of director, officer or person in the position equivalent thereto of the Subject Organization.

[Incentives]

Incentive Policies for Directors	Introduced Performance-linked Remuneration and Stock Options
----------------------------------	--

Supplementary Explanation Updated

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

< Basic philosophy of the directors, Audit & Supervisory Board members and corporate officers remuneration policy >

1. contribute to realizing corporate mission;
2. be designed to provide the amount of remuneration commensurate with the Company's capability to secure and maintain superior personnel;
3. be designed to reflect the Company's medium- to long-term business strategy, and designed to strongly motivate directors, Audit & Supervisory Board members and corporate officers eligible for remuneration to bring medium- to long-term growth;
4. have a mechanism incorporated to prevent overemphasis on a short-term views and wrongdoing; and
5. be designed to transparent, fair and reasonable from the viewpoint of accountability to stakeholders including shareholders and employees, and remuneration shall be determined through appropriate processes to ensure those points.

Based on the above basic philosophy, the Company determines its policy on decisions regarding matters including remuneration of individual directors at the Board of Directors meetings. The details of the directors, Audit & Supervisory Board members and corporate officers remuneration system of the Company based on this policy is as described in (6) Director Remuneration in 1. Organizational Composition and Operation of "Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management" in this report.

Recipients of Stock Options	Inside Directors and others (Corporate Officers)
-----------------------------	--

Supplementary Explanation

While the Company has introduced new long-term incentive-type remuneration using PSU (performance share units), stock options granted as remuneration up to and through fiscal 2018 are still surviving.

The Company grants stock options to executive directors and corporate officers of the Company who don't concurrently serve as director of the Company in order to have them share risks with its shareholders and to motivate balanced management from a medium-to-long-term perspective, not just a short-term focus. In addition, the Company grants stock options to corporate officers of Shiseido Japan Co., Ltd., a wholly owned subsidiary of the Company, for the same purpose.

The numbers of allotment of the Company's stock options for each allottees are determined based on the business performance and personal evaluations for the previous fiscal year. Therefore, part of the allottees may have retired from their respective positions at the time when stock options are allotted to them. However, the stock options are allotted as remuneration for business execution while the allottees are in the position of director or corporate officer of the Company/wholly owned subsidiary of the Company.

[Director Remuneration]

Disclosure of Individual Directors' Remuneration	Selected Directors
--	--------------------

Supplementary Explanation Updated

Total amounts paid to non-external directors, external directors, Audit & Supervisory Board members, and Audit & Supervisory Board members (external) are separately disclosed of basic fixed remuneration, bonuses and stock options.

Amounts of remunerations, etc. paid to representative directors and directors whose total amount of remunerations, etc. exceeds Yen 100 million, by type of remuneration, are individually disclosed. (as from fiscal 2009)

Amount of remunerations, etc. of Directors and Audit & Supervisory Board Members for Fiscal 2020
(millions of yen)

	Basic Remuneration	Bonus	Total Remuneration in Cash* (a)	Former Long-Term Incentive (Stock Option) (b)	Long-Term Incentive (Stock Compensation) (c)	Total [(a)+(b)+(c)]
Directors (9 persons)	312	102	414	106	63	584
External directors (4 persons)	56	-	-	-	-	56
Audit & Supervisory Board Members (6 persons)	104	-	104	-	-	104
External Audit & Supervisory Board Members Among Audit & Supervisory Board Members (4 persons)	39	-	-	-	-	39
Total	416	102	518	106	63	688

Notes:

- The total amount of the basic remuneration and bonus for directors is under a ceiling of ¥2.0 billion annually (including a total of ¥0.2 billion or less for external directors) as per the resolution of the 118th ordinary general meeting of shareholders held on March 27, 2018. Basic remuneration for audit & supervisory board members has a ceiling of ¥10 million per month as per the resolution of the 105th ordinary general meeting of shareholders held on June 29, 2005.
- Regarding the above basic remuneration for fiscal 2020, the Company has received a proposal from its CEO and corporate officers to decline a part of their remuneration for five months from August to December 2020 as a step for improving profitability in response to the deteriorating market environment. Following discussions by the Remuneration Advisory Committee, the Board of Directors has resolved the said proposal. The above amounts of basic remuneration have been already adjusted based on the reduced amounts.
(Personnel subject to reductions and details of decline to receive partial amounts of remuneration)
President and CEO: decline 30% of monthly base salary
Executive Vice President and executive corporate officers: decline 15% of monthly base salary
Corporate officers, etc.: decline 10% of monthly base salary
- The bonuses of directors for fiscal 2020 indicated above represent the amounts that will be paid upon the resolution of the Board of Directors based on the resolution of the ordinary general meeting of shareholders, as stated in note 1. Regarding the calculation of those amounts, please refer to the following 5) Performance-linked targets, actual performance and payment percentage, etc. of annual bonuses paid to directors excluding external directors. The Company has received a proposal from

Representative Director, Masahiko Uotani to decline 50% of the annual bonus proposed by the Nomination & Remuneration Advisory Committee, taking into account the reduction of dividends to shareholders and the status of bonuses paid to principal executive persons of the Group's overseas subsidiaries and managers and regular employees of Group companies in Japan. Following discussions by the said Committee, the Board of Directors has resolved the said proposal. The above amounts of bonuses have been already adjusted based on the reduced amounts.

4. The amount of former long-term incentive-type remuneration (stock options) for directors indicated above represents the total amount of expenses associated with the stock options (stock acquisition rights) recorded for the fiscal year ended December 31, 2020, upon the approval of the ordinary general meeting of shareholders, in consideration of duties executed by directors.
5. The amount of long-term incentive-type remuneration (stock compensation) indicated above represents the total amount of the expenses recognized for the fiscal year ended December 31, 2020, on the performance-linked stock compensation (performance share units), upon the approval of the ordinary general meeting of shareholders, in consideration of duties executed by directors. (The said amount of the expenses reflects the business results and other associated costs for the fiscal year ended December 31, 2020 and is calculated by reducing the payment percentage by 45% for the fiscal year ended December 31, 2020).
6. In addition to the above payments, other remuneration of ¥24 million was recorded for the fiscal year ended December 31, 2020 as expenses associated with stock options granted to three directors of the Company, at the time the directors served as corporate officers not holding the office of directors.
7. None of the directors or the audit & supervisory board members was paid remuneration other than described above (including that described in notes 1. through 6.).

