



Notice of Convocation

The 122nd Ordinary General Meeting of Shareholders

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

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Notice of Convocation of the 122nd Ordinary General Meeting of Shareholders

Dear Shareholders:

We express our deep appreciation to each of you for your extraordinary daily support.

We are pleased to announce the 122nd ordinary general meeting of shareholders of Shiseido Company, Limited (the “Company”), which will be held as described on page 4.

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

In addition, to prevent the spread of the novel coronavirus (COVID-19), we sincerely request that individuals who plan to attend the General Meeting in person (on a first-come, first-served basis) this year do so by advance reservation. We will also broadcast the General Meeting of Shareholders via live stream so that individuals may attend the meeting remotely via PC, smartphone, and other devices. If attending via live stream, we strongly recommend you to exercise your voting rights in writing or through website voting.

Yours truly,

Shiseido Company, Limited



Masahiko Uotani

Representative Director,
President and CEO

Registered Head Office:

5-5, Ginza 7-chome, Chuo-ku, Tokyo

Principal Business Office:

6-2, Higashi-Shimbashi 1-chome,
Minato-ku, Tokyo

(VOTING PROCEDURE FOR REGISTERED SHAREHOLDERS IN JAPAN)¹

When you exercise your voting rights via the Internet, etc., please access to Proxy Voting Website (<https://www.web54.net>).

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

PARTICULARS

Date and Time of the Meeting:

Friday, March 25, 2022 at **10:00 a.m.**

Place of the Meeting:

Imperial Hotel, 2F, Kujoyaku Room (Main venue of the event)
1-1, Uchisaiwai-cho 1-chome, Chiyoda-ku, Tokyo, Japan

Matters to Be Dealt With at the Meeting:

Matters for Reporting:

Report on the business report, the consolidated financial statements and non-consolidated financial statements, and the results of the audits of consolidated financial statements by the accounting auditor and the Audit & Supervisory Board for the fiscal year ended December 31, 2021 (January 1, 2021 to December 31, 2021)

Matters for Resolution:

- First Item of Business: Dividends of Retained Earnings
- Second Item of Business: Partial Amendment to the Articles of Incorporation
- Third Item of Business: Election of Eight (8) Directors
- Fourth Item of Business: Election of One (1) Audit & Supervisory Board Member
- Fifth Item of Business: Determination of Long-Term Incentive-Type Remuneration (LTI) to Directors

Contents and details of each item are described in the “Reference Document Concerning the General Meeting of Shareholders” on and after page 118.

Matters Related to Exercise of Voting Rights:

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

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

Moreover, in the event that one and the same shareholder exercises voting rights via website several times, the last exercise of voting rights via website shall be considered valid.

2. Requirement for exercise of voting rights through proxy

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

Business Report

(Fiscal Year from January 1, 2021 to December 31, 2021)

1. Matters Concerning the Shiseido Group

1.1 Business Overview

(1) Progress and Results

1) Overview

■ Progress and Results in the Fiscal Year Ended December 2021

In the fiscal year ended December 31, 2021, global economic conditions remained challenging, as economic activity was stagnant due to the COVID-19 pandemic, and consumer sentiment was low due to worsening corporate earnings and employment. In the Japan cosmetics market, consumer traffic was affected by shortened operating hours in the retail sector and consumers staying at home under the intermittent states of emergency. Other factors included a drop in visitors to Japan, which affected inbound demand. Globally, although the impact of the pandemic continued overall, progress in vaccination rollout drove recovery, particularly in Europe and the United States.

In light of rapid changes in the external environment and the results of its previous medium-to-long-term strategy, the Company has launched a new strategy, WIN 2023 and Beyond, and is currently moving forward with a global transformation, positioning premium skin beauty as its core business in a bid to become the world's leader in this area by 2030. In the years 2021 to 2023, the Company will shift from a focus on topline growth to a strategic emphasis on profitability and cash flow management to build a solid foundation as a skin beauty company.

Fiscal 2021, the first year of this phase, was positioned as a period of “Groundwork,” during which the Company moved forward with structural reforms centering on streamlining its business portfolio and solidifying the financial base, while ensuring business continuity and evolution in the times of COVID-19. Specifically, we transferred the Personal Care business and three prestige makeup brands (*bareMinerals*, *BUXOM*, and *Laura Mercier*) and terminated a global license agreement with Dolce&Gabbana S.r.l. In order to accelerate digital transformation (DX), we established Shiseido Interactive Beauty Company, Limited as a joint venture with Accenture Japan Ltd. and entered into a strategic partnership with Tencent, a major Chinese technology company, in a bid to strengthen our digital marketing strategy on a global scale. We have also started full-fledged operations at our Osaka Ibaraki Factory and West Japan Distribution Center to enhance the production and distribution network.

In the fiscal year 2021, the Company was globally affected by the spread of COVID-19 but managed to significantly recover net sales in all regions except Japan thanks in particular to the growth in skin beauty brands—our area of focus—and expansion of e-commerce.

As a result, net sales grew 7.8% year on year on an FX-neutral basis. Based on reported figures, net sales increased 12.4% year on year to ¥1,035.2 billion. Excluding such impacts as business transfers, or like for like, sales grew 11.9%.

Operating profit was up 177.9% year on year to ¥41.6 billion due to such factors as improved margins resulting from stronger sales, a more favorable product mix, and effective cost management in line with market changes.

Net profit attributable to owners of parent reached ¥42.4 billion, up ¥54.1 billion year on year, mainly thanks to increased operating profit and extraordinary gains recorded as a result of the Personal Care business transfer. These factors outweighed the impairment losses on trademark rights due to the termination of a license agreement for *Dolce&Gabbana* and on goodwill due to the transfer of the three makeup brands.

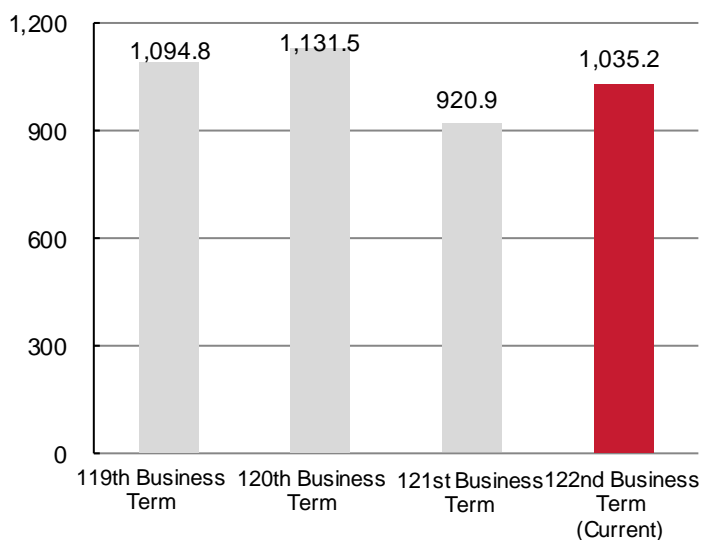
The consolidated operating margin reached 4.0%; consolidated return on equity (ROE), 8.2%; and consolidated return on invested capital (ROIC), 3.3%. The EBITDA margin was 16.7%, with cash generation significantly improved.

■ Consolidated Results

Net Sales

Fiscal 2021: **¥1,035.2 billion**
 Year-on-year change: +12.4%
 (FX-neutral basis: +7.8%)
 Like-for-like: +11.9%

(Billions of yen)



Operating Profit

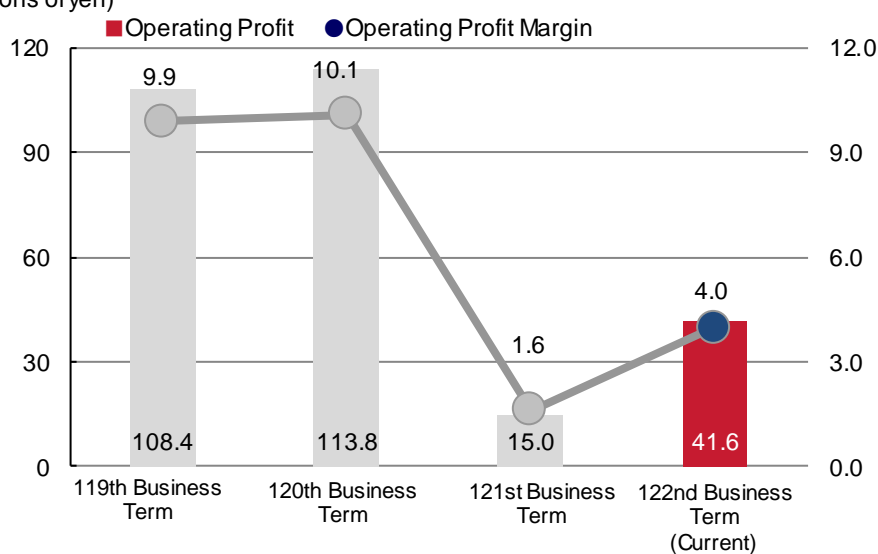
Fiscal 2021: **¥41.6 billion**
 Year-on-year change: +177.9%

Operating Profit Margin

Fiscal 2021: **4.0%**
 Year-on-year change: +2.4 points

(Billions of yen)

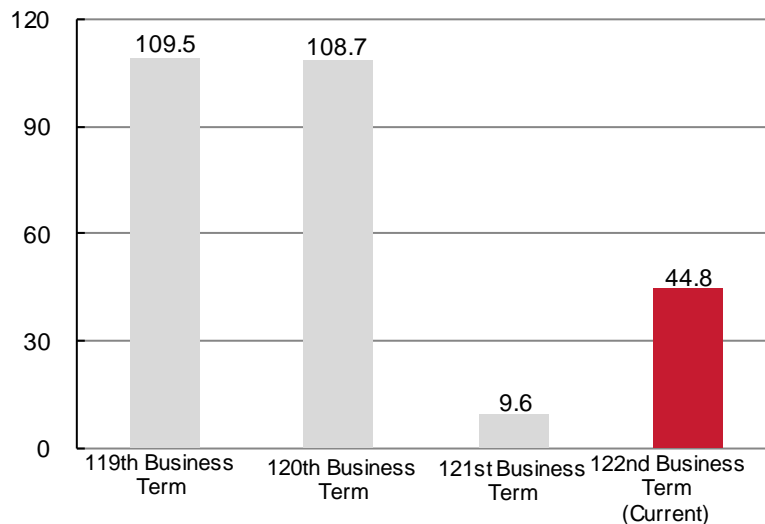
(%)



Ordinary Profit

Fiscal 2021: **¥44.8 billion**
 Year-on-year change: +365.2%

(Billions of yen)



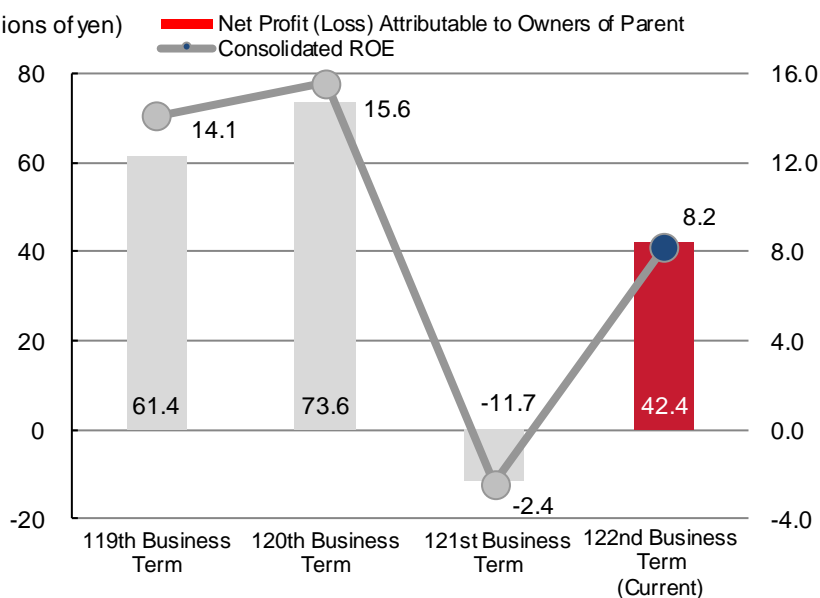
Net Profit (Loss) Attributable to Owners of Parent

Fiscal 2021: **¥42.4 billion**
 Year-on-year change: –

Consolidated ROE

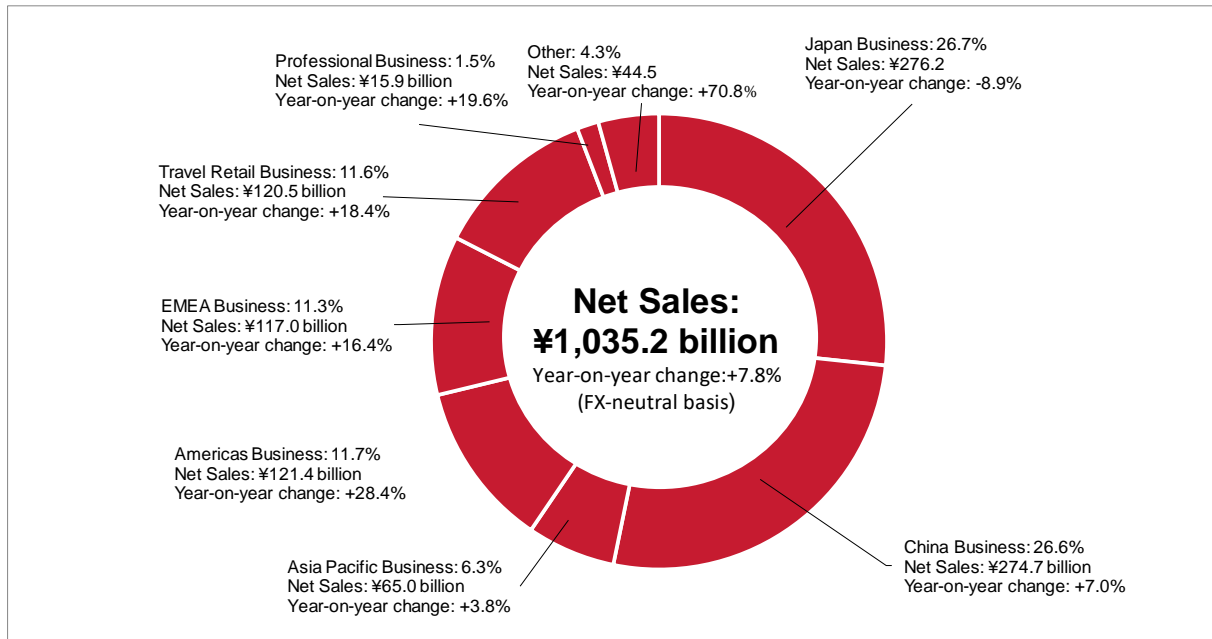
Fiscal 2021: **8.2%**

(Billions of yen)



Note: The major foreign currency exchange rates applicable to income and expense accounting line items in the consolidated financial statements for the fiscal year 2021 are US\$1: ¥110.0, €1: ¥129.9, and CNY1: ¥17.0.