Amounts of remunerations, etc. of representative directors and directors whose total amount of remunerations, etc. exceeds 100 million yen, by type of remuneration for Fiscal 2020

(millions of yen)

	Basic Remuneration	Bonus	Total Remuneration in Cash* (a)	Former Long- Term Incentive (Stock Option) (b)	Long-Term Incentive (Stock Compensation) (c)	Total [(a)+(b)+(c)]
Masahiko Uotani, Representative Director	148	67	216	94	46	357
Yoichi Shimatani, Representative Director	40	6	46	11	0	58

Notes:

1. Regarding the basic remuneration for fiscal 2020 indicated above, please refer to note 2. of Amount of remunerations, etc. of Directors and Audit & Supervisory Board Members for Fiscal 2020.
2. The bonuses of directors for fiscal 2020 indicated above represent the amounts that will be paid upon the resolution of the Board of Directors based on the resolution of the ordinary general meeting of shareholders, as stated in note 1. of Amount of remunerations, etc. of Directors and Audit & Supervisory Board Members for Fiscal 2020. The Company has received a proposal from Representative Director Masahiko Uotani to decline 50% of the annual bonus proposed by the Nomination & Remuneration Advisory Committee, taking into account the reduction of dividends to shareholders and the status of bonuses paid to principal executive persons of the Group's overseas subsidiaries and managers and regular employees of Group companies in Japan. Following discussions by the Nomination & Remuneration Advisory Committee, the Board of Directors has resolved the said proposal. The above amounts of bonuses have been already adjusted based on the reduced amounts.
3. The amount of former 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.

4. The amount of long-term incentive-type remuneration (stock compensation) indicated above represents the total amount of the expenses recognized for the fiscal year ended December 31, 2019, on the performance-linked stock compensation (performance share units), upon the approval of the ordinary general meeting of shareholders, in consideration of performance of duties by directors. (The said amount of the expenses reflects the business results and other associated costs for the fiscal year ended December 31, 2020 and is calculated by reducing the payment percentage by 45% for the fiscal year ended December 31, 2020).
5. In addition to the above payments, other remuneration of ¥1 million was recorded for the fiscal year ended December 31, 2020 as expenses associated with stock options granted to Representative Director Yoichi Shimatani at the time he served as corporate officer not holding the office of director.
6. Neither of the two directors above was paid remuneration other than described above (including that described in notes 1. through 5.).

Performance-linked targets, actual performance and payment percentage, etc. of annual bonuses paid to directors excluding external directors

Performance Evaluation Indicators	Fluctuation Range of Payment Percentage	Targets for Payment Factor 100%	Actual Performance at	Achievement Rate	Payment Factor Calculated Based on the Target Achievement Rate
Consolidated Net Sales	0% - 200%	1,220.0	920.9	75.5%	0% (Note 3.)
Consolidated Operating Profit	0% - 200%	117.0	15.0	12.8%	0% (Note 3.)
Net Profit Attributable to Owners of Parent	-	-	(11.7)	-	Not subject to lowering of the payment amount percentage by thresholds
Performance of Business in Charge	0% - 200%	-	-	-	(Note 1.)
Personal Performance Evaluation	0% - 200%	(Note 2.)	-	-	(Note 2.) 62.0% (Average)

Total payment rate: (Note 4.) 44.4%

Notes:

1. With regard to net profit attributable to owners of parent, the Remuneration Advisory Committee has set a threshold to consider lowering the percentage amount of payment calculated based on the whole group performance (consolidated net sales and consolidated operating profit) in the event of the amount of consolidated net profit below a predetermined level. Specific figures are not disclosed.
2. Key performance evaluation indicators such as net sales, profits and cost indices, etc. are set to measure performance of respective business. In the fiscal year ended December 31, 2020, we received a proposal from the Nomination & Remuneration Advisory Committee to make a partial adjustment of the payment percentage based on the assessment at the personal performance evaluation in response to a significant decrease in the overall payment percentage due to the impact of COVID-19, and made

a decision through sufficient deliberation of the Board of Directors. In this deliberation, consideration was given on the balance between the status of bonuses paid to principal executive persons of the Group's overseas subsidiaries and managers and regular employees of Group companies in Japan.

3. With regard to consolidated net sales and consolidated operating profit, in the calculation of the payment factor, adjustments are made to exclude effects such as currencies, in order to compare targets set at the beginning of the period and actual performance for the fiscal year in the practically same situation. The payment factors are as shown in the above result in any indicators.
4. In terms of annual bonus for Representative Director, Masahiko Uotani, for fiscal 2020, the amount was reduced in response to his decline to receive a part of bonus through the procedure described in note 3. of "Amount of remunerations, etc. of Directors and Audit & Supervisory Board Members for Fiscal 2020." The above total payment rate has been already adjusted based on the reduction amounts.

Policy on Determining Remuneration Amounts and Calculation Methods	Established
--	-------------

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods Updated

<Basic principle on determining remuneration amounts and calculation method>

Based on the basic philosophy described in (5) Incentive in 1. Organizational Composition and Operation of "Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management" in this report, the Company determines its policy on decisions regarding matters including remuneration of individual directors at the Board of Directors meetings. The details of the Company's directors and corporate officers remuneration system based on this policy are shown below.

(Overview)

The remuneration of the directors and corporate officers comprises basic remuneration and annual bonus and long-term incentive-type remuneration (non-pecuniary reward) as performance-linked remuneration, and the Company sets remuneration levels by making comparisons with companies in the same industry or of the same scale in Japan and overseas and by taking the Company's financial condition 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. There is no retirement benefit plan for officers of the Company.

(Basic remuneration)

The Company designs basic remuneration in accordance with role grades based on the size and level of responsibility of respective officers in charge, as well as the impact on business management of the Group. In addition, within a same grade, an increase of the amount is allowed within a certain range in accordance with the performance of respective directors or corporate officers in the previous fiscal year (numerical business performance and personal performance evaluation). These allow the Company to ensure well-modulated basic remuneration as well, commensurate with the achievements of respective directors and corporate officers.

Basic remuneration for respective officers is determined by the Board of Directors after deliberations by the Nomination & Remuneration Advisory Committee, and is paid in equal installments every month.

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 only which is determined in accordance with their respective roles.

(Performance-linked remuneration)

The performance-linked remuneration consists of an "annual bonus" provided as an incentive for achieving goals of single fiscal years, and "performance-linked stock compensation (performance share units) as long-term incentive-type remuneration" provided with the aims of establishing a sense of common interests with the shareholders and instilling motivation to achieve the goals over the medium to long term. Accordingly, it is designed to motivate the directors and corporate officers to manage business operations while being more conscious about the Company's performance and share price from the perspectives of not only a single year but also over the medium to long term. Given that new long-term goals have been set, the Company introduced

a long-term incentive-type remuneration (LTI) in fiscal 2019 to replace the stock compensation-type stock options that the Company had provided up to and through fiscal 2018.

(Annual bonus)

Of the performance-linked remuneration, the Company has set evaluation items for the annual bonus in accordance with the scope that respective directors and corporate officers are in charge of, in addition to the achievement rate of target consolidated net sales and consolidated operating profit as common performance indicators across directors and corporate officers, and the range of changes in the percentage amount of payment is set between 0% and 200%. Although it is essential that the entire management team remain aware of matters involving net profit attributable to owners of parent, it is crucial that management not let the benchmark weigh too heavily on proactive efforts particularly involving future growth-oriented investment and resolving challenges with our sights set on achieving long-term growth. As such, upon the Nomination & Remuneration Advisory Committee deliberation, the Company has preliminarily established certain performance standards (thresholds), with the evaluation framework designed so that the Nomination & Remuneration Advisory Committee will consider the possibility of lowering the percentage amount of the annual bonus payment attributable to the whole group performance component of the total annual bonus, if results fall below the thresholds. In cases where such adjustments are made, it shall be stated in the disclosure materials of the actual remuneration of directors.

In addition, we set the individual performance evaluation of all directors and corporate officers in order to add the level of achievement regarding 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.

Annual bonus is paid once a year.

(Long-term incentive-type remuneration)

From fiscal 2019, the Company has introduced performance share units, a type of performance-linked stock compensation, and has incentivized the creation of corporate value over the medium to long term through annual payments. As performance indicators to evaluate the enhancement of economic value amid the current COVID-19 pandemic, a mix of quantitative targets to be aimed for with a long-term perspective has been set under the medium- to long-term strategy “WIN 2023 and Beyond.” In addition, as benchmarks on creation of social value, the Company has set multiple internal and external indicators pertaining to the environment, society and governance (ESG) with special emphasis placed on the area of “empowered beauty,” in which the Company aims to continuously achieve its notion of beauty innovation. Accordingly, the remuneration is designed for the purpose of creating corporate value from both aspects of economic and social values, as well as establishing a sense of common interests with shareholders.

[Purposes of introducing the LTI]

The new LTI is adopted for the purposes of establishing effective incentives for creating and maintaining corporate value over the long term, and ensuring that the directors’ and corporate officers’ interests consistently align with those of our shareholders. To such ends, the LTI will help:

- i) promote efforts to create value by achieving our long-term vision and strategic goals,
- ii) curb potential damage to the corporate value and maintain substantial corporate value over the long-term,
- iii) attract and retain talent capable of taking on leadership in business, and
- iv) realize a “Global One Team” by fostering a sense of solidarity among management teams of the entire Shiseido Group and instill the consciousness of participating in the running of the Company.

Under the Company’s performance share units, the Company will allot a reference share unit to each of the eligible parties once every fiscal year, and on each annual allotment, the number of fiscal years that the payment relates to shall be one fiscal year. To make such allotments, the Company shall establish multiple performance indicators whose evaluation period is for three years including the fiscal year related to the payment. The Company shall use the respective achievement ratios of each performance indicator to calculate the payment rate in a range from 50% to 150% after the end of the evaluation period, and it shall use the payment rate to increase or decrease the number of share units. The eligible parties shall be paid monetary remuneration claims and cash for the delivery of the shares of the Company’s common stock of a number corresponding to the applicable number of share units, and then each eligible party shall receive delivery of shares of common stock of the Company by paying all the monetary remuneration claims using the method of contribution in kind. The financial benefits ultimately gained by the eligible parties are linked not only to

performance outcomes associated with the performance indicators, but also to the Company's share price. As such, the LTI substantially links the financial benefits with both performance and the Company's share price. Meanwhile, it features a fixed portion involving a set payment in addition to its performance-linked portion, thereby emphasizing the notion of consistently granting stock compensation to the eligible parties. As such, the LTI is designated to help eligible parties realize the aims of more robustly ensuring that their sense of interests consistently aligns with those of our shareholders, curbing potential damage to corporate value and maintaining substantial corporate value over the long term, and helping to attract and retain competent talent. The performance indicators for the 2021 long-term incentive-type remuneration have been determined as an incentive to achieve medium-to long-term targets by the Board of Directors upon the matter having been adequately deliberated on by the Nomination & Remuneration Advisory Committee, based on the medium-to long-term strategy "WIN 2023 and Beyond" despite the impact of COVID-19, which is expected to continue for the time being. More specifically, the Company has set the following benchmarks to measure economic corporate value: the compound average growth rate (CAGR) of consolidated net sales calculated based on performance in fiscal 2019 before the Company was impacted by COVID-19, through fiscal 2023, and the consolidated operating profit margin designated as a target in the medium-to long-term strategy "WIN 2023 and Beyond." In addition, as benchmarks pertaining to social value, the Company has adopted multiple internal and external indicators pertaining to the environment, society and governance (ESG) with special emphasis placed on the area of "empowered beauty," in which the Company aims to achieve its notion of beauty innovation through providing support to others. The composition of these performance indicators pushes forward the enhancement of corporate value from both aspects of economic and social values. Moreover, the performance indicators also include consolidated return on equity (ROE) which acts as an important benchmark for measuring corporate value from the perspective of establishing a sense of common interests with our shareholders.

Among the performance indicators, the Company has set target and minimum values for each of the CAGR for consolidated net sales and consolidated operating profit margin. Accordingly, the Company will apply the maximum percentage amount of payment attributable to each of the indicators in the event that the target values are achieved, and the Company does not make payment of the performance-linked portion with respect to each of those indicators in the event that performance falls short of the minimum values. As for the environmental, social and governance (ESG) indicators, upon having determined whether each of the multiple benchmarks have been achieved or not, we will set the maximum percentage amount of payment attributable to each of the benchmarks in the event that the targets have been achieved, and will not make payment of the performance-linked portion with respect to each of the benchmarks in the event that the targets have not been achieved. In terms of consolidated return on equity (ROE), as we deem it necessary to ensure that our focus on that our focus on that benchmark doesn't excessively impede our active efforts with respect to investing in future growth and resolving challenges with our sights set on achieving long-term growth, we will set preliminary ROE targets at certain thresholds per deliberations carried out in that regard by the Nomination & Remuneration Advisory Committee, and the committee will then discuss the notion of lowering the percentage amount of payment of the performance-linked portion in the event that consolidated ROE falls below such thresholds.