■ Net sales by reportable segment



■ Operating profit (loss) by reportable segment

(Billions of yen)

	121st Business Term	Operating Profit Margin (%)	122nd Business Term (Current)	Operating Profit Margin (%)	Increase/ decrease	Percentage increase/decrease (%)
Japan Business	9.7	2.9	9.6	3.2	-0.1	-0.9
China Business	18.4	7.8	1.2	0.4	-17.2	-93.6
Asia Pacific Business	3.2	5.3	3.7	5.6	+0.5	+15.1
Americas Business	(22.7)	(19.5)	(13.2)	(8.9)	+9.5	—
Profit Before Amortization of Goodwill, etc.	(17.6)	(15.2)	(9.2)	(6.2)	+8.4	—
EMEA Business	(13.2)	(12.9)	2.5	1.9	+15.7	—
Profit Before Amortization of Goodwill, etc.	(11.0)	(10.7)	4.5	3.5	+15.4	—
Travel Retail Business	14.6	14.8	22.0	18.2	+7.3	+49.9
Professional Business	(0.03)	(0.3)	0.8	4.6	+0.8	—
Other	4.7	2.7	31.0	13.3	+26.3	+556.0
Adjustments	0.3	—	(15.8)	—	-16.1	—
Total	15.0	1.6	41.6	4.0	+26.6	+177.9

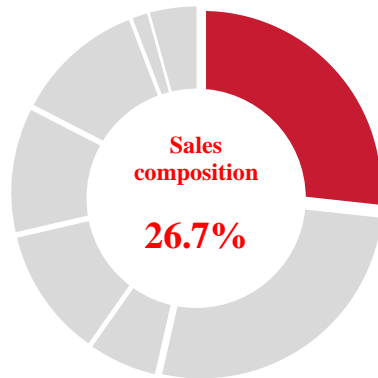
Notes:

1. The Shiseido Group (the “Group”) has revised its reportable segment classifications from the fiscal year 2021. The business results of global service functions related to digital strategy, previously included in the Americas Business, are now included in the Other segment, and business results related to the supply network functions, previously included in the Other segment, are now included in the Japan Business. The segment information for the previous fiscal year has been restated in line with the new method of classification.
2. Net sales from regional sales subsidiaries related to the Personal Care business, previously recorded in the Japan, China, and Asia Pacific Businesses, are no longer recorded with some exceptions from July 1, 2021 due to the transfer of said business and resulting changes in product distribution. Meanwhile, Personal Care products sales from the Company and its manufacturing subsidiaries to Fine Today Shiseido Co., Ltd. and its affiliates are recorded in the Other segment effective from the same date.
3. The Other segment includes head office administration departments, IPSA Co., Ltd., Shiseido Beauty Salon Co., Ltd., manufacturing operations, and the Restaurant business, etc.
4. The adjustments are mainly the elimination of transactions between segments.

2) Activities by Business Segment

Japan Business

Gradual recovery mainly in prestige amid delayed market recovery



Skin Visualizer:
a contact-free device that instantly measures the condition inside the skin

In the Japan Business, we strategically strengthened investment in the skin beauty category in line with new consumer needs prompted by the COVID-19 pandemic and achieved market share gains, mainly in base makeup and sun care. In addition, we engaged with a large number of consumers through various omnichannel initiatives in collaboration with business partners, such as live commerce events and online video counseling. Consequently, e-commerce sales grew by double digits. We also continued activities started last year aimed at maximizing the value we provide to consumers, in particular, versatile development and launching products that address changes in consumer needs, such as BB cream that holds fast even under a mask, and revolutionary products with the Second Skin technology. Furthermore, we launched the “Shiseido Hand in Hand Project” that aims to show our respect and gratitude to medical workers across Japan, in which we provided support for all those at medical sites by making donations and gifting products, and thus contributed to preventing the spread of COVID-19.

Meanwhile, under the declared state of emergency sales were hit by shortened operating hours in the retail sector and a downturn in consumer traffic due to a tendency to stay at home. Other factors included a drop in visitors to Japan, which resulted on low inbound demand.

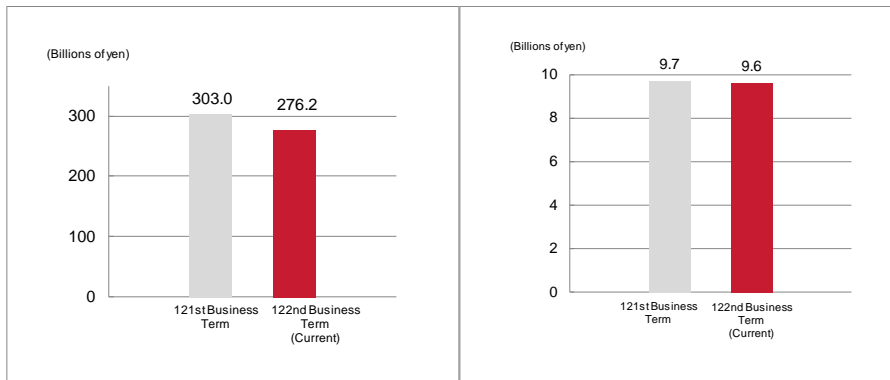
As a result, net sales decreased 8.9% year on year to ¥276.2 billion. Excluding the impact of the Personal Care business transfer, or like for like, sales declined 1.4% year on year. Operating profit was down 0.9% year on year to ¥9.6 billion, mainly due to lower margins resulting from a decline in sales, which outweighed higher margins accompanying an increase in intercompany sales in the first half of the fiscal year and effective cost management in line with market changes.

Net Sales: ¥276.2 billion

Year-on-year change: -8.9%
(Like for like: -1.4%)

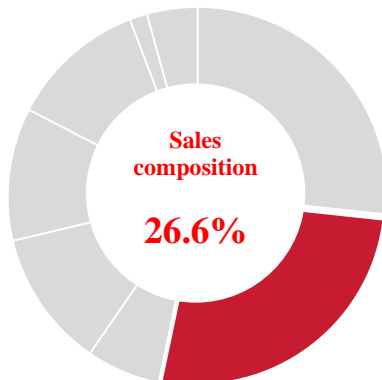
Operating Profit: ¥9.6 billion

Year-on-year change: -0.9%



China Business

Largely ahead of market for “Singles’ Day”



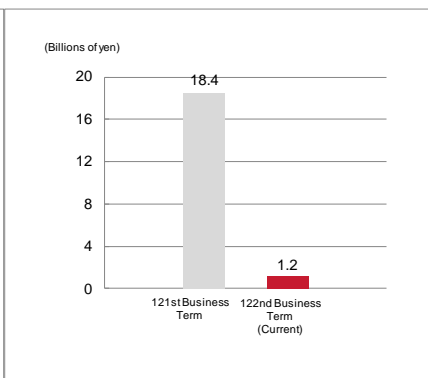
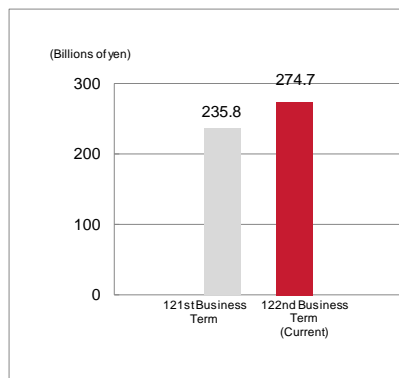
Singles’ Day promotion

The China Business was affected by partial retail closures and a drop in consumer traffic due to unprecedented torrential rains in the third quarter and new COVID-19 variant outbreaks in key metropolitan areas. However, e-commerce remained strong thanks to strategic investment and accounted for high 40% of total sales, mainly due to sales growth well above the market for the “Singles’ Day,” China’s largest e-commerce event. Moreover, continued strategic investment in prestige brands drove market share gains in the high-end category, specifically for *Clé de Peau Beauté* and *NARS*.

As a result, net sales grew 7.0% on an FX-neutral basis, or 16.5% year on year to ¥274.7 billion based on reported figures. Excluding such impacts as the Personal Care business transfer, or like for like, sales grew 19.1%. Operating profit dropped by 93.6% year on year to ¥1.2 billion, due to increased investment in major brands, higher cost of sales, and the impact of the Personal Care business transfer, among other factors.

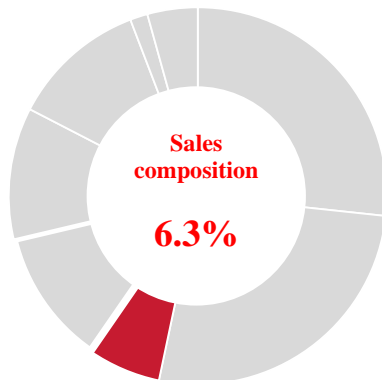
Net Sales: ¥274.7 billion
 Year-on-year change: +16.5%
 (FX-neutral basis: +7.0%)
 (Like for like: +19.1%)

Operating Profit: ¥1.2 billion
 Year-on-year change: -93.6%



Asia Pacific Business

Growth led by e-commerce

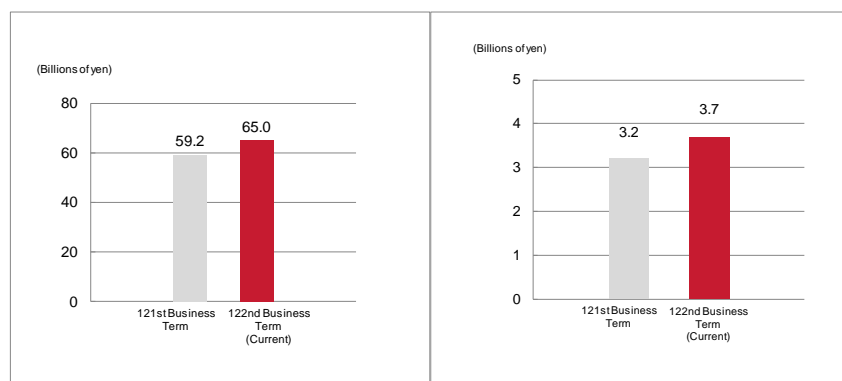


Mother's Day campaign

In the Asia Pacific Business, while the impact of COVID-19-related lockdowns continued in some countries and regions, we increased our share in e-commerce across Asia, thanks to further expansion into key e-commerce platforms in various regions and robust growth of prestige brands such as *SHISEIDO* and *NARS*. Furthermore, we actively conducted promotions such as Mother's Day campaigns in various countries and regions, in addition to further rollout of our *Drunk Elephant* brand.

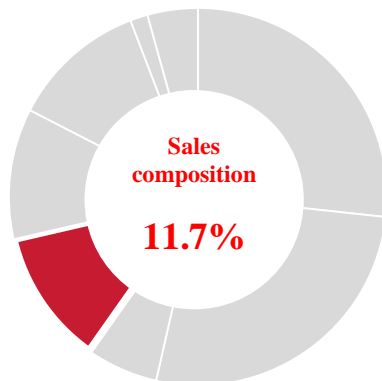
As a result, net sales increased 3.8% on an FX-neutral basis, or 9.9% year on year to ¥65.0 billion based on reported figures. Excluding such impacts as the transfer of the Personal Care business, or like for like, sales increased 5.8%. Operating profit grew 15.1% year on year to ¥3.7 billion, mainly due to higher margins accompanying an increase in sales.

<p>Net Sales: ¥65.0 billion</p> <p>Year-on-year change: +9.9% (FX-neutral basis: +3.8%) (Like for like: +5.8%)</p>	<p>Operating Profit: ¥3.7 billion</p> <p>Year-on-year change: +15.1%</p>
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Americas Business

Strong growth amid recovery of the cosmetics market



NARS virtual store

In the Americas, while impacts from the spread of COVID-19 continued, vaccination rollout drove the recovery of the cosmetics market, including makeup, which had struggled. In this market environment, U.S.-based skincare brand *Drunk Elephant* opened new doors, while *NARS* grew its share due to virtual store openings and other digital marketing initiatives. In addition, *SHISEIDO*, *Clé de Peau Beauté*, and fragrance brands also performed well on the back of strengthened promotions.

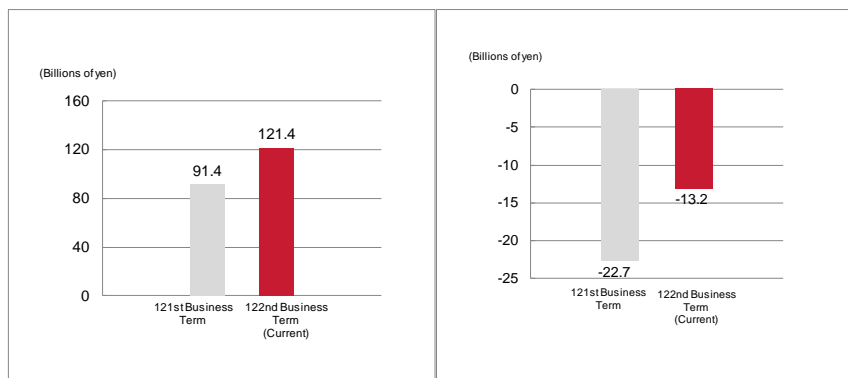
As a result, net sales rose 28.4% on an FX-neutral basis, or 32.8% year on year to ¥121.4 billion based on reported figures. Excluding such impacts as the transfer of the three prestige makeup brands, or like for like, sales grew 29.9%, exceeding 2019 results. Operating loss recovered by ¥9.5 billion year on year to ¥13.2 billion, mainly due to higher margins accompanying an increase in sales and improved profitability from reductions in fixed costs of the commercial business.

Net Sales: ¥121.4 billion

Year-on-year change: +32.8%
(FX-neutral basis: +28.4%)
(Like for like: +29.9%)

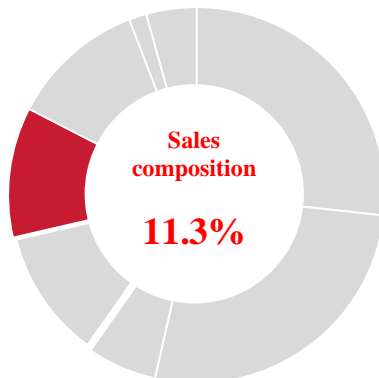
Operating Loss: ¥13.2 billion

Year-on-year change: +¥9.5 billion



EMEA Business

Gained share across all categories amid strong recovery



Drunk Elephant store counter (France)

In EMEA, while impacts from the spread of COVID-19 continued, vaccination rollout aided market recovery, mainly in skincare and fragrances. We succeeded in capturing this turnaround to increase share in all categories through further rollout of our *Clé de Peau Beauté* and *Drunk Elephant* brands and e-commerce sales expansion thanks to online video counseling and digital promotions.