In addition, the Company is gradually extending payment of LTI to principals global executive persons, with the aim of realizing a "Global One Team" by fostering a sense of solidarity among management teams around the world and instilling the consciousness of participating in the running of the Company.

More details on the directors, Audit & Supervisory Board members and corporate officers' remuneration policy are shown for disclosure on the Notice of Convocation of the 121st Ordinary General Meeting of Shareholders of the Company (pages 69 to 74).

https://corp.shiseido.com/en/ir/shareholder/2021/pdf/shm_0002.pdf

[Supporting System for Outside Directors and/or *Kansayaku*]

<External Directors>

A section in charge of secretariat of the Board of Directors and the Nomination & Remuneration Advisory Committee is formed in the Company's Legal and Governance Department. The section provides external directors with various information and assists duties of external directors to ensure smooth operation.

<External Audit & Supervisory Board Members>

Some employees of Internal Auditing Department of the Company are positioned to assist the Audit & Supervisory Board and members of Audit & Supervisory Board.

[Those who Resign from President and Representative Director etc.]

Name etc. of Senior Advisor/Advisor who is a Former President and Representative Director etc.

Name	Title	Role Content	Working Pattern/Conditions (Full time/Non-Full time, With/Without Compensation, Etc.)	Resignation Date from President, Etc.	Term of Office
-	-	-	-	-	-

Total Number of Senior Advisor/Advisor who is a Former President and Representative Director, etc.

0

Other Matters

We abolished the counselor/advisor system by resolution of the Board of Directors Meeting held on September 29, 2017.

Under the previous counselor/advisor system, the term of office had been clearly established. In this circumstance, counselors/advisors had assumed the positions of public/private entities other than the Shiseido Group on the premise that the counselors/advisors would hold their office until the expiration of the term. Therefore, the Company decided that the term of office of the counselors/advisors who had been appointed to their current title before the abolition of the system will continue until the expiration of their term of office, taking into account the time required for the selection of their successors by the public/private entities in which the counselors/advisors assume the office.

Mr. Shinzo Maeda's term of office expired on June 30, 2020; therefore, all senior advisors/advisors of the Company left office. No appointment of new candidates for these posts will be made for years to come.

2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System) Updated

<Status of management and business execution (including the roles and functions of the external directors)>

(The scope of duties for the bodies responsible for business execution and corporate governance)

- Board of Directors

Composed of eight members including four external directors. The Board of Directors is small and able to make decisions quickly. The Board of Directors holds approximately one meeting a month to discuss all significant matters. In fiscal 2020, 16 meetings were held with the average participation rate of both internal and external directors reaching 100% at any occasion.

The term of office for directors is one year.

- Nomination & Remuneration Advisory Committee

In January, 2021, the Nomination Advisory Committee and the Remuneration Advisory Committee were integrated into “the Nomination & Remuneration Advisory Committee” for more effective implementation of decisions and operation. The Nomination & Remuneration Advisory Committee reports the Board of Directors matters including the selection of candidates for directors and corporate officers, their promotions and demotions, the remuneration system for them and their performance evaluation-based remuneration. The Committee consists of four external directors and Masahiko Uotani, President and CEO, which is the same as the membership of the predecessor committees, “the Nomination Advisory Committee,” and “the Remuneration Advisory Committee.”

The Nomination Advisory Committee and the Remuneration Advisory Committee conducted the following activities in fiscal 2020.

The Nomination Advisory Committee held four meetings to discuss, and report on the appointment of corporate officers and executive officers in addition to the selection of candidates for directors and Audit & Supervisory Board members.

The Remuneration Advisory Committee held four meetings to discuss bonuses for directors and corporate officers for fiscal 2019, and deliberate on the remuneration policy and individual remuneration for directors and corporate officers for fiscal 2020.

- CEO Review Meeting

The CEO Review Meeting is a deliberation body by the Nomination & Remuneration Advisory Committee performing duties necessary for the appointment of the President and CEO, and the performance evaluation to decide the content of remuneration for the post. The committee conducts overall business evaluation, including the performance evaluation for the President and CEO, and confirms the appropriateness of the remuneration level. Further, the Meeting deliberates and reviews the reappointment or replacement of the President and CEO, playing an extensive role in executing the appropriate appointment of the President and CEO and determining incentives. The Meeting is comprised of external directors and external Audit & Supervisory Board members in order to secure independence from the President and CEO as well as the business execution structure under his/her control. In fiscal 2020, one meeting was held.

- Audit & Supervisory Board

The Audit & Supervisory Board of the Company is composed of five members – two full-time members, and three external members. They monitor the legality and appropriateness of directors’ performance. In fiscal 2020, 13 meetings were held with the average participation rate of Audit & Supervisory Board members reaching 100%.

- Executive Committee

The Executive Committee discusses important matters related to business execution from various aspects before the final decisions are made by the President and CEO. In fiscal 2020, one or more meetings were held on a monthly basis.

- Global Leadership Committee

The Global Leadership Committee discusses matters related to business plans and medium- to long-term business strategy from various aspects. In fiscal 2020, six meetings were held.

- Global Risk Management & Compliance Committee

The Global Risk Management & Compliance Committee detects globally and locally occurring social changes in a timely manner, and makes clear the status of the Shiseido Group to identify factors leading to management

risks, and then prioritizes such risks to discuss countermeasures referring to the present conditions of ethics /compliance and countermeasures in different areas of the world. In fiscal 2019, two meetings were held.

• HQ/SJ Compliance Committee

The HQ/SJ Compliance Committee identifies the status of ethics and compliance as well as incident cases in each group company located in Japan including the Company (HQ) and Shiseido Japan Co., Ltd. (SJ) to discuss countermeasures. In fiscal 2020, two meetings were held.

<Diversity 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.

When selecting candidates, we place importance on ensuring rich diversity, taking into account not only the achievement of gender equality, but also other attributes including age and nationalities and personalities, and insights and experiences in various fields related to management.

In addition, the Company has set a certain maximum term of office for external directors and external Audit & Supervisory Board members in order to reflect their views, which are free from the Company's existing structure, to the management of the Company, and by allowing a handover period from long-serving external directors and audit & external supervisory board members to newly-appointed external directors and audit & external supervisory board members to ensure appropriate transition.

<Ratio of external directors at the board of directors>

Based on the Board of Directors' conclusion that it would be appropriate for the Company to adopt the "monitoring board-type corporate governance," the Company established its view on the ratio of external directors on the Board of Directors.

After extensive discussions at the Board of Directors were held with regard to the corporate governance of the Company during fiscal 2015 and also assessment of the effectiveness of the Board of Directors was performed, and in light of the decision that the Company will adopt the "monitoring board-type corporate governance", the Company established its view on the ratio of external directors at the Board of Directors.

In the Company's articles of incorporation, the maximum number of board members is set at 12. Respecting this upper limit and in consideration of the Company's business portfolio and scale, an optimum number of directors is elected such that they are able to appropriately supervise the management.

For external directors, the number is set at three or above to allow such members a certain degree of influence within the board. In addition, the Company has established the target of electing half or more of its directors from outside.

For selecting external directors and Audit & Supervisory Board members, high priority is given to independence. Our basic principle is that candidates of external directors and Audit & Supervisory Board members are required to meet the Company's independence criteria as well as possess high independence in mental attitude.

<Actual composition of directors and Audit & Supervisory Board members>

Of eight directors who are currently in office as of March 31, 2021, four directors (50.0%) are highly independent external directors who meet the "Criteria for Independence of External Directors and Audit & Supervisory Board Members" of the Company. The other four directors who serve concurrently as executive officers include one with career background in management outside the Shiseido Group, and one with career background in finance manager outside the Shiseido Group and two with career background in the Shiseido Group. The directors include three females (37.5%).

Of eight directors who are currently in office as of March 31, 2020, four directors (50.0%) are highly independent external directors who meet the criteria for independence of the external directors and Audit & Supervisory Board members of the Company. Other four directors who serve concurrently as corporate officers include one with career background as a management outside the Shiseido Group, and three with career background in the Shiseido Group. The directors include three females (37.5%).

Of five Audit & Supervisory Board members, three members (60.0%) are highly independent external Audit & Supervisory Board members and two are full-time members with career background in the Shiseido Group. The members include three females (60.0%).

Of the total 13 directors and audit & supervisory board members, seven members (53.8%) are highly independent external directors or external audit & supervisory board members, and six members are female (46.1%).

<Status of audits>

(Internal audit)

The Internal Auditing Department, which reports directly to the President and CEO, monitors the appropriateness of business execution, as well as effectiveness of internal controls throughout the Group, and reports the audit results to the Board of Directors and the Audit & Supervisory Board.

Furthermore, auditing for specialized areas, i.e. security, environment, information systems, are mainly conducted by the relevant departments.

(Audit & Supervisory Board members' audits and initiatives toward strengthening their functions)

Shiseido's Audit & Supervisory Board consists of two standing members and three highly independent external members. They monitor the legality and appropriateness of directors' performance by attending Board of Directors meetings and other important meetings. Additionally, three Audit & Supervisory Board member (external) offer advices, proposals and views from an independent perspective, based on their abundant experience and insight in their respective fields.

Representative directors and Audit & Supervisory Board members meet regularly to exchange opinions on actions that will resolve corporate governance issues. The Company maintains a framework to ensure that Audit & Supervisory Board members discharge their duties effectively, such as the assignment of staff dedicated to assisting them.

(Accounting audits) [as of December 31, 2020]

- Name of auditing firm

KPMG AZSA LLC

- Certified public accountants conducting audit operations

Koichi Kobori (five years audit experience in a row)

Masakazu Hattori (one year audit experience)

Kentaro Hayashi (one year audit experience)

(Note) The rotation of accountants conducting audit operations is properly conducted in accordance with the policy established by KPMG AZSA LLC.

For the rotation of accountants of KPMG AZSA LLC, there is a regulation regarding the requirement of maximum engagement period of auditing and attesting services under the laws and regulations related to independence as well as the policies of this audit firm (including the policy of KPMG International Cooperative). KPMG AZSA LLC monitors the rotation status of accountants including supporting members engaging in accounting audits, in terms of continuous engagement period and independence.

- Assistants for the accounting audits of the Company

Supporting members engaging in accounting audits of the Company are 13 certified public accountants, 5 junior accountants, and 20 professionals specializing in tax affairs, IT audits, etc.

- Appointment reason and policy, and evaluation of auditing firm

As for the appointment and dismissal of the accounting auditor by the Company, Chief Financial Officer and heads of departments relevant to finance/accounting and audits conduct an evaluation, and then audit & supervisory members need to unanimously agree through deliberations based on the evaluation results at the Audit & Supervisory Board meeting.

The Company's decision-making policy for dismissing or not reappointing the accounting auditor is as follows:

If the accounting auditor does not fulfill their official responsibilities, or neglects their duties, or their conduct is not appropriate as an accounting auditor, and if the Company decides that serious damage is likely to be

caused to the Company by allowing them to continue to be the accounting auditor of the Company, then the Audit & Supervisory Board dismisses the accounting auditor as stipulated in Article 340 of the Companies Act. Further, if the accounting auditor admits that it is difficult to appropriately perform their duties, or it is reasonable to change the accounting auditor in order to conduct more appropriate audits, then the Audit & Supervisory Board decides the content of a proposal for dismissing or not reappointing the accounting auditor taking into account the opinions of organizations responsible for conducting audits, and the Board of Directors submits the said proposal to the general meeting of shareholders following the decision made by the Audit & Supervisory Board.

For fiscal 2019 accounting audit by the accounting auditor, the Audit & Supervisory Board conducted an evaluation using the following items and processes, and resolved to reappoint the accounting auditor for fiscal 2020.

In order to adopt the resolution for the reappointment, the Audit & Supervisory Board confirmed items such as the adequacy of the accounting auditor, quality control, the independence and professional competency of the audit team, the appropriateness of audit plans and the status of communication with the Audit & Supervisory Board members and other personnel. In addition, prior to adopting the resolution for reappointment, the Audit & Supervisory Board had interviews with the heads of departments in charge of business execution (Finance Accounting Dept. and Internal Audit Dept.) about the accounting auditor and exchanged opinions with the Chief Financial Officer at the Audit & Supervisory Board.