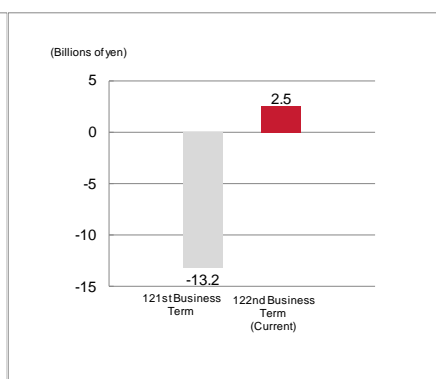
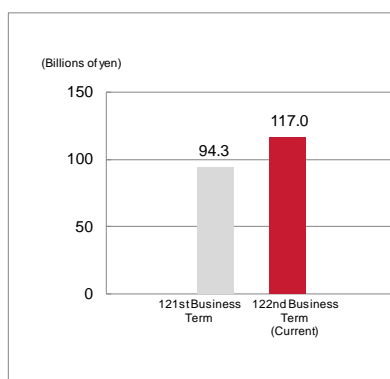
As a result, net sales grew 16.4% on an FX-neutral basis, or 24.1% year on year to ¥117.0 billion based on reported figures. Excluding such impacts as the transfer of the three prestige makeup brands, or like for like, sales increased 16.5% year on year. Operating profit climbed back into the black at ¥2.5 billion, an improvement of ¥15.7 billion year on year, mainly thanks to higher margins associated with an increase in sales, improved profitability of the commercial business, efficiency of advertising expenses due to focused investment in digital media, and lower fixed costs.

Net Sales: ¥117.0 billion

Year-on-year change: +24.1%
(FX-neutral basis: +16.4%)
(Like for like: +16.5%)

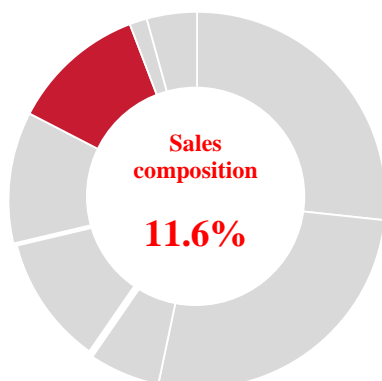
Operating Profit: ¥2.5 billion

Year-on-year change: +¥15.7 billion



Travel Retail Business

Growing in Asia, centered on Hainan Island in China, despite fewer travelers



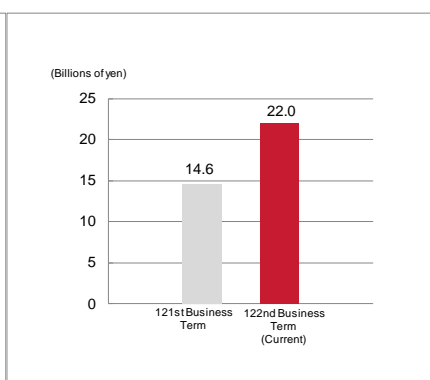
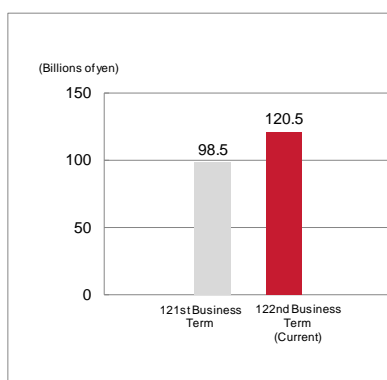
Clé de Peau Beauté Hainan Island digital campaign

The Travel Retail Business (sales of cosmetics and fragrances mainly through airport and downtown duty-free stores) was continuously affected by considerable reductions in international flights and the resulting decline in travelers worldwide. Hainan Island in China was also impacted by travel restrictions such as flight curbs in response to new COVID-19 variant outbreaks, but sales still accelerated significantly, mainly for e-commerce. Overall, net sales grew substantially, mostly in Asia, as we strengthened the rollout of *Drunk Elephant* and increased the number of counters for major brands on Hainan Island.

As a result, net sales grew 18.4% on an FX-neutral basis, or 22.3% year on year to ¥120.5 billion based on reported figures. Operating profit increased 49.9% year on year to ¥22.0 billion, mainly due to higher margins accompanying increased sales.

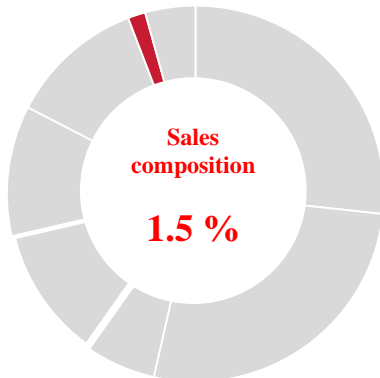
Net Sales: ¥120.5 billion
Year-on-year change: +22.3%
(FX-neutral basis: +18.4%)

Operating Profit: ¥22.0 billion
Year-on-year change: +49.9%



Professional Business

Further growth in Japan and China



New premium hair color brand *ULTIST*

In the Professional Business, we deliver professional products such as hair care, styling, color, and perm solutions to hair salons in Japan, China, and Asia Pacific. While the impact of COVID-19 continued in some countries and regions, recovery in consumer traffic to hair salons and strengthened e-commerce promotions had an overall positive effect. Successful market debut of *ULTIST*, a new premium hair color brand, and *HAIR KITCHEN*, a new hair care brand focused on sustainable initiatives for salons, also contributed to growth.

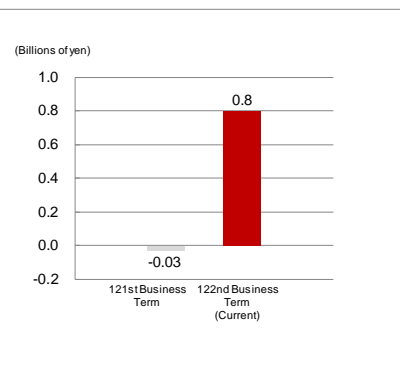
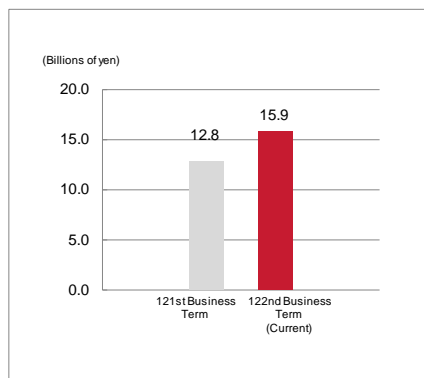
As a result, net sales were up 19.6% on an FX-neutral basis, or 24.4% year on year to ¥15.9 billion based on reported figures. Operating profit increased ¥0.8 billion year on year to ¥0.8 billion, allowing the business to return to profit, mainly due to improved margins associated with higher sales.

Net Sales: ¥15.9 billion

Year-on-year change: +24.4%
(FX-neutral basis: +19.6%)

Operating Profit: ¥0.8 billion

Year-on-year change: +¥0.8 billion



(2) Capital Expenditures

	Investment (Millions of yen)	Purpose of Investment
Property, Plant and Equipment	62,958	Renovation and renewal of production facilities Completion of buildings for Fukuoka Kurume Factory, and work on production facilities
Intangible Assets	22,476	Global expansion of core IT system
Long-Term Prepaid Expenses	4,106	Installations of sales counters and fixtures
Total	89,540	

Note: Capital expenditures: Capital expenditures, and investments in property, plant and equipment, intangible assets (excluding goodwill and trademarks) and long-term prepaid expenses.

(3) Financing

The Company repaid bank loans of approximately ¥140 billion during the fiscal year, using funds from the transfers of the Personal Care business and three prestige makeup brands (*bareMinerals*, *BUXOM*, and *Laura Mercier*).

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

(Millions of yen, unless otherwise noted)

	119th Business Term (1/1/2018 - 12/31/2018)	120th Business Term (1/1/2019 - 12/31/2019)	121st Business Term (1/1/2020 - 12/31/2020)	122nd Business Term (Current term) (1/1/2021 - 12/31/2021)
Net Sales	1,094,825	1,131,547	920,888	1,035,165
Operating Profit	108,350	113,831	14,963	41,586
Operating Profit Margin (%)	9.9	10.1	1.6	4.0
Ordinary Profit	109,489	108,739	9,638	44,835
Net Profit (Loss) Attributable to Owners of Parent	61,403	73,562	(11,660)	42,439
Net Earnings (Loss) per Share (Yen)	153.74	184.18	(29.19)	106.24
Return on Equity (%)	14.1	15.6	(2.4)	8.2
Comprehensive Income	43,775	72,653	10,431	81,222
Total Assets	1,009,618	1,218,795	1,204,229	1,179,360
Net Assets	468,462	517,857	506,593	567,433
Net Assets per Share (Yen)	1,123.19	1,242.85	1,212.34	1,364.28
Equity Ratio (%)	44.4	40.7	40.2	46.2
Price/Earnings Ratio (Times)	44.8	42.3	–	60.4
Cash Flows from Operating Activities	92,577	75,562	64,045	122,887
Cash Flows from Investing Activities	(103,112)	(202,823)	(70,084)	63,739
Cash Flows from Financing Activities	(29,722)	113,678	46,880	(176,222)
Cash and Cash Equivalents at End of Year/Period	111,767	97,466	136,347	156,503

Note: Summary of Non-Consolidated Profit and Assets

(Millions of yen)

	119th Business Term (1/1/2018 - 12/31/2018)	120th Business Term (1/1/2019 - 12/31/2019)	121st Business Term (1/1/2020 - 12/31/2020)	122nd Business Term (Current term) (1/1/2021 - 12/31/2021)
Net Sales	270,789	303,663	249,335	275,063
Operating Profit (Loss)	19,930	22,002	(1,015)	21,129
Ordinary Profit	42,163	51,816	31,917	46,341
Net Profit	37,613	98,506	33,867	103,788
Total Assets	674,102	790,009	819,138	901,402
Net Assets	352,688	427,838	441,770	527,496

(5) Capital Policy

1) Fundamental Approach to Capital Policy (As of December 31, 2021)

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 places importance on increasing the efficiency of working capital with an emphasis on free cash flow and days sales in inventory, and practices management focused on ensuring capital efficiency by reinforcing its management of cash flows and its balance sheet.

The Company arranges financing making timely use of optimal financing methods taking into account the market environment and other factors, and accordingly targets net debt-to-equity ratio of 0.2 and net debt-to-EBITDA ratio of 0.5 in order to maintain a single-A credit rating which enables it to obtain financing on favorable terms. However, upon considering the Company's future earnings ability and capability to generate cash flows, we will review these indices in conjunction with the shareholder return policy in order to develop an optimal capital structure that contributes to further heightening capital efficiency.

Our total shareholder return policy emphasizes maximizing returns to shareholders through direct means in addition to generating medium- and long-term share price gains. Based on this approach, our fundamental policy is not only to give highest priority to strategic investments to realize sustainable growth for the purpose of maximizing corporate value but also enhance the efficiency of investment capital while focusing on capital cost, which will lead to medium-to-long-term increases in dividends and higher share prices.

We focus on consolidated performance and free cash flow in determining dividends and have set a dividend on equity ratio (DOE) of 2.5% or higher as one indicator that reflects our capital policy to ensure stable and consistent growth in shareholder returns over the long term.

Our policy with respect to share buybacks is to remain flexible and make such decisions based on the market environment.

2) Profit Distribution

	119th Business Term (1/1/2018 - 12/31/2018)	120th Business Term (1/1/2019 - 12/31/2019)	121st Business Term (1/1/2020 - 12/31/2020)	122nd Business Term (Current term) (1/1/2021 - 12/31/2021)	
Annual cash dividends per share (Yen)	45	60	40	50	(Plan)
Annual dividends (Millions of yen)	17,970	23,965	15,978	19,974	(Plan)
Consolidated payout ratio (%)	29.3	32.6	–	47.1	(Plan)
DOE (%)	4.1	5.1	3.3	3.9	(Plan)

Notes:

- Figures of each item for the 122nd Business Term (current term) are predicated on the approval of the First Item of Business (Dividends of Retained Earnings) as originally proposed at the ordinary general meeting of shareholders to be held on March 25, 2022.
- Consolidated payout ratio for the 121st Business Term is not shown because the amount of net profit (loss) attributable to owners of parent is negative.

(6) Issues to Address

1) Corporate Philosophy THE SHISEIDO PHILOSOPHY

Shiseido was founded in 1872, and we celebrate our 150th anniversary this year. Since the founding, we have strived to serve the interests of consumers and contribute to society through our expertise in beauty and health. In our quest to become the most trusted beauty company in the world and remain vital for the next 100 years and beyond, we articulated our new corporate philosophy, THE SHISEIDO PHILOSOPHY in 2019. For each and every member of the global Shiseido family, THE SHISEIDO PHILOSOPHY is at the heart of everything we do as we strive to Be a Global Winner with Our Heritage.

THE SHISEIDO PHILOSOPHY is built upon OUR MISSION, DNA and PRINCIPLES.

1. OUR MISSION defines our purpose.
2. OUR DNA embodies our unique heritage of over 140 years.
3. OUR PRINCIPLES serve as the working principles we live by.

THE SHISEIDO PHILOSOPHY



OUR MISSION

BEAUTY INNOVATIONS FOR A BETTER WORLD

In an ever-changing global environment, we must keep our fingers on the pulse to perceive and respond to people's profound need for betterment.

We strive to create a better world through beauty innovations. A world where people live in happiness, and beauty is limitless, loving and alive.

For details of THE SHISEIDO PHILOSOPHY, please refer to “ABOUT US > THE SHISEIDO PHILOSOPHY” on our corporate website (<https://corp.shiseido.com/en/company/philosophy/>).

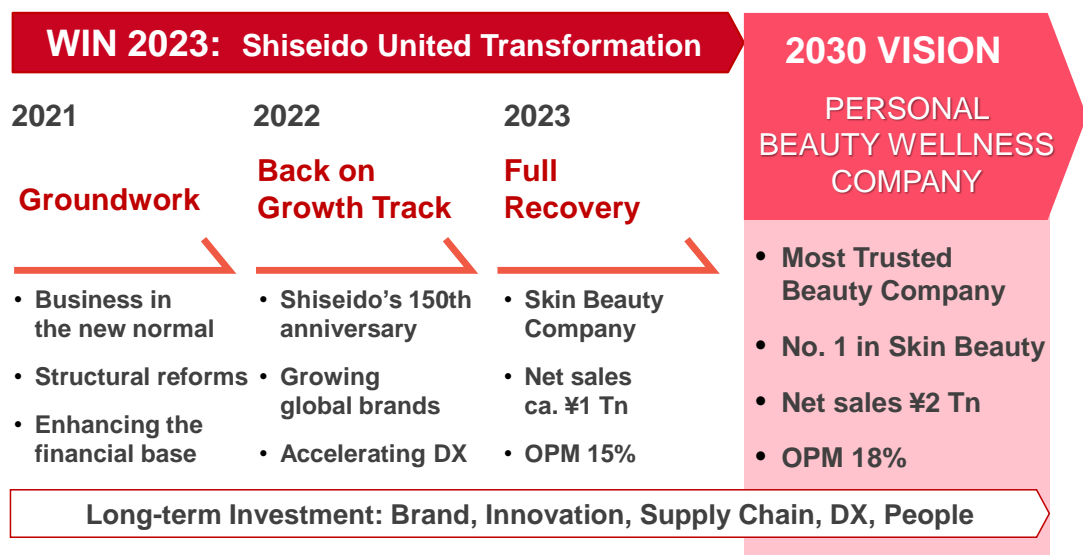
2) Medium-to-Long-Term Strategy “WIN 2023 and Beyond”

We are carrying out the medium-to-long-term strategy WIN 2023 and Beyond with the aim to become the world’s No. 1 company in this field by 2030 through a fundamental business transformation with skin beauty as our core business. In the midst of a rapidly changing external environment, we will shift our focus to profitability and cash flow to build a solid foundation as a “Skin Beauty Company” during the three-year period from 2021 to 2023.