3. Reasons for Adoption of Current Corporate Governance System **Updated**

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. In order to maintain and improve management transparency, fairness and speed that are provided in the basic policy for the corporate governance within the framework, the Company has incorporated superior functions of company with the nominating committee, etc. and company with the Audit & Supervisory Board system, etc., reinforcing supervisory functions of the Board of Directors.

Based on a matrix-type organizational system with five brand business categories and six regions combined, which was launched by the Shiseido Group in January 2016, the Company as the global headquarters is responsible for supervising the overall group and providing necessary support, while promoting localization of responsibility and authority by delegating many of the authorities that used to be retained by the Company to respective regional headquarters of Japan, China, Asia, the Americas, EMEA, and Travel Retail. Under the management structure, the Board of Directors held repeated discussions with regard to an ideal state of the Company's corporate governance system that includes composition and operation of the Board of Directors. As a result, the Board of Directors concluded adopting the "monitoring board-type" would be appropriate to ensure sufficiently effective supervisory functions over the Shiseido Group overall, and has implemented the "monitoring board-type corporate governance" while leveraging advantages of the company with the audit & supervisory board system.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights

Updated

	Supplementary Explanations
Early Notification of General Shareholder Meeting	Shiseido makes every effort to distribute a convocation notice about 3 weeks prior to a general meeting of shareholders. For the 121st Ordinary General Meeting of Shareholders, the convocation of notice was distributed on Friday, March 5, 2021, 19 days prior to the Meeting. The Company disclosed the notice of convocations on its website before the date of mailing in light of earliest possible information service (Japanese: on Wednesday, February 24, English translation: on Wednesday, March 3.)

Scheduling AGMs Avoiding the Peak Day	The Company held the 121st Ordinary General Meeting of Shareholders on Thursday, March 25, 2021. The date is 3 day (3 business days) prior to Tuesday, March 30, which is said to be the concentrated date for AGMs of the Japanese companies whose fiscal year ending December 2020.
Allowing Electronic Exercise of Voting Rights	Since the 103rd Ordinary General Meeting of Shareholders in 2003, the Company has introduced the measure of exercising voting rights via website.
Participation in Electronic Voting Platform	Since the 106th Ordinary General Meeting of Shareholders in 2006, the Company has taken part in the Electronic Voting Platform operated and managed by ICJ, Inc.
Providing Convocation Notice in English	An English translation of the convocation of notice is prepared, distributed to foreign shareholders to the maximum extent, and posted on the Tokyo Stock Exchange's website as well as the Company's website.
Other	<p>Starting from June 2008, the Company started disclosing the results of the exercise of voting rights.</p> <p>Starting from 2010, the Company disclosed the result of the exercise of voting rights on the Tokyo Stock Exchange's website, the Company's website, and the extraordinary reports through EDINET of the Financial Services Agency of Japan.</p> <p>In addition, as from fiscal 2015, the Company posts videos of the business report including a presentation by the chairman on the Company's website. The movies are available in Japanese and English language. https://www.irwebcasting.com/20210325/2/b5fa0ad40b/mov/main/index.html</p> <p>The ordinary general meeting of shareholders is held using environmentally friendly materials. Environmentally friendly inks and papers are used for printed materials sent to shareholders, such as Notice of Convocation and Notice of Resolution, in order to contribute to protect the earth from global warming. The Company also uses recycled PET material for receipt number card distributed to attendees.</p>

2. IR Activities

	Supplementary Explanations
Preparation and Publication of Disclosure Policy	Established the Disclosure Policy, consisting of "Basic Policy on Information Disclosure," "Standards for Information Disclosure," "Method of Information Disclosure," "Quiet Periods," and "Forward-Looking Statements" in 2006. The Disclosure Policy was partially amended in January 2018 in order to include provisions concerning recognition of material information, and the amended policy is disclosed on the website of the Company. https://www.shiseidogroup.com/ir/disclosure/policy/
Regular Investor Briefings for Individual Investors	Hold presentation meetings by executive officers and Vice President of Investor Relations Department, which are distributed via the corporate website. In addition, the Company started Individual Shareholders Meetings, regular meetings throughout Japan for communicating and exchanging opinions concerning shareholder relations of the Company with its individual shareholders. In fiscal 2017, these meetings were transformed into Company Facilities Tours in order to further deepen the understanding of the Company. Reports

	<p>on these events are posted on the Company's website to inform shareholders about our stance and history of manufacturing, as well as our corporate culture. (1st tour held on June 20, 2017, in Kakegawa (Kakegawa Factory and Corporate Museum); 2nd tour held on June 19, 2018 in Ginza (Shiseido Life Quality Beauty Center and Shiseido Gallery); 3rd tour held on November 26, 2019 in Yokohama (Shiseido Global Innovation Center)).</p> <p>The Company also introduces special content and interviews at a dedicated page for individual investors and shareholders on its corporate website. The page features the Nasu Factory, which was launched at the end of 2019, and Shiseido's agile initiatives in response to changes in consumer needs (Japanese only).</p> <p>https://corp.shiseido.com/jp/ir/investors/special/</p>
Regular Investor Briefings for Analysts and Institutional Investors	Hold briefings quarterly when the Company announces its financial results (four times a year).
Regular Investor Briefings for Overseas Investors	Hold individual meetings or web conferences with foreign investors mainly in countries in North America, Europe, and Asia.
Posting of IR Materials on Website	<p>The following statutory and non-statutory reports and materials are posted on the Company's website:</p> <p>Notice of convocation of ordinary general meeting of shareholders, annual security reports (quarterly reports), timely disclosure materials, financial result briefing materials, consolidated financial results, annual report, and others.</p> <p>https://corp.shiseido.com/en/ir/library/ https://corp.shiseido.com/en/ir/news/</p>
Establishment of Department and/or Manager in Charge of IR	<p>Department in charge: Investor Relations Department</p> <p>Corporate Officer etc. in charge: Takayuki Yokota, Director, Executive Officer, Chief Finance Officer (CFO)</p> <p>Contact: Harumoto Kitagawa, Vice President of Investor Relations Department</p>
Other	Hold meetings, individual visits, and web conferences targeting domestic and foreign investors, in addition to Financial Results Briefings (four times a year.)

3. Measures to Ensure Due Respect for Stakeholders **Updated**

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	<p>The Company established "Shiseido Group Standards of Business Conduct and Ethics."</p> <p>The Company defines what corporate actions should be taken in relation to stakeholders (customers, business partners, employees, shareholders, and society and the Earth) and sets out not only abiding by the laws of each country and region, internal rules and regulations of the Shiseido Group companies, but also the action standards for business conducts with highest ethical standards.</p>
Implementation of Environmental Activities, CSR Activities etc.	<p>The Company reports to stakeholders on its social responsibility, and provides information about CSR activities, including environmental preservation activities conducted by the Company, through the Annual Report.</p> <p>In the Shiseido Group website, the Sustainability pages have been created. https://corp.shiseido.com/en/sustainability/</p>
Other	< Diversity in employees >

	<p>Toward realizing the Shiseido Philosophy, “BEAUTY INNOVATIONS FOR A BETTER WORLD,” the Company endeavors to build a corporate culture that respects the diversity of its workforce, irrespective of gender, age, nationality and any other individual attribute and where we can create new value.</p> <p>Since most of the Shiseido Group’s customers are women, we focus on providing new products and services based on our understandings of women’s values and current lifestyles, and we have implemented a variety of support measures for female employees, who account for approximately 80 percent of all the employees, so that they can play a central role in management and business activities.</p> <p>As a result of our long-time effort to promote the advancement of women, the ratio of women in management positions in the Shiseido Group in Japan reached 34.7% (as of January 2021), and the ratio of women in the Board of Directors reached 46.2% (as of March 2021). The Company will continue to provide further support for the advancement of women, aiming to increase the ratio to 50% of the ratio of women in management positions in the Shiseido Group in Japan, a symbolic figure for equal opportunity.</p> <p>In addition, not only pursuing gender equality, but the Company promotes the active participation of employees with diverse backgrounds including foreigners and mid-career hires, and to further accelerate diversity management.</p> <p>The Company’s support for the advancement of women and initiatives for diversity are described on our corporate website. https://corp.shiseido.com/en/sustainability/labor/diversity.html</p>
--	---

IV. Matters Related to the Internal Control System

1. Basic Views on Internal Control System and the Progress of System Development

The Company's Basic Policy regarding Internal Control Systems as of December 31, 2015 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.

THE SHISEIDO PHILOSOPHY, shared across the SHISEIDO Group, is defined based on OUR MISSION, which refers to our purpose, OUR DNA, which embodies our unique heritage of over 140 years, and OUR PRINCIPLES(TRUST8), which serve as the working principles we live by. It, together with action standards for business conducts created with the highest ethical standards, promote corporate activities that are both legitimate and fair.

The Company should establish a basic policy and rules in line with the standards of business conduct and ethics, 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 THE SHISEIDO PHILOSOPHY and the standards of business conduct and ethics, so that environments for the formulation of detailed internal regulations of the Company will be created at every group company and business office.

The Committee that oversees compliance and risk management has been set up in the Company, and while coordinating with organizations that have been set up to fulfill the compliance and risk management 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 Committee that oversees compliance and risk management 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 promoting legitimate and fair corporate activities and across the group and risk management at each group company and business office, plans and promotes regular training and educational activities for corporate ethics, and responds to incidents and manage risks. The department in charge of risk management and the Committee that oversees compliance and risk management will share information regularly with the person in charge deployed within each group company and business office.

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 set up, as a contact for whistle-blowing, a hotline in each group company as well as a hotline where employees can directly report and consult with the officer of risk management.

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 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 Committee that oversees compliance and risk management is set up in the Company, and organizations for the purpose of fulfilling the compliance and risk management 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 Committee that oversees compliance and risk management 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 responses 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.

2. Basic Views on Eliminating Anti-Social Forces

In the "Our Way," the Company has 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 department that oversees risk management for the purpose of intensively collecting information and at the same time the Manual on how to cope with such power is revised on the intranet. Consulting with the local police offices for cooperation, the Company is a member of the "Conference on how to cope with particular violence" so that it strengthens to collect outside information and the cooperation with outside organizations.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
------------------------------------	-------------

Supplementary Explanation

None.

2. Other Matters Concerning to Corporate Governance System Updated

The internal system for ensuring the timely disclosure of our corporate information is described below.

We have the "Shiseido Disclosure Policy," (*1) which we established as a policy on the disclosure of management information to investors, etc.

Thus, everyone in the Shiseido Group is working sincerely on disclosing, in a timely and appropriate manner, facts that have a material impact on investment decision-making by investors and financial information.

Specifically, we set in place the following structures to treat material facts that have an impact on decision-making by investors, for facts of decisions made and financial information and for facts of actual events, respectively:

1. Facts of Decisions Made, Facts of Actual Events (excluding incidents, accidents and disasters) and Financial Information

In order to understand and identify what kinds of fact fall under the category of material fact, each place of business and each department of the Shiseido Group has put together a list of material facts under internal rules that reflect laws and regulations and listing rules and makes a judgment on a case-by-case basis whether or not a certain fact is a material fact.

In addition, when an applicable case is brought to the Board of Directors or Executive Committee, etc. for approval, the Investor Relations Department, a section responsible for the Tokyo Stock Exchange, checks whether or not it falls under the category of material fact in accordance with the Timely Disclosure Rules of the Tokyo Stock Exchange, and the Corporate Strategy Department and Legal and Governance Department manages material facts.

On top of this framework for the clear representation of material facts, we have other frameworks for the timely disclosure in an appropriate fashion: the "Disclosure Meeting," which is held on a regular basis, and an "Examination Team," which is to be set up flexibly according to the specifics of the material fact. Its work involves not only the examination of the information subject to disclosure, but also the preparation and confirmation of the documents subject to disclosure.

It is after all those frameworks are drawn on that the Board of Directors or Executive Committee approves a case and decides to take an information disclosure action, immediately after which the information is disclosed in an appropriate manner through the Tokyo Stock Exchange.

2. The Company's System for Information Disclosure of Facts of Actual Events Such as Incidents, Accidents and Disasters

In preparation for addressing abrupt events, we have developed a framework under which the "Compliance Committee" gathers related departments to take emergency actions and ensure prompt disclosure actions.

Specifically, an "Emergency Conference" or "Ad Hoc Committee" will be organized in accordance with the Emergency Procedures Manual, which has been developed as internal rules. The level of risk involved is determined there and, depending on the level, an organ responsible for addressing it will be set up. For those of which level of risk falls under the category of material fact, an Emergency Task Force will be established in an attempt to take quick and appropriate disclosure actions.

For any business execution by each place of business and each department, the Internal Auditing Department strives to ensure and improve the fairness and transparency of our corporate management by performing stringent internal audits.