Designating 2021 as a period of “Groundwork” under this strategy, we quickly restructured our business portfolio without delaying difficult decisions, while responding to the current COVID-19 market, to fully prepare for our return to growth in 2022 onward. The year 2022, which marks the 150th anniversary of the Company’s founding, has been positioned as the “Back on Growth Track” year for facilitating the growth of our global brands and accelerating and advancing our digital transformation (DX).

Furthermore, looking ahead to a “Full Recovery” in the year 2023 and subsequent growth, we will continue active investment to strengthen our brands, innovation, supply chain, DX, and people over the three years.

Roadmap for WIN 2023 and Beyond



3) Key Strategies in 2022: Back to Growth Through Global Transformation

Although the economic outlook remains uncertain due to the emergence of COVID-19 variants, we anticipate market recovery during 2022 with the exception of some regions. In this context, we focus on the following initiatives during 2022 in order to develop a flexible management structure for agile and appropriate response to market changes, as we aim to achieve net sales of approximately ¥1 trillion and operating profit margin of 15% in 2023 as envisioned in WIN 2023 and Beyond.

[Key Strategies in 2022]

- Grow skin beauty brands, explore M&A opportunities
- Americas, EMEA: step up profitability
- Japan, China: aim for full recovery in the second half
- China, Travel Retail: maintain growth momentum
- Accelerate Group-wide DX
- Continue global transformation, increase profitability and productivity
- Enhance long-term initiatives (ESG, Supply Network, R&D, “FOCUS,”* People)

* A Group-wide project that seeks to standardize data and optimize business processes by globally integrating systems across the Group, using cutting-edge technologies

Growing skin beauty brands

In 2021, we positioned the skin beauty area, which is our strength, as our core business and restructured our business portfolio to place our skin beauty brands centered on skincare at its core. In 2022, we will further expand our skin beauty brands by strengthening areas such as “inner beauty” that aims for healthy and beautiful skin through treatments not only for skin but also for the inner body, “aging care” that combines beauty device and skin science technologies, and “sustainable and clean” that are eco-friendly products, in addition to traditional skincare.

Specifically, we will enhance our existing core skincare brands (including those for sensitive skin) such as *SHISEIDO*, *Clé de Peau Beauté*, *IPSA*, *ELIXIR* and *d program* as well as the sun care brand *ANESSA* and the men’s category, while also enhancing skin beauty elements of the makeup brand *MAQuillage* through the launch of serum liquid foundation with skincare effects and other efforts.

In addition, we will facilitate the growth of our sustainable and clean brands *BAUM* and *Drunk Elephant* to actively meet the demand from consumers who value sustainability, which is expected to be an area of future growth.

Moreover, we will also expand the inner beauty area such as by launching a new ingestible beauty brand *INRYU* in January 2022 in Japan and also planning to launch in China, in addition to *The Collagen* brand which continues to evolve since its inception in 1996.

Through these initiatives, we will increase the composition ratio of skin beauty brands in the Group’s overall net sales to over 75% in 2022.



Skincare brand *BAUM*, whose theme is “The Power of Trees”



Drunk Elephant, the pioneer of the “clean” market



INRYU, a line of supplements that allows users to shine with an inner luster every day

Future strategies in the Japan Business

As we expect the Japanese market to recover in the latter half of 2022, we will work on restoring growth and improving profitability with an eye toward the recovery.

In order to restore growth, we will enhance the value of our prestige brands while offering attractive products from premium brands through innovative product development. In addition, we will develop more personalized customer relations that reflects the values of each and every customer by employing digital data and tools that have evolved through our advancement of DX. We will increase our loyal users through these efforts.

To improve profitability, we will endeavor to improve the COG ratio with a more favorable product mix by increasing not only the composition ratio of the skin beauty category, but also the composition ratio of key brands within the category. At the same time, we will seek to expand our profitability by increasing the ratio of e-commerce sales. In addition, we will maximize the return on marketing investments with thorough management and analysis, while improving profitability through reduction of cost of goods and logistics costs, reorganization of office locations to increase efficiency, and enhancement of employee productivity.

Future strategies in the China Business

We expect e-commerce and prestige brands to drive continued growth in China over the medium and long term, albeit a short-term impact of the COVID-19 pandemic such as lockdowns due to the spread of variants. With this in mind, we will place the top priority on investing in existing brands, and seek to achieve growth by developing new growth domains through expansion of the product lineup and categories of mainstay brands. As for brands we have newly introduced in 2021, we will work on developing operations that help such brands to optimize their unique positions. In addition, we will strive to expand our channels including additional online and offline channels, creating new points of contact with customers.

Furthermore, to improve sustainable profitability in line with growth, we will expand our in-house database to enable more personalized and close communication with individual customers. We will seek to increase social commerce* sales through an alliance with the Tencent group, the largest social media operator in China. In addition to increasing margins following stronger sales, we will improve our cost structure to reduce the ratio of fixed costs, such as by consolidating distribution centers, shifting the production of samples to local factories, and centralizing indirect procurement.

* An approach to promote product sales through a mix of social media and e-commerce.

Accelerating DX

We will carry out various initiatives to accelerate DX with the aim of transforming our business model to digitally driven approach, through Shiseido Interactive Beauty Company, Limited, which was established in 2021, as well as strategic partnerships entered into with technology companies.

As one of our specific initiatives, we will localize our virtual skin analysis program into multiple languages for a global rollout in order to increase engagement with a wide range of consumers and accumulate diverse skin data. Furthermore, we will actively make use of cutting-edge digital technology to enable more competent digital marketing. For NARS, we have fused immersive worldbuilding of the brand with innovative digital technology, co-creating a brand community in a world of video games and virtual space to conduct next-generation participative marketing.

Through these efforts, we will further raise the global e-commerce sales ratio, which has reached 34% in 2021.



NARS virtual store that uses metaverse*

* Three-dimensional virtual spaces built within computers and computer networks, and services and products that enable communication within those virtual spaces.

Reinforcing supply chain: increasing supply capacity and productivity

As we strive to ensure further growth into the future, it is crucial to establish a supply system that will remain stable over the medium to long term. In order to execute the medium-to-long-term business strategy to “improve profitability,” “focus on skin beauty,” and “rebuild business foundation,” we will further strengthen our in-house supply system and improve productivity with the commencement of operation at Fukuoka Kurume Factory in 2022, following Nasu Factory in 2019 and Osaka Ibaraki Factory in 2020.

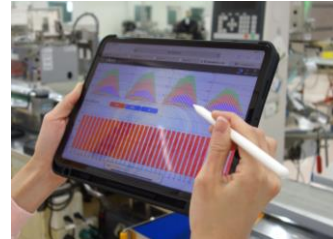
Osaka Ibaraki Factory, together with the adjoining West Japan Distribution Center, opened as a supply chain base for the production and distribution of prestige skincare products. We aim to improve work efficiency from production to transportation, and to reduce transportation costs and environmental burdens.

Fukuoka Kurume Factory, as a next-generation factory, will make use of cutting-edge technologies such as IoT and state-of-the-art facilities to achieve high productivity with fewer personnel than existing factories, while striving to become an eco-friendly factory that operates in harmony with the surrounding nature.

We will develop our production and supply systems so that we can swiftly and appropriately meet the increase in demand associated with the market recovery.



Fukuoka Kurume Factory
(scheduled to commence operation in May 2022).



DX for productivity improvement

Environment, society and governance (ESG)

To achieve long-term growth, we are prioritizing the enhancement of efforts related to the environment, diversity and inclusion, and corporate governance, and will integrate them as part of our management strategies.

As for our environmental efforts^{*1}, we will continue working on reducing CO₂ emissions, increasing the ratio of renewable energy, and reducing plastic waste to achieve our medium-term goals related to the environment.

In social aspects, we are further advancing diversity and inclusion with a particular focus on empowering women. The ratio of female leaders across the Group on a global basis has reached 58%^{*2}. Meanwhile, the ratio of female leaders within Japan is still at 37%^{*2}, and we will raise this ratio to 50% over the long term. Moreover, we will continue our programs to empower women outside the Group as well, such as by participating in 30% Club Japan and awarding the Shiseido Female Researcher Science Grant.

As for corporate governance, we will raise the ratio of external directors and female directors in the Board of Directors and increase its effectiveness and transparency.

*1 For details, please refer to “6) Initiatives to create social value” on pages 26-31.

*2: As of February 2022 (preliminary data)

Diverse global leadership team

The Company believes that a strong leadership team and high organizational capabilities are crucial to Be a Global Winner with Our Heritage.

The Company abolished the corporate executive officer system in January 2022 and fully transitioned into a management system centering on executive officers. Executive officers bear responsibility as CXOs for the key duties and roles in each business area required from the Group-wide management perspective. The Company will appoint a diverse range of people from within and outside the Group worldwide beyond the boundaries of gender, nationality, age, etc., assigning positions more appropriately than ever before and further advance diversity management.

4) **Project Phoenix, a Group-wide bottom-up project for Shiseido's future**

We launched Project Phoenix in November 2021 to achieve a global recovery and growth of the cosmetics business, our core business. Project Phoenix is a bottom-up project in which each and every employee involved in the cosmetics business presents bold ideas for growth and development. Under the leadership of Region CEOs in each region, we are collecting diverse opinions and ideas from each workplace.



To solidify our path to become the world's No. 1 skin beauty company by 2030 as envisioned in WIN 2023 and Beyond, our employees take the lead in identifying issues and exploring and proposing improvements from a wide variety of perspectives such as branding, product development, innovation, sustainability, digital technology, supply chain, human resources and organizational structures. Suggestions collected through this process will be reflected in our management strategies, so that we can foster a greater sense of solidarity across the Group as we aim to Be a Global Winner with Our Heritage.

5) **Shareholder returns and commemorative dividend for the 150th anniversary of founding**

Our total shareholder return policy emphasizes maximizing returns to shareholders through direct means, in addition to generating medium- and long-term share price gains. Focusing on free cash flow, we will achieve long-term stable and continuous returns with dividend on equity (DOE) of 2.5% or higher. For detailed dividend policy, please refer to “(5) Capital Policy” on page 20.

In addition, we intend to distribute a commemorative dividend for the 150th anniversary of the Company's founding, as a token of appreciation to all stakeholders including shareholders for their long-term support and of determination to further develop the business in the future.

For dividend forecast for the fiscal year ending December 31, 2022 (commemorative dividend for the 150th anniversary of founding), please refer to the below relevant news release posted on our corporate website.

<https://bit.ly/358Jedu> (short URL)



6) **Initiatives to create social value**

Sustainability promotion system

We are promoting sustainability across the Group through our brand and regional businesses.

In 2021, the Sustainability Committee, a dedicated meeting aimed at ensuring timely decision-making and a Group-wide implementation of sustainability-related efforts, held meetings as needed. The committee discusses Group-wide sustainability initiatives, to decide strategies, policies, and activity plans such as disclosures based on TCFD recommendations and human rights-related actions, and to monitor progress of medium- and long-term goals. The committee consists of the Representative Directors and executive officers in charge of corporate strategy, R&D, supply network, public relations, and brand holders, and each member engages in lively discussions with the perspectives of their respective expert domains. Moreover, the Executive Committee and the Board of Directors are consulted when resolutions on particularly important matters related to business execution are required, so they can also deliberate on the matters.

We annually publish a Sustainability Report for our global stakeholders, disclosing our medium- to long-term goals and progress of our sustainability actions through our core business.

[Medium-term goals related to environment]

Item	Target	Achievement period
CO ₂ emissions	Carbon-neutral ^{*1}	2026
Water	Water consumption reduced by 40% (compared to 2014) ^{*2}	2026
Waste	Zero landfill ^{*3}	2022
Packaging	100% sustainable packaging ^{*4}	2025
Palm oil	Sustainable palm oil (RSPO MB certified or higher) usage at 100%	2026
Paper	Sustainable paper (such as certified paper and recycled paper) usage at 100% ^{*5}	2023

*1: At all business facilities of Shiseido

*2: At all business facilities of Shiseido, on usage intensity by net sales

*3: Limited to factories owned by Shiseido

*4: For selling products with plastics packaging

*5: In products

Accelerating our response to climate change with greenhouse gas emissions reduction targets

Given the significant impact of climate change on our business growth and sustainability of our society, we announced our support for TCFD in 2019, and disclosed the results of our analysis on qualitative risks and opportunities in 2020.

In 2021, we developed a methodology to quantitatively analyze impacts of climate change on our businesses. We have compiled the analysis results regarding the risks and opportunities resulting from the transition towards a decarbonized society, and the physical risks and opportunities brought by changing environmental conditions following climate change scenarios of 1.5°C and 4°C, respectively, and made a disclosure along with key actions to be taken in response.

In order to mitigate climate-related risks, we have disclosed our targets of becoming carbon neutral (Scope 1+2) by 2026. In this manner, we are actively seeking out ways to create opportunities for reducing CO₂ emissions and innovations across our value chain, while our targets for reducing greenhouse gas (GHG) emissions have been accredited under the Science Based Targets initiative (SBTi).^{*1} We have also joined RE100^{*2}, the global environmental initiative that brings businesses together who are committed to shift to 100% renewable electricity in their business activities, in order to promote the use of renewable energy.

*1: Science Based Targets initiative (SBTi): An international initiative promoting the setting of science-based GHG emissions reduction targets by companies to meet the goals of the Paris Agreement. The initiative is operated by the partnership of CDP (an international NGO for the disclosure of environmental information), World Wildlife Fund (WWF), World Resources Institute (WRI), and the United Nations Global Compact (UNGC).

*2: RE100: An international initiative bringing together the world's most influential companies committed to 100% renewable electricity. Led by the Climate Group and in partnership with CDP, their mission is to accelerate change towards zero carbon grids on an international scale.

Promote development of environmentally-friendly packages

Given CO₂ emissions and marine plastic waste are imminent environmental issues that require global solutions, we are enhancing our efforts to address these issues such as by developing sustainable packaging. We support the concept of a circular economy and have established our goal to achieve 100% sustainable packaging^{*1} by 2025. In order to reduce our environmental footprint, we will advance our efforts throughout the product lifecycle based on our 5Rs (Respect, Reduce, Reuse, Recycle, Replace) policy on product packaging.

In 2021, we carried out various initiatives on environmentally friendly containers and packaging. Our programs included not only reduction of plastic usage, but also global promotion of refillable containers to facilitate reuse of product containers; launch of products on Loop^{*2}, a package reuse platform; use of mono material containers suitable for recycling; use of containers made with sugarcane-derived polyethylene that produces less CO₂ emissions than oil-derived

polyethylene. In addition, joint development with KANEKA CORPORATION allowed for the application of Kaneka Biodegradable Polymer Green Planet™^{*3}, a material expected to have excellent biodegradability, to cosmetic containers. Furthermore, we are carrying out an initiative to make a shift of sales promotion materials from plastic-based to paper-based through a coalition of four household goods and cosmetics companies^{*4}.

In addition, we are working with retail stores and industry peers to collect and recycle empty used containers from our customers so that we can reuse them as resources.

In this manner, we aim to develop containers that contribute to solving environmental issues along with achieving good usability and beautiful design, through our unique technologies and innovations through collaborations outside the company.

- *1: For selling products with plastics packaging
- *2: Loop is a circular shopping platform created by Terracycle (USA) that replaces single-use disposable packaging with durable, reusable packaging. Loop is currently available in the UK, France, Canada and the USA, and was also launched in Japan in 2021.
- *3: Kaneka Biodegradable Polymer Green Planet™: 100% plant-derived biopolymer originally developed by KANEKA CORPORATION, expected to have excellent biodegradability in a wide range of environments such as sea and soil.
- *4: Shiseido Japan Co., Ltd., Fine Today Shiseido Co., Ltd., Unicharm Corporation, and Lion Corporation



©Fujiko-Pro, Shogakukan, TV-Asahi, Shin-ei, and ADK
 “Doraemon” watches over in *ELIXIR*’s global sustainability campaign (program to introduce refillable containers)



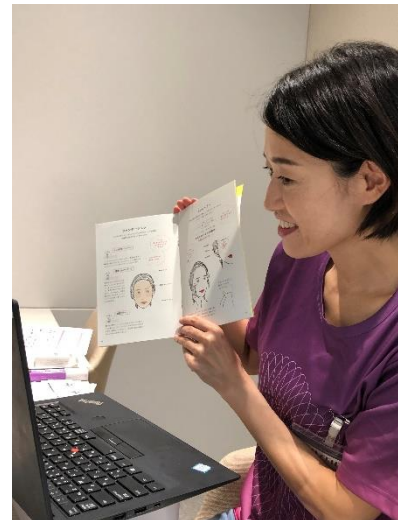
SHISEIDO AquaGel Lip Palette made from Kaneka Biodegradable Polymer Green Planet™

Received an Award for Excellence at the Japan Mécénat Awards 2021 for social contribution activities through makeup

At the Japan Mécénat Awards 2021 sponsored by the Association for Corporate Support of the Arts, we received an Award for Excellence for the LAVENDER RING MAKEUP & PHOTOS WITH SMILES project to support cancer patients. We started this project in 2017 to help cancer patients express their will to stay true to themselves and break free from cancer through the power of makeup. We will maintain our sincere approach in tackling social issues, and provide support for those with similar concerns by further strengthening our ties with other companies, organizations, hospitals and schools, while making use of our management resources as well as knowledge and experience gained through our core business.



Received an Award for Excellence at the Japan Mécénat Awards 2021



Our employee providing online counseling pro bono

Enhancing heritage training to leverage our 150-year history for the future

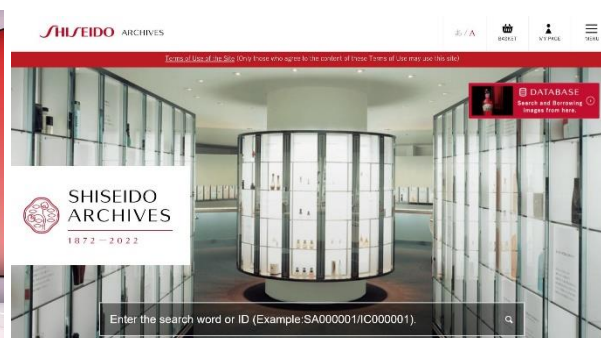
Shiseido’s heritage, accumulated over the 150 years since its founding, is our strength. To sustain future innovation with this strength and knowledge, we are enhancing our heritage training for employees.

We held a lecture entitled BEYOND OUR HISTORY for sales staff and beauty consultants in Japan. The lecture conveyed our history from founding to the recent years and thoughts and ideas of our predecessors who built our backbone along with some memorable episodes, directly reaching over 2,000 employees online and offline. We also produced and distributed video contents based on the lecture, so that even more employees can learn the Shiseido spirit that has been passed on since its founding. As a global initiative, we created SHISEIDO ARCHIVES, a database of materials and information collected and maintained by the Shiseido Corporate Museum now available on our intranet for employees across the world. Roughly 130,000 entries have now been published in the archives, and we will accelerate the employee use of archives by further increasing the amount of available data and enhancing its functions in the future. For brand holders and R&D divisions which engage in the development of our value, we have created special programs for experiencing ART & SCIENCE, an integral part of Shiseido’s DNA. By appreciating contemporary art and heritage infused with Shiseido’s aesthetics, our employees draw inspiration for creating unique new value.

Through these activities, we aim to inspire each and every employee with Shiseido’s heritage, so that they will create unique value not found elsewhere.



Video content for heritage training of employees



SHISEIDO ARCHIVES, a database of materials and information on our history, available for employees across the world

Shiseido Health Declaration and Shiseido Vision Zero Declaration (Safety Declaration)

We believe Shiseido’s mission is to solve social issues and create a sustainable society that bring happiness to people through our core beauty business itself. To achieve this mission, we have formulated the Shiseido Health Declaration and Shiseido Vision Zero Declaration (Safety Declaration).

Shiseido Health Declaration

We promote initiatives for employees and their families
to live beautifully and healthily
based on our perception that beauty and health are sources of vitality.

Promotion System
The officer in charge of human resources acts as the Health Management Representative (Chief Wellness Officer), and the People Division Wellness Support Group, and Shiseido Health Insurance Society collaborate to take the initiative to maintain and promote employee health.