(*1)

Shiseido Disclosure Policy

I. Basic Policy on Information Disclosure

Shiseido fully recognizes that the timely and appropriate disclosure of corporate information to investors forms the basis of a sound securities market. We will make constant efforts to improve our internal systems to ensure the prompt, accurate and fair disclosure of corporate information from an investor's viewpoint, and will focus on the timely and appropriate disclosure of corporate information to investors.

Through this timely and appropriate disclosure, we will endeavor to increase shareholder value by building favorable relationships with the capital market and incorporating market valuations in feedback to the management of the company.

II. Standards for Information Disclosure

1. Timely Disclosure of Material Information

We will disclose information in accordance with the Financial Instruments and Exchange Act, other legislation and the rules on timely disclosure as defined by the Tokyo Stock Exchange, on which Shiseido is listed. Additionally, material information will be determined by the information management officer (corporate officer in charge of disclosure) upon consultation with relevant departments within the company according to the contents of the information.

2. Voluntary Disclosure

Any information not required by the above rules on timely disclosure will be disclosed by us in light of timeliness and fairness if we consider it useful for investment decisions.

III. Method of Information Disclosure

The disclosure of the material information prescribed in the rules for timely disclosure and the voluntary disclosure of other useful information not required by the rules will be made through TDnet, a timely disclosure system provided by the Tokyo Stock Exchange. Information disclosed on TDnet is also disclosed promptly on the Shiseido website.

IV. Handling of Nonpublic Information and Response to Rumors

To avoid selective disclosure of nonpublic and voluntarily disclosed information to specific investors, we will manage information properly in accordance with internal rules for internal stakeholders involved with such information. In addition, when we recognize that certain rumors about the company are circulating that can significantly affect the capital market, we will disclose information promptly through channels such as “TDnet.”

V. Quiet Periods

To prevent leaks of financial results before the announcement and to assure fairness, Shiseido observes a quiet period before the announcement of business results. The quiet period is from the day after the closing date※ to the date on which earnings are announced each quarter. During the quiet period, we do not answer inquiries or make any comments on business results. Should it prove necessary to make timely disclosure during the quiet period, Shiseido will do so under the rules on timely disclosure.

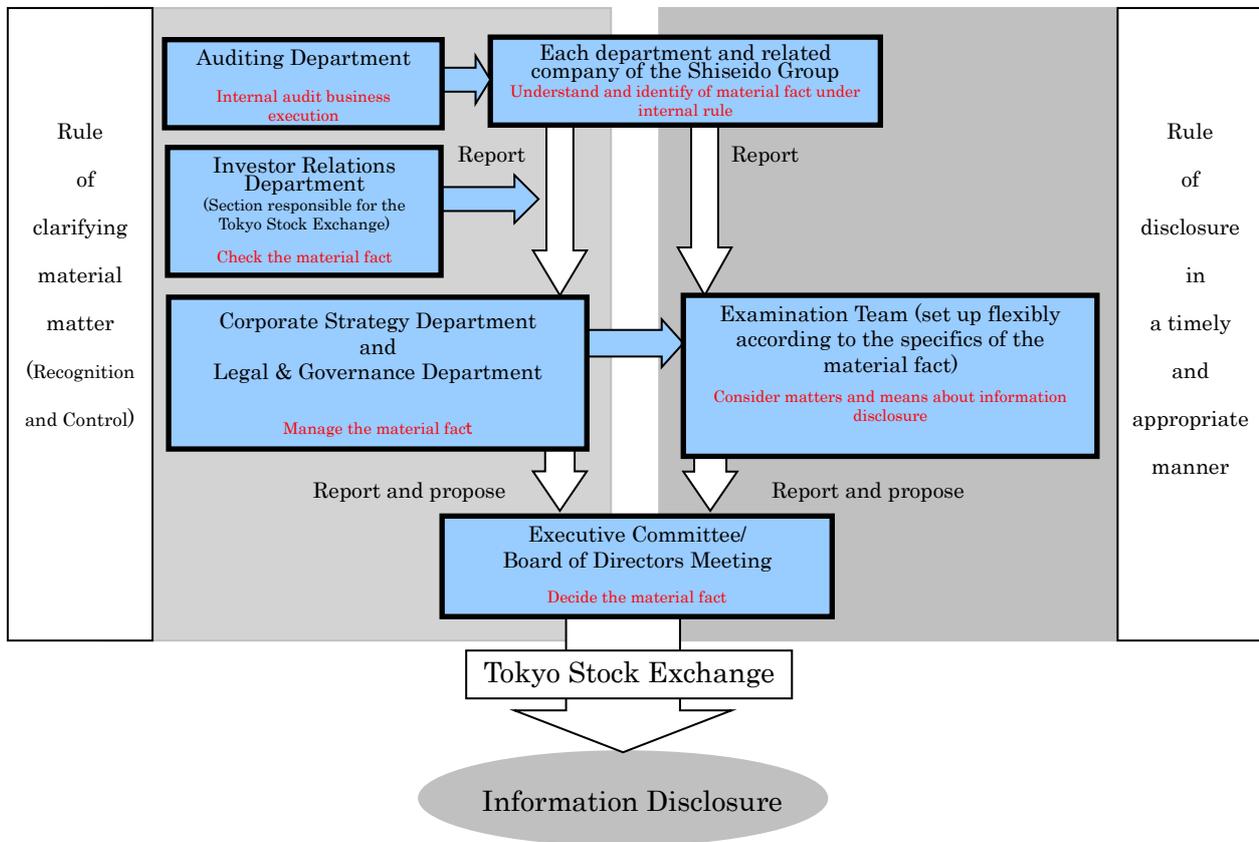
*The closing date of the fiscal year was March 31 but is December 31 from fiscal 2015.

VI. Forward-Looking Statements

Statements of information disclosed by Shiseido that are not historic facts are forward-looking statements that reflect management's views and assumptions at the time of the announcement and management targets based on its plans. These forward-looking statements may involve risks and other uncertain factors, and the actual business results and performance may differ materially from the projections contained in these forward-looking statements.

<The Company's Corporate Governance Framework>

<The Company's System for Information Disclosure of Facts of Decisions Made, Facts of Actual Events (excluding incidents, accidents and disasters) and Financial Information>



<The Company's System for Information Disclosure of Facts of Actual Events Such as Incidents, Accidents and Disasters>