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    graph TD
      EF[Employees/Families] <--> EO[Employees in charge of each office  
(Shiseido, Shiseido Japan, affiliated companies)]
      EO <--> ODMR[Officers/Department Manager/  
Responsible persons]
      EO <--> PD[People Division/  
Shiseido Health Insurance Society]
      ODMR <--> PD
      ODMR <--> HMR[Health Management Representative  
(Chief Wellness Officer)]
      PD <--> HMR
  
```

Shiseido Vision Zero Declaration (Safety Declaration)

We develop a work environment in which all people working for the Shiseido Group can stay safe and healthy, and advocate our vision of achieving zero accidents that require time off from work.

Promotion System
The officer in charge of human resources acts as the Safety Management Representative, taking the lead in initiatives to promote a safe and healthy work environment, and to maintain and promote the health of all people working for the Shiseido Group.

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    graph TD
      BD[Board of Directors] --> EC[Executive Committee]
      EC --> OSHM[Occupational Safety and Health Management  
System Committee]
      OSHM --> FDC[Factories/  
Distribution centers  
Safety and Health Committee]
      OSHM --> RDI[R&D  
Institutes  
Safety and Health Committee]
      OSHM --> SSS[Stores/  
Sales staff  
Safety and Health Committee]
      OSHM --> OFF[Offices  
Safety and Health Committee]
  
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Selected as a sustainability-focused brand and included in sustainability indices

The Company was selected as a “Nadeshiko Brand” in fiscal 2020 by Japan’s Ministry of Economy, Trade and Industry and Tokyo Stock Exchange. The Nadeshiko Brand designation was launched to publicize outstanding listed companies that are successfully encouraging women to play active roles in the workplace, which in turn attracts investors focused on medium- and long-term growth of corporate value. The program aims to accelerate efforts of listed companies on empowering women by prompting investors to take greater interest in these progressive companies.

In addition, the Company has been included in the Dow Jones Sustainability World Index, a representative global stock index for sustainability investment, and the Dow Jones Sustainability Asia Pacific Index, which targets companies in the Asia Pacific region. The Dow Jones Sustainability Indices analyze and evaluate performance of the world’s companies in terms of economic, environmental, and social criteria, and select leaders in sustainability. They are

considered among the most influential indices for investment decisions focused on corporate social responsibility.

We will further increase our corporate value and strive to realize a sustainable society where everyone can enjoy a lifetime of happiness by continuously working on efforts to address gender issues, environmental issues, and other various social issues through our core beauty business.



Through these activities the Company is continuing efforts to remain vital for the next 100 years, upholding its vision to “Be a Global Winner with Our Heritage.” We ask our shareholders for your continued unwavering support.

1.2 Outline of the Shiseido Group (As of December 31, 2021)

(1) Principal Businesses of the Shiseido Group

Segment	Principal Business
Japan Business	Cosmetics business in Japan (sale of cosmetics and cosmetic accessories, etc.) and Healthcare business in Japan (sale of health & beauty foods and over-the-counter drugs), etc.
China Business	Cosmetics business in China (production and sale of cosmetics and cosmetic accessories), etc.
Asia Pacific Business	Cosmetics business in Asia and Oceania excluding Japan and China (production and sale of cosmetics, and cosmetic accessories), etc.
Americas Business	Cosmetics business in the Americas (production and sale of cosmetics and cosmetic accessories), etc.
EMEA Business	Cosmetics business in Europe, Middle East and Africa (production and sale of cosmetics and cosmetic accessories), etc.
Travel Retail Business	Cosmetics business in worldwide duty-free stores (sale of cosmetics and cosmetic accessories), etc.
Professional Business	Sale of beauty salon products in Japan, China and the rest of Asia, etc.
Other	Cosmetics business (sale of cosmetics and cosmetic accessories), Manufacturing business and Restaurant business, etc.

(2) Major Business Hubs

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

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

Factories:

Name	Location
Shiseido Kakegawa Factory	Kakegawa-shi, Shizuoka Pref.
Shiseido Osaka Factory	Higashi-Yodogawa-ku, Osaka-shi, Osaka Pref.
Shiseido Kuki Factory	Kuki-shi, Saitama Pref.
Shiseido Nasu Factory	Ohtawara-shi, Tochigi Pref.
Shiseido Osaka Ibaraki Factory	Ibaraki-shi, Osaka Pref.
Shiseido Vietnam Inc.	Bien Hoa, Dong Nai Province, Vietnam
Shiseido Cosmetics Manufacturing Co., Ltd.	Shanghai, China
Shiseido Liyuan Cosmetics Co., Ltd.	Beijing, China
Taiwan Shiseido Co., Ltd. Hsinchu Factory	Hsinchu County, Taiwan
Shiseido America, Inc. East Windsor Factory	East Windsor, New Jersey, U.S.A.
Shiseido International France S.A.S. Unité du Val de Loire	Ormes, Loiret, France
Shiseido International France S.A.S. Unité de Gien	Gien, Loiret, France

Laboratories:

Name	Location
Shiseido Global Innovation Center	Nishi-ku, Yokohama-shi, Kanagawa Pref.
Shiseido Cell-Processing & Expansion Center	Chuo-ku, Kobe-shi, Hyogo Pref.
Shiseido China Research Center Co., Ltd. (China Innovation Center)	Beijing, China
Shiseido China Research Center Co., Ltd., Shanghai Branch	Shanghai, China
Shiseido China Innovation Center Shanghai Fengxian Branch	Shanghai, China
Shiseido Asia Pacific Innovation Center	Singapore
Shiseido Americas Innovation Center	East Windsor, New Jersey, U.S.A.
Shiseido Europe Innovation Center	Ormes, Loiret, France

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

Company Name	Location	Paid-in Capital	Ownership Percentage of Voting Rights	Principal Business
Shiseido Japan Co., Ltd.	Chuo-ku, Tokyo	(million JPY) 100	% 100.0	Sale of cosmetics, etc.
FT Shiseido Co., Ltd.	Chuo-ku, Tokyo	(million JPY) 100	100.0	Sale of personal care products (Note 2)
Shiseido Pharmaceutical Co., Ltd.	Chuo-ku, Tokyo	(million JPY) 100	100.0	Sale of over-the-counter drugs, etc.
Shiseido International Inc.	Chuo-ku, Tokyo	(million JPY) 30	100.0	Sale of cosmetics, etc.
Shiseido FITIT Co., Ltd.	Chuo-ku, Tokyo	(million JPY) 10	100.0	Sale of cosmetics, etc.
Shiseido China Co., Ltd.	Shanghai, China	(thousand CNY) 565,093	100.0	Holding company and sale of cosmetics, etc. in China
Shiseido Hong Kong Ltd.	Hong Kong, China	(thousand HKD) 123,000	100.0	Sale of cosmetics, etc.
Shiseido Liyuan Cosmetics Co., Ltd.	Beijing, China	(thousand CNY) 94,300	32.0 (65.0)	Production and sale of cosmetics, etc.
Taiwan Shiseido Co., Ltd.	Taipei, Taiwan	(thousand TWD) 1,154,588	51.0	Holding company and production and sale of cosmetics, etc. in Taiwan
Shiseido Asia Pacific Pte. Ltd.	Singapore	(thousand SGD) 49,713	100.0	Holding company and sale of cosmetics, etc. in Asia Pacific region
Shiseido Americas Corporation	Delaware, U.S.A.	(thousand USD) 403,070	100.0	Holding company and sale of cosmetics, etc. in Americas
Shiseido America, Inc.	New York, U.S.A.	(thousand USD) 28,000	— (100.0)	Production of cosmetics, etc.
Beauté Prestige International S.A.	Paris, France	(thousand EUR) 32,937	— (100.0)	Sale of cosmetics, etc.
Shiseido Italy S.p.A.	Milan, Italy	(thousand EUR) 5,036	— (100.0)	Sale of cosmetics, etc.

Company Name	Location	Paid-in Capital	Ownership Percentage of Voting Rights	Principal Business
Shiseido Germany GmbH	Düsseldorf, Germany	(thousand EUR) 8,700	— (100.0)	Sale of cosmetics, etc.
Shiseido (RUS), LLC.	Moscow, Russia	(thousand RUB) 106,200	— (100.0)	Sale of cosmetics, etc.
Shiseido International France S.A.S.	Paris, France	(thousand EUR) 36,295	— (100.0)	Production of cosmetics, etc.
Shiseido Europe S.A.	Paris, France	(thousand EUR) 257,032	100.0	Holding company in Europe
Shiseido Travel Retail Asia Pacific Pte. Ltd.	Singapore	(thousand USD) 48	— (100.0)	Sale of cosmetics, etc.
Shiseido Professional Co., Ltd.	Chuo-ku, Tokyo	(million JPY) 250	100.0	Sale of beauty salon products, etc.
Shiseido Beauty Salon Co., Ltd.	Chuo-ku, Tokyo	(million JPY) 100	100.0	Operation of beauty salons
IPSA Co., Ltd.	Minato-ku, Tokyo	(million JPY) 100	100.0	Sale of cosmetics, etc.
Shiseido Parlour Co., Ltd.	Chuo-ku, Tokyo	(million JPY) 100	99.3	Operation of restaurants, etc.
The Ginza Co., Ltd.	Chuo-ku, Tokyo	(million JPY) 100	98.1	Sale of cosmetics, etc.
Shiseido Cosmetics Manufacturing Co., Ltd.,	Shanghai, China	(thousand CNY) 418,271	26.2 (92.6)	Production of cosmetics, etc.
Shiseido Vietnam Inc.	Dong Nai Province, Vietnam	(million VND) 1,061,993	100.0	Production of cosmetics, etc.
Selan Anonymous Association	Chiyoda-ku, Tokyo	(million JPY) 11,600	— [100.0]	Management of real estate, etc.

Notes:

1. Figures in parentheses () in the Ownership Percentage of Voting Rights column include the share of indirect ownership. Those in brackets [] indicate the share of related or approved parties.
2. FT Shiseido Co., Ltd., which had engaged in sales of personal care products, transferred its assets and liabilities associated with the Personal Care business to Fine Today Shiseido Co., Ltd. through a company split on July 1, 2021.

(4) Matters Concerning Employees of the Group

Business Segment	Number of Employees		Comparison with the Corresponding Period of the Previous Fiscal Year	
Japan Business	11,198	[3,428]	-655	[-827]
China Business	7,816	[94]	-514	[-8]
Asia Pacific Business	3,061	[303]	-173	[-50]
Americas Business	2,099	[28]	-1,006	[-11]
EMEA Business	2,719	[307]	-940	[-98]
Travel Retail Business	544	[13]	-86	[+1]
Professional Business	596	[23]	-50	[-6]
Corporate staff	7,285	[2,417]	-293	[+96]
Total	35,318	[6,613]	-3,717	[-903]

Notes:

1. The number of employees shown is the number of full-time employees. The annual average number of temporary employees is shown in []. Temporary employees refer to contract employees and part-time workers and excludes dispatched employees.
2. As a revision of the reportable segment classification method was carried out, and partial changes to the aggregation method were made, the numbers of employees after these changes are shown above for the fiscal year ended December 31, 2021, and corresponding period of the previous fiscal year.
3. The ratio of female employees in the Shiseido Group worldwide is 82.2%, while in Japan the ratio is 81.4%.

(5) Main Suppliers of Loans to the Group

Lender	Outstanding Balance
Mizuho Bank, Ltd.	57,483 million JPY

2. Matters Concerning Shares Issued by the Company (As of December 31, 2021)

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

1,200,000,000 shares

(2) Number of Shares Issued and Outstanding:

400,000,000 shares (including 506,767 shares of treasury stock)

(3) Number of Shareholders:

57,874

(4) Principal Shareholders:

Shareholders	Investment in the Company	
	Number of Shares Held	Percentage of Shareholding
The Master Trust Bank of Japan, Ltd. (Trust Account)	(thousand shares) 77,672	% 19.44 <19.41>
Custody Bank of Japan, Ltd. (Trust Account)	23,531	5.89 <5.88>
THE BANK OF NEW YORK 134104	7,905	1.97 <1.97>
Mizuho Trust & Banking Co., Ltd. re-trusted to Custody Bank of Japan, Ltd. Employees Pension Trust for Mizuho Bank	7,000	1.75 <1.75>
JP MORGAN CHASE BANK 385632	6,928	1.73 <1.73>
BNYM TREATY DTT 15	6,777	1.69 <1.69>
SSBTC CLIENT OMNIBUS ACCOUNT	6,715	1.68 <1.67>
STATE STREET BANK WEST CLIENT-TREATY 505234	6,576	1.64 <1.64>
Nippon Life Insurance Company	5,615	1.40 <1.40>
JP MORGAN CHASE BANK 385781	5,134	1.28 <1.28>

Notes:

- Calculations of percentage of shareholding, including below Notes are based on the total number of issued and outstanding shares excluding treasury stock. Calculations of percentage of shareholding indicated in < > are based on the total number of issued and outstanding shares including treasury stock.
- All shares held by The Master Trust Bank of Japan, Ltd. (Trust Account) and Custody Bank of Japan, Ltd. (Trust Account) are in connection with the respective bank's trust business.
- A report of amendment to large shareholdings from BlackRock Japan Co., Ltd. has been filed with the Director-General of the Kanto Finance Bureau. The report said 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%) were held by BlackRock Japan Co., Ltd., 5,962 thousand shares (1.49%) were held by BlackRock Advisers, LLC, and 5,791 thousand shares (1.44%) were held by BlackRock Institutional Trust Company, N.A.
However, BlackRock Japan Co., Ltd. has been excluded from the above principal shareholders, as the actual number of shares held by the above three companies had not been confirmed by the Company as of the end of the fiscal year.
- A report of amendment to large shareholdings from Nomura Asset Management Co., Ltd., that on October 22, 2020, it held 23,411 thousand shares (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 principal shareholders, as the actual number of shares held by said company had not been confirmed by the Company as of the end of the fiscal year.
- A report of amendment to large shareholdings from Mitsubishi UFJ Financial Group, Inc. that on July 8, 2021, it held 33,076 thousand shares through joint holdings (Percentage of shareholding: 8.27%), of which 22,332 thousand shares (5.59%) and 5,720 thousand shares (1.43%) are held by Mitsubishi UFJ Trust and Banking Corporation and Mitsubishi UFJ Kokusai Asset Management Co., Ltd., respectively, has been filed with the Director-General of the Kanto Finance Bureau.
However, Mitsubishi UFJ Financial Group, Inc. has been excluded from the above principal shareholders, as the actual number of shares held by the above two companies had not been confirmed by the Company as of the end of the fiscal year.

6. A report of amendment to large shareholdings from Mizuho Bank, Ltd., that on November 8, 2021, it held 23,155 thousand shares through joint holdings (Percentage of shareholding: 5.79%), of which 13,140 thousand shares (3.28%) are held by Asset Management One Co., Ltd., has been filed with the Director-General of the Kanto Finance Bureau.

However, Mizuho Bank, Ltd. has been excluded from the above principal shareholders, as the actual number of shares held by said company had not been confirmed by the Company as of the end of the fiscal year.

7. A report of amendment to large shareholdings from Sumitomo Mitsui Trust Bank, Limited, that on November 19, 2021, it held 26,920 thousand shares through joint holdings (Percentage of shareholding: 6.73%), of which 16,006 thousand shares (4.00%) and 10,914 thousand shares (2.73%) 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.

However, Sumitomo Mitsui Trust Bank, Limited has been excluded from the above principal shareholders, as the actual number of shares held by the above two companies had not been confirmed by the Company as of the end of the fiscal year.

(5) Shares Issued to Directors and Audit & Supervisory Board Members of the Company in Consideration of Execution of Duties in the Fiscal Year Ended December 31, 2021:

No shares were issued to directors and audit & supervisory board members of the Company in consideration of duties executed in the fiscal year ended December 31, 2021.

Shares delivered during the fiscal year ended December 31, 2021 based on the exercise of stock option rights issued as long-term incentive-type remuneration to directors in the fiscal year ended December 31, 2020 are as follows.

	Number of Shares	Number of Eligible Persons
Directors (excluding External Directors)	400	1
Other (retired directors)	5,300	2

Notes:

1. An outline of the long-term incentive-type remuneration (stock compensation-type stock options) that the Company had provided up to and through fiscal 2018 is posted as an Internet disclosure item relating to a business report on our corporate information website: INVESTORS / General Meeting of Shareholders (<https://corp.shiseido.com/en/ir/shareholder/>)
2. No stock acquisition rights are allotted to external directors and audit & supervisory board members.

3. Matters Concerning Shares Held by the Company (As of December 31, 2021)

(1) The Company's Policy with Regard to Reduction of Strategic Shareholdings:

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

- The Company holds the minimum amount of shareholdings necessary, only when it determines that such shareholdings would contribute to its sustainable growth and medium- to long-term improvement of corporate value.
- The Company periodically checks its individual shareholdings to see whether or not such shares are being held for the intended purpose and whether or not benefits associated with their ownership are commensurate with the associated cost of capital. The Board of Directors then verifies the appropriateness of maintaining ownership of such holdings and discloses circumstances attributable to any reduction of holdings.
- If the Company receives a request for sale from a company that holds the Company's shares as strategic shareholdings, the Company should neither prevent the sale nor imply that it would reduce transactions with the holding company.

During fiscal 2021, of listed companies' shares of strategic shareholdings, the Company sold all of its holdings in two stocks and part of its holdings in one stock, consequently holding three stocks as of December 31, 2021. Furthermore, of unlisted companies' shares of strategic shareholdings, the Company also sold all of its holdings in 16 stocks, and additionally removed three stocks,

consequently holding 23 stocks as of December 31, 2021. Included in these unlisted companies' shares are those of investee companies of Shiseido Venture Partners, a specialized in-house organization that makes investments in new ventures that develop and operate innovative businesses that are expected to create new value through innovation with our company, and those held under investment projects in response to societal and cultural demand.

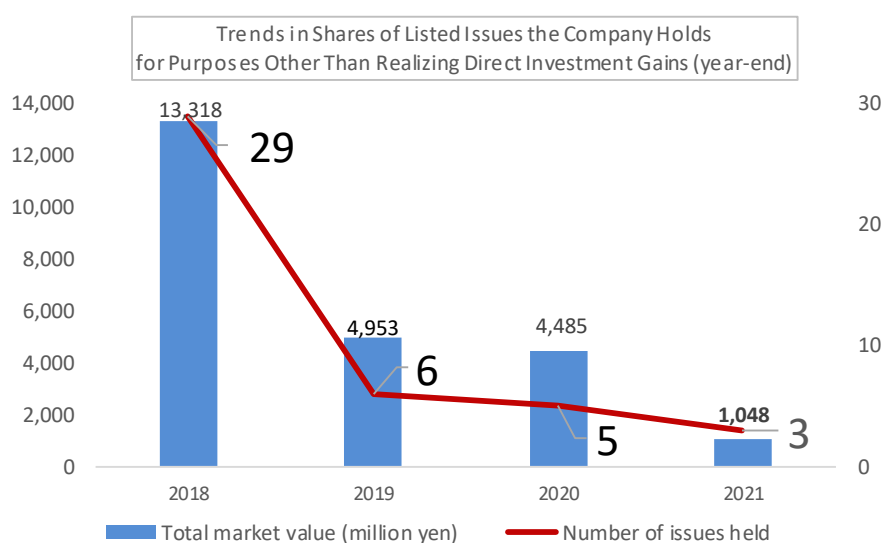
(2) The Company's Criteria for Exercising Voting Rights with Regard to Strategic Shareholdings:

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

If the Company wishes to confirm the intent of an item of business, etc., it will discuss the matter with the investee company in accordance with the purport of Japan's Stewardship Code and Japan's Corporate Governance Code.

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

Number of Issues	Amount on Balance Sheet
26 (of which 3 are listed issues)	(million yen) 1,482 (of which 1,048 million yen accounts for listed issues)



(4) Complete List of Shareholdings of Publicly Listed Companies Which the Company Holds for Purposes Other Than Realizing Direct Investment Gains (Including Publicly Listed Companies of Which Amounts Reported on the Balance Sheet Exceed One Percent of Capital):

Company	FY2021		FY2020		Purpose of holding, quantitative holding effects, and reasons for increase in the number of shares	Holding of the Company's shares																			
	Number of Shares (thousand shares)	Amount on Balance Sheet (million yen)	Number of Shares (thousand shares)	Amount on Balance Sheet (million yen)																					
AEON CO., LTD.	203		203		The Company makes transactions of product sales with subsidiaries of this company. In order to maintain and strengthen the favorable business relationship with this company, the Company holds its shares in accordance with "The Company's Policy with Regard to Reduction of Strategic Shareholdings." While quantitative holding effects are not stated from the viewpoint of business information management and other related factors, the Company determines as at the end of the fiscal year that there is reasonability of holdings based on the policy and verification as described above.	Yes																			
	550		688				PLANET, INC.	300		300		The Company makes use, etc. of product distribution systems that this company provides. In order to maintain and strengthen the favorable business relationship with this company, the Company holds its shares in accordance with "The Company's Policy with Regard to Reduction of Strategic Shareholdings." While quantitative holding effects are not stated from the viewpoint of business information management and other related factors, the Company determines as at the end of the fiscal year that there is reasonability of holdings based on the policy and verification as described above.	No	438		437		Zeria Pharmaceutical Co., Ltd.	30		90		The Company makes such transactions as outsourcing manufacturing of products with this company. In order to maintain and strengthen the favorable business relationship with this company, the Company holds its shares in accordance with "The Company's Policy with Regard to Reduction of Strategic Shareholdings." While quantitative holding effects are not stated from the viewpoint of business information management and other related factors, the Company determines as at the end of the fiscal year that there is reasonability of holdings based on the policy and verification as described above.	Yes	58
PLANET, INC.	300		300		The Company makes use, etc. of product distribution systems that this company provides. In order to maintain and strengthen the favorable business relationship with this company, the Company holds its shares in accordance with "The Company's Policy with Regard to Reduction of Strategic Shareholdings." While quantitative holding effects are not stated from the viewpoint of business information management and other related factors, the Company determines as at the end of the fiscal year that there is reasonability of holdings based on the policy and verification as described above.	No																			
	438		437				Zeria Pharmaceutical Co., Ltd.	30		90		The Company makes such transactions as outsourcing manufacturing of products with this company. In order to maintain and strengthen the favorable business relationship with this company, the Company holds its shares in accordance with "The Company's Policy with Regard to Reduction of Strategic Shareholdings." While quantitative holding effects are not stated from the viewpoint of business information management and other related factors, the Company determines as at the end of the fiscal year that there is reasonability of holdings based on the policy and verification as described above.	Yes	58		171									
Zeria Pharmaceutical Co., Ltd.	30		90		The Company makes such transactions as outsourcing manufacturing of products with this company. In order to maintain and strengthen the favorable business relationship with this company, the Company holds its shares in accordance with "The Company's Policy with Regard to Reduction of Strategic Shareholdings." While quantitative holding effects are not stated from the viewpoint of business information management and other related factors, the Company determines as at the end of the fiscal year that there is reasonability of holdings based on the policy and verification as described above.	Yes																			
	58		171																						

Notes:

1. The Company does not hold shares for the purpose of realizing direct investment gains.
2. No company listed above, the amounts reported on the balance sheet exceed one percent of the amount of capital of the Company.

4. Matters Concerning Stock Acquisition Rights (As of December 31, 2021)

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

Total number of shares that are the object of all stock acquisition rights issued as of December 31, 2021 and the percentage thereof to the total number of shares issued and outstanding as of the same date, excluding treasury stock are as follows:

Total Number of Shares that are the Object of Stock Acquisition Rights	Percentage of Total Number of Shares Issued and Outstanding (Excluding Treasury Stock)
Shares	%
319,500	0.08

These stock acquisition rights were granted as stock options in order to link remuneration of the directors and corporate officers, etc. of the Company with an increase in its shareholder value on a long-term basis, while placing emphasis on their sharing interests with shareholders. All stock options are stock compensation-type stock options whose amount payable is set at ¥1 when exercising stock acquisition rights as one type of performance-linked remuneration for the remuneration system for directors and corporate officers since fiscal 2008.

The Company revised the directors and corporate officers remuneration policy in fiscal 2015, and implemented the revised procedure to increase or decrease the number of the stock compensation-type stock options as long-term incentive-type remuneration to be allotted by using the performance indicators for annual bonus after approval of the maximum number to be allotted at the general meeting of shareholders and the business performance for the business year relevant to the remuneration is fixed.

In fiscal 2019, the Company introduced performance share units, which are a type of performance-linked stock remuneration as a new long-term incentive (LTI).

The status of stock acquisition rights issued in the past fiscal years is posted as a statutory disclosure item relating to the business report on our corporate information website: INVESTORS / General Meeting of Shareholders (<https://corp.shiseido.com/en/ir/shareholder/>).

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

■ Stock Acquisition Rights Issued as a Consideration for the Execution of Duties as of December 31, 2021

Issue Date of Stock Acquisition Rights	Grantees of Stock Acquisition Rights	Amount Paid for Stock Acquisition Rights	Amount Contributed upon Exercise of Stock Acquisition Rights	Exercise Period of Stock Acquisition Rights	As of December 31, 2021	
					Holding Condition and Number of the Stock Acquisition Rights	Class and Number of Shares to Be Issued Upon Exercise of Stock Acquisition Rights
August 30, 2011	Directors and corporate officers of the Company 17 persons	1,294 yen	1 yen per share	From August 1, 2014 to July 31, 2026	Others 3 persons 116 rights	Common stock of the Company 11,600 shares
August 30, 2012	Directors and corporate officers of the Company 19 persons	1,001 yen	1 yen per share	From August 1, 2015 to July 31, 2027	Others 7 persons 353 rights	Common stock of the Company 35,300 shares
August 29, 2013	Directors and corporate officers of the Company 16 persons	1,434 yen	1 yen per share	From August 1, 2016 to July 31, 2028	Others 7 persons 306 rights	Common stock of the Company 30,600 shares
August 28, 2014	Directors, corporate officers, etc. of the Company 18 persons	1,898.5 yen	1 yen per share	From August 1, 2017 to July 31, 2029	Others 8 persons 366 rights	Common stock of the Company 36,600 shares
March 30, 2016	Directors, corporate officers, etc. of the Company 18 persons	2,515.5 yen	1 yen per share	From September 1, 2018 to February 28, 2031	Directors of the Company (excluding external directors) 1 person 149 rights	Common stock of the Company 14,900 shares
					Corporate officers who do not serve as director of the Company 1 person 47 rights	Common stock of the Company 4,700 shares
					Others 6 persons 181 rights	Common stock of the Company 18,100 shares

Issue Date of Stock Acquisition Rights	Grantees of Stock Acquisition Rights	Amount Paid for Stock Acquisition Rights	Amount Contributed upon Exercise of Stock Acquisition Rights	Exercise Period of Stock Acquisition Rights	As of December 31, 2021	
					Holding Condition and Number of the Stock Acquisition Rights	Class and Number of Shares to Be Issued Upon Exercise of Stock Acquisition Rights
March 30, 2017	Directors, corporate officers, etc. of the Company 24 persons	2,990 yen	1 yen per share	From September 1, 2019 to February 29, 2032	Directors of the Company (excluding external directors) 1 person 260 rights	Common stock of the Company 26,000 shares
					Corporate officers who do not serve as director of the Company 3 persons 115 rights	Common stock of the Company 11,500 shares
					Directors and corporate officers of wholly-owned subsidiaries of the Company (excluding directors and corporate officers of the Company) 1 person 31 rights	Common stock of the Company 3,100 shares
					Others 16 persons 481 rights	Common stock of the Company 48,100 shares
March 28, 2018	Directors, corporate officers, etc. of the Company 21 persons	6,615 yen	1 yen per share	From September 1, 2020 to February 28, 2033	Directors of the Company (excluding external directors) 2 persons 303 rights	Common stock of the Company 30,300 shares
					Corporate officers who do not serve as director of the Company 3 persons 63 rights	Common stock of the Company 6,300 shares
					Directors and corporate officers of wholly-owned subsidiaries of the Company (excluding directors and corporate officers of the Company) 1 person 18 rights	Common stock of the Company 1,800 shares
					Others 13 persons 241 rights	Common stock of the Company 24,100 shares

Issue Date of Stock Acquisition Rights	Grantees of Stock Acquisition Rights	Amount Paid for Stock Acquisition Rights	Amount Contributed upon Exercise of Stock Acquisition Rights	Exercise Period of Stock Acquisition Rights	As of December 31, 2021	
					Holding Condition and Number of the Stock Acquisition Rights	Class and Number of Shares to Be Issued Upon Exercise of Stock Acquisition Rights
March 27, 2019	Directors, corporate officers, etc. of the Company 18 persons	7,864 yen	1 yen per share	From September 1, 2021 to February 28, 2034	Directors of the Company (excluding external directors) 2 persons 73 rights	Common stock of the Company 7,300 shares
					Corporate officers who do not serve as director of the Company 4 persons 25 rights	Common stock of the Company 2,500 shares
					Directors and corporate officers of wholly-owned subsidiaries of the Company (excluding directors and corporate officers of the Company) 1 person 6 rights	Common stock of the Company 600 shares
					Others 10 persons 61 rights	Common stock of the Company 6,100 shares

Note: The number of allotted stock acquisition rights and allotted persons in the past fiscal years and class and number of shares to be issued upon exercise of the stock acquisition rights are shown under “Holding Condition and Number of the Stock Acquisition Rights” and “Class and Number of Shares to Be Issued Upon Exercise of Stock Acquisition Rights” as of December 31, 2021.

There were no stock acquisition rights issued during fiscal 2021.

■ **Overview of Long-Term Incentive-Type Remuneration Plan (Stock Compensation-Type Stock Options) up to Fiscal 2018**

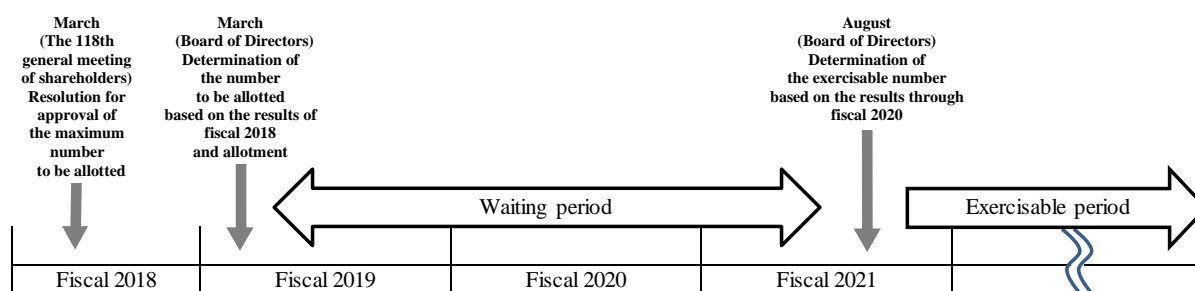
Of the stock compensation-type stock options which had been introduced as long-term incentive-type remuneration of the performance-linked remuneration since fiscal 2008, for those from fiscal 2016 to fiscal 2018, the Company imposed terms and conditions regarding performance on stock compensation-type stock options on two occasions: when the stock acquisition rights are allotted as stock options, and when the exercise period of the stock acquisition rights allotted starts.

When actually allotting the stock acquisition rights after obtaining approval for the maximum number of stock acquisition rights to be allotted at the general meeting of shareholders, the Company increased or decreased the number of stock acquisition rights to be granted ranging from zero to the maximum number by using performance indicators for the annual bonus for the immediately preceding fiscal year. In addition, a mechanism was introduced whereupon the stock acquisition right exercise period starts, the exercisable number of stock acquisition rights may be determined according to the consolidated performance and other track records up to the immediately preceding fiscal year in the range of 30% to 100% of the allotted number, and thereby strengthened stock acquisition rights to function as an incentive for improving medium- to long-term business performance and for achieving targets.

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

<p>When stock acquisition rights are allotted</p> <ul style="list-style-type: none"> • Use the same indicators as used in calculating the annual bonus to each officer. Indicators to be used are consolidated business performance (consolidated net sales, consolidated operating profit and net profit attributable to owners of parent), evaluation of performance of business of which respective directors or corporate officers are in charge, and personal evaluation. • Determine the number of stock acquisition rights to be allotted through deliberation by the evaluation working group. <p>When the exercise period of the stock acquisition rights allotted starts</p> <ul style="list-style-type: none"> • Calculate the growth rate of operating profit by comparing the operating profit for the fiscal years preceding and following the fiscal year in which the stock acquisition rights allotment date is included. • Calculate the growth rates of operating profit for the same fiscal years as above of companies such as Kao Corporation (Japan), L'Oréal S.A. (France) and Estee Lauder Companies Inc. (USA), which are leading cosmetic companies in Japan and overseas and have been designated in advance as comparable companies. • Based on comparison of the growth rates of operating profit between the Company and comparable companies, determine the number of stock acquisition rights allotted to each director or corporate officer that are exercisable.
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Schedule of allotment and exercise of long-term incentive-type remuneration



■ **Determination of the Exercisable Percentage of Long-Term Incentive-Type Remuneration (Stock Options) for Fiscal 2018**

In August 2021, in accordance with the above stock option scheme, the Company determined the exercisable number of the stock acquisition rights of the former long-term incentive-type remuneration (stock options) for fiscal 2018 granted to directors excluding external directors in March 2019, based on comparison of the growth rate of the Company's operating profit with that of comparable companies for the relevant fiscal years, as follows. The eligible directors are three directors of the Company as of fiscal 2018 and are different from directors in fiscal 2021.

Performance Evaluation Indicator	Evaluation Period	Fluctuation Range of Payment Percentage	Vesting Conditions	Determined Exercisable Rate Reflecting Actual Performance Ranking
Comparison of the growth rate of consolidated operating profit between the Company and 11 leading cosmetic companies in Japan and overseas during the evaluation period	Fiscal 2018– Fiscal 2020	30%–100%	Ranking of the growth rate of consolidated operating profit and exercisable rate commensurate with the ranking	30%

Note: Leading cosmetic companies in Japan and overseas include Kao Corporation (Japan), L'Oréal S.A. (France) and Estee Lauder Companies Inc. (USA), etc.

5. Matters Concerning Status of Corporate Governance and Directors, Audit & Supervisory Board Members and Executive Officers of the Company (As of December 31, 2021)

(1) Corporate Governance Policy

The Shiseido Group including the Company has established BEAUTY INNOVATIONS FOR A BETTER WORLD as OUR MISSION in its Corporate Philosophy, 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.

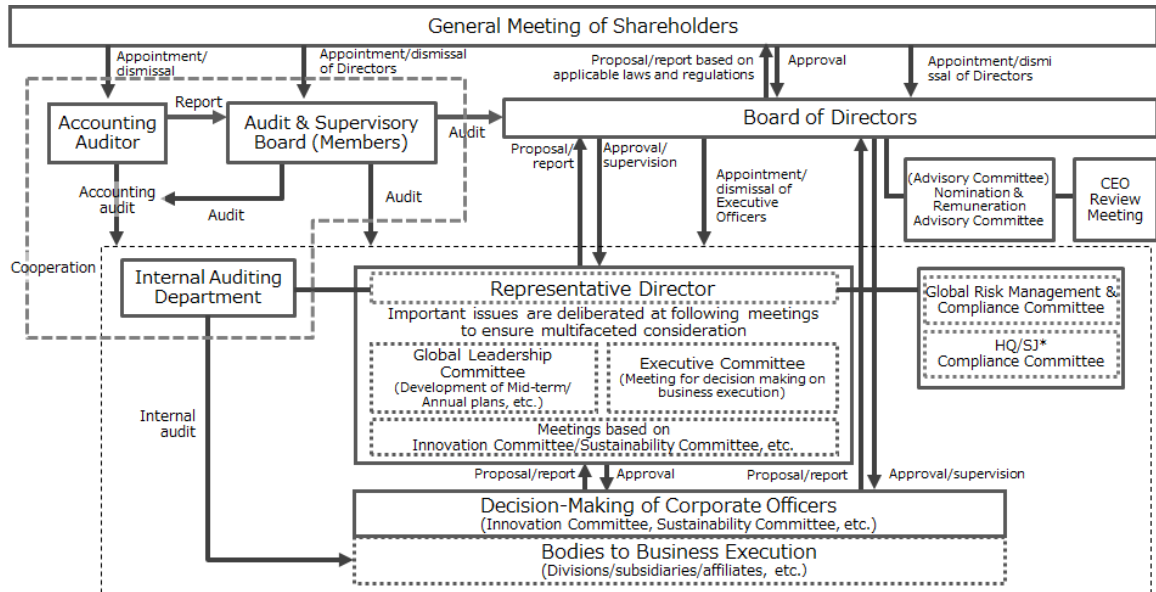
■ Progress of Shiseido’s Corporate Governance Policy

<p>Clarifying the allocation of responsibility</p>	<p>2001 Introduced the corporate executive officer system 2001 Introduced 1-year term for directors 2006 Set upper term limit per position 2006 Formulated rules governing demotions of corporate officers 2006 Lowered upper age limit per position for holding office 2017 Abolished the Counselor/Advisor system 2019 Formulated regulations regarding the appointment and dismissal of corporate officers, directors and audit & supervisory board members 2022 Abolished the corporate officer system and completely shifted to the executive officer management system</p>	<p>Enhancing management transparency and soundness</p>	<p>2001 Established the Remuneration Advisory Committee 2005 Established the Nomination Advisory Committee 2021 Integrated the Remuneration Advisory Committee and the Nomination Advisory Committee into the Nomination & Remuneration Advisory Committee</p>
<p>Reinforcing supervisory and auditing functions</p>	<p>2005 Increased number of external audit & supervisory board members from 2 to 3 2006 Invited external directors 2011 Increased number of external directors from 2 to 3 2012 Established criteria for independence 2015 Developed views on the ratio of external directors (establishing the target of electing half or more of the directors from outside) 2016 Increased number of external directors from 3 to 4</p>	<p>Strengthening decision-making function</p>	<p>2001 Established Corporate Executive Officer Committee (currently Executive Committee) and Policy Meeting of Corporate Officers 2002 Reduced number of directors</p>

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

1) Corporate Governance Framework of the Company

Corporate governance framework of the Company as of December 31, 2021 is as follows.



* For definitions of HQ and SJ in the name of the HQ/SJ Compliance Committee in the above diagram, please refer to the description of the activities of the HQ/SJ Compliance Committee on page 48.

<Details of Activities of Voluntarily Established Organizations Relating to the Execution of Business and Corporate Governance>

Nomination & Remuneration Advisory Committee:

Makes reports to the Board of Directors on matters including the selection of candidates for directors and executive officers and their promotion and demotion, the remuneration policy for directors, audit & supervisory board members and executive officers as well as the details of remuneration payment based on the evaluation of their performance. In fiscal 2021, 10 meetings were held. The committee discussed bonuses for directors and corporate officers for fiscal 2020, as well as the remuneration policy for directors and corporate officers, and remuneration for said individuals for fiscal 2021, and discussed and reported the selection of candidates for directors and audit & supervisory board members, appointments of executive officers, etc.

CEO Review Meeting:

Established as a deliberation body of the Nomination & Remuneration Advisory Committee, for the appointment of the President and CEO and the evaluation of his remuneration. The body's activities, etc. are described on page 76 in "Framework to ensure objectivity, fairness and transparency of evaluation that serves as a basis of calculation for remuneration." In fiscal 2021, one meeting was held.

Executive Committee:

A meeting body that is responsible for deliberation over particularly important matters from various viewpoints prior to decision-making by the President and CEO. The committee met at least once a month in fiscal 2021.

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 2021, 11 meetings were held.

Global Risk Management & Compliance Committee:

Accurately grasps global and local social changes as well as the current situation within the Shiseido Group and correspondingly identifies management risk factors, and discusses a priority of material risks and countermeasures against those risks as well as the actual status and countermeasures of ethics and compliance in regions across the globe. Because it was impractical to make international travel arrangements to Japan given the spread of COVID-19, in 2021, the secretariat for the Committee conducted exchanges of opinions individually with each member (executive officers and Region CEOs) in lieu of holding meetings in person, and promoted the Entire-group Risk Management (ERM), which includes identifying material risks of the Shiseido Group and implementing countermeasures.

HQ/SJ Compliance Committee:

Grasps the current situation of ethics, compliance and incidents and measures at the Shiseido Group companies located in Japan, including the Company (HQ) and Shiseido Japan Co., Ltd. (SJ). In fiscal 2021, two meetings were held.

2) Reasons for Adopting the Current Framework

The Company has adopted the framework of a company with the audit & supervisory board system, which exercises the dual checking functions whereby business execution is supervised by the Board of Directors and audited for legality and appropriateness 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 corporate governance within the framework, the Company has incorporated superior functions of a company with a nominating committee, etc. and a company with an audit and supervisory committee, reinforcing supervisory functions of the Board of Directors.

Based on a matrix-type organizational system with brand business categories and six regions combined, which was launched by the Shiseido Group, 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 regarding 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.

3) 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 expertise, 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 expertise 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 transitions.

4) 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.

In the Company's Articles of Incorporation, the maximum number of directors is set at 12. Respecting this upper limit and in consideration of the Company's business portfolio and scale, an optimum number of directors are 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.

5) Criteria for Independence of External Directors and Audit & Supervisory Board Members

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 the candidate has a high degree of the independence in accordance with the Criteria.

The overview of the Criteria is as follows. The full text of the Criteria including specific numerical values is posted as items voluntarily disclosed relating to business report on our corporate information website: INVESTORS / General Meeting of Shareholders (<https://corp.shiseido.com/en/ir/shareholder/>).

■ **Overview of Criteria for Independence of External Directors and Audit & Supervisory Board Members**

- i They are not originally from Shiseido Co., Ltd. (the “Company”) or an affiliated company (collectively the “Shiseido Group”);
- ii They are not a principal counterparty of the Shiseido Group or originally therefrom;
- iii They are not a person whose principal counterparty is the Shiseido Group or originally therefrom;
- iv They are not a large shareholder of the Company or originally therefrom;
- v They are not an executive of a company whose large shareholder is the Shiseido Group or originally therefrom;
- vi They are not a lawyer, consultant or the like receiving a large sum of remuneration from the Shiseido Group;
- vii They are not a person receiving a large amount of donation from the Shiseido Group or originally therefrom;
- viii They are not an accounting auditor of the Company or originally therefrom;
- ix They have no one falling under i to viii above among their close relatives;
- x They do not belong to any company, etc. where such person is in a state of “cross-assumption of Offices of Directors, etc.” with the Company;
- xi They are not in any other circumstances in which duties imposed on an independent External Director and Audit & Supervisory Board Member are reasonably deemed not to be achieved.

6) Actual Composition of Directors and Audit & Supervisory Board Members

Of seven directors who are currently in office as of December 31, 2021, three directors (42.8%) 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, one with career background in head of finance outside the Shiseido Group, and two with career background in the Shiseido Group. The directors include two females (28.5%).

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 12 directors and audit & supervisory board members, six members (50.0%) are highly independent external directors or external audit & supervisory board members, and five members are female (41.6%).

7) Succession for President and CEO

The Company considers that the selection of succession candidates for the President and CEO and the development of the succession plan requires the cooperation of the incumbent and the

Nomination & Remuneration Advisory Committee. The President and CEO and the Nomination & Remuneration Advisory Committee formulate the succession plan based on the Company's business environment upon sufficient discussions regarding the qualities required of a President and CEO from a medium- to-long-term perspective and policies for the selection of a successor and his or her training, etc. The progress of the formulated succession plan is regularly reported to the Nomination & Remuneration Advisory Committee, which monitors its status of implementation. Regarding selection of specific candidates for the President and CEO, the Nomination & Remuneration Advisory Committee receives full reports from the President and CEO on the specific nomination for successor from various perspectives. The Nomination & Remuneration Advisory Committee members themselves meet and exchange opinions with candidates, evaluating them from an independent perspective as well as the Company's management issues. Since the Nomination & Remuneration Advisory Committee performs certain important functions of the Board of Directors, the Board 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 their selection process, prior to reporting its opinion. The Board of Directors accords this report the utmost respect in passing a resolution regarding the selection.

8) Succession and Training for Directors, Audit & Supervisory Board Members and Executive Officers

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 that in addition to appointing personnel having credentials required to serve as directors, audit & supervisory board members and executive 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 & supervisory board members with training on legal and statutory authorities and obligations, etc. 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.

Furthermore, 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.

(3) Systems for Internal Control

The Company resolved to establish “Basic Policy regarding Internal Control Systems” at the Board of Directors meeting on May 12, 2006 in order to build a highly effective internal control system and operates the internal control system prepared in accordance with the policy, making revisions as necessary. In fiscal 2021, the Company implemented and monitored the internal control system based on the basic policy revised by the resolution of the Board of Directors held on December 26, 2019, reflecting the corporate philosophy “THE SHISEIDO PHILOSOPHY” and others.

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

“Basic Policy Regarding Internal Control Systems” of the Company and the Group 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 members.

The Company has defined THE SHISEIDO PHILOSOPHY, shared across the Group and built upon three elements: OUR MISSION, which determines our purpose, OUR DNA, which embodies our unique heritage of over 140 years, and OUR PRINCIPLES (TRUST 8), which is a mindset to be shared by each and every Shiseido Group employee in their work. THE SHISEIDO PHILOSOPHY, together with the Shiseido Group Standards of Business Conduct and Ethics, which set out action standards for business conduct with the highest ethical principles, promote corporate activities that are both legitimate and fair. (*)

The Company shall establish a basic policy and rules in line with the Shiseido Group Standards of Business Conduct and Ethics, with which the whole Shiseido Group is required to comply. Every Group company and business site shall be fully aware of this policy and rules, along with THE SHISEIDO PHILOSOPHY and the Shiseido Group 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 site.

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 corporate quality improvement by enhancing legitimate and fair corporate activities of the Group and risk management. The Committee shall propose and report important matters and the status of their progress 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 of the Group and risk management at each Group company and business site, plans and promotes regular training and educational activities on corporate ethics, and responds to incidents and manages risks. The department in charge of risk management and the Committee that oversees compliance and risk management will share information regularly with the persons in charge deployed within each Group company and business site.

For the purpose of detection and remediation of types of conduct within the Group that are in violation of laws, the Articles of Incorporation, and internal regulations of the Shiseido Group, the Company shall set up, 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 in charge 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.

*** Basic Policy on Exclusion of Anti-Social Forces and Its Implementation Status**

The Shiseido Group Standards of Business Conduct and Ethics declare 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 is established in the department in charge of risk management for the purpose of intensively collecting information, while a manual on how to cope with such forces is maintained on the intranet, among other activities. The Company is strengthening its collection of outside information and cooperation with outside organizations by such means as coordinating with local police offices and having membership in an organization that promotes the exclusion of anti-social forces.

(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 realize 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 executive 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. Corporate executive officers shall fix specified targets in the assigned fields, including all Group companies, and set up a business system by which the targets shall efficiently be achieved.

Furthermore, with respect to the execution of important business, the relevant meeting for decision-making on business execution, consisting of executive officers, shall deliberate the business execution from various viewpoints.

The Board of Directors and the relevant meeting for decision-making on business execution shall confirm the status of progress versus the target and implement necessary improvement measures.

(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 of relevant meetings for decision-making on business execution shall be managed pursuant to laws and regulations, 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) Regulations Regarding Control of Risk for Loss at the Company and All Group Companies and Other Regulation Systems

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, which 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, the seriousness of 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 to Be Performed Efficiently

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 Audit Department upon request of audit & supervisory board members. In addition, audit & supervisory board members shall be ensured to attend various meetings.

2) Overview of Operation Status of System to Ensure That Execution of Duties by Directors Is in Compliance with Laws and Regulations and the Articles of Incorporation of the Company; System to Ensure That Business of the Group Is Duly Conducted

The Company continues improving and operating the internal control system in accordance with the abovementioned Basic Policy and operated the system in fiscal 2021 as described below. Overall status of maintenance and operation of the internal control system at the Company and its subsidiaries are included in the scope of the audit by the Audit & Supervisory Board (members) and monitored by the internal audit division.

(1) System to Ensure That Execution of Duties by Directors and Employees of the Company and All Group Companies Is in Compliance with Laws and Regulations and the Articles of Incorporation of the Company; System to Ensure the Appropriateness of Business of the Whole Group

- In March 2021, the Company checked the status of training in various regions around the world during 2020 regarding the “Compliance Rules Regarding Prevention of Bribery” (revised in August 2021) and the “Compliance Rules Regarding Prevention of Cartels” (established in April 2011), which are detailed rules of the corporate standards of business conduct and ethics. The Company plans to collect responses on the status of training during 2021 by March 31, 2022.
- In fiscal 2022, the Company will revise the standards of business conduct and ethics to strengthen its ethical foundation into one that is apt for a truly global beauty wellness company. By preparing the document in 16 languages and enhancing its visuals, the Company will seek to make it easy to understand and reference for its employees.
- Because it was impractical to make international travel arrangements to Japan given the spread of COVID-19, in 2021, the secretariat for the Global Risk Management & Compliance Committee conducted exchanges of opinions individually with each member of the Committee (executive officers and Region CEOs) in lieu of holding meetings in person and promoted the Entire-group Risk Management (ERM), which includes identifying material risks of the Shiseido Group and implementing countermeasures.
- Reports were given at the Board of Directors meetings mainly on responses to COVID-19 and incidents. In Japan, the HQ/SJ Compliance Committee was convened in May and December to discuss issues and actions mainly on disciplinary cases and the Consultation Office cases in the Japan region.
- Programs to instill the “Shiseido Group Standards of Business Conduct and Ethics” were carried out in training for new graduate hires and mid-career hires, as well as in e-learning sessions for all employees. Whistleblowing reports were accepted at the Global Hotline directly managed by the headquarters (HQ) and hotline systems managed by each region. The hotline in the Japan region has three contact points, the Compliance Committee Hotline, the Consultation Office, and the Shiseido External Hotline, to establish the function of a whistleblower contact point.
- In accordance with the “Audit Division Operation Manual (including the “Regulations for Internal Audits”),” the Company verified the status of establishment and operation of internal control in the overall Shiseido Group, from the perspectives of effectiveness and efficiency of business operations, reliability of financial reports and compliance with relevant laws, regulations, and internal rules, as well as safeguarding company assets. At the same time, the Company assessed the appropriateness and effectiveness of risk management and provided advice and suggestions for its improvement. The results of internal audits are reported monthly to the Representative Director, President and CEO, the Chief Financial Officer, and full-time audit & supervisory board members, and annually to the Board of Directors.

<Measures for exclusion of anti-social forces>

To exclude anti-social forces, the Company made the preliminary screening of suppliers with new transactions more thorough by revising the operation so that it is tied to the new expense settlement system introduced in 2020. Since December 2017, the Company has introduced a preliminary screening system for new customers of the cosmetics business, and it continues to promote the system. The Company is a member of two organizations promoting the exclusion of anti-social forces including the Special Violence Prevention Measures Association for the Jurisdiction of the Metropolitan Police Department (Tokubouren), and two employees in charge of related efforts conducted information gathering through seminars and so forth and strive to coordinate with local police departments.

(2) System to Ensure That the Duties of Directors of the Company and All Group Companies Are Executed Efficiently

- In an aim to clarify the allocation of responsibilities within management and to expedite the decision-making through delegation of authority, the Company adopted a corporate executive officer system in 2001. In addition, the Company is proceeding with appropriate delegation of authority, such as by allowing the President and CEO, the head of the executive management team, to make decisions on matters related to business execution other than those stipulated in the Regulation on the Board of Directors following deliberations by relevant bodies such as the Executive Committee and the Global Leadership Committee.
- Under the medium-term business plan WIN 2023 and Beyond, which was commenced in 2021, the Company introduced a new management system of executive officers that allows delegating full business execution responsibility, in order to accelerate the structural transformation and reforms of the global business with the aim of further enhancing profitability.
- Executive officers have each established their decision-making process within their respective area in charge, and they periodically reported on the annual plans and the status of progress thereof to the Board of Directors and other meeting bodies.
- The Company decided to abolish the corporate executive officer system and fully transition into the executive officer system in January 2022. The Company will seek to promote diverse human resources from within and outside the Group on a global basis and more actively assign the right people to the right places, irrespective of their gender, nationality, age, etc.

(3) System for Retention and Management of Information Regarding Execution of Duties by the Company's Directors; System for Reporting Items Regarding Execution of Duties by Directors and Employees of All Group Companies to the Company

- The minutes of the Board of Directors meetings are prepared by the Legal and Governance Department and retained permanently, longer than the statutory retention period of 10 years. To make allowance for requests to view the minutes as part of the execution of shareholders' rights, the minutes are stored by the IR Department (the department responsible for dealing with shareholders). Minutes of important meetings related to the execution of the Executive Committee, etc. are prepared by the Corporate Strategy Department and the department retains the minutes for 10 years or permanently depending on the meeting body. With regard to protection of information assets, the Company has developed and implemented the "Information System Usage Regulation," "Information Asset Handling Regulation," "Confidential Information Controlling Regulation," "Privacy Rules," "Personal Information Protection Regulation" and "Specific Personal Information Handling Regulation" under "the Shiseido Group Information Security Management Policy." Furthermore, with regard to information disclosure, the Company has developed and implemented the "Internal Regulation on Internal Information Management and Regulations on Transactions of Internal Personnel (for Directors, Audit & Supervisory Board Members, Executive Officers, and Employees)." In addition, the Company has created and implemented a "System for the Process for Disclosing Facts of Decisions Made and Financial Results" and a "System for the Process for Disclosing Facts of Actual Events." With regard to important reports from every group company, the Company has arranged for executive officers in charge of respective group company to report at the Executive Committee or the Board of Directors in compliance with the Regulation on the Board of Directors, as well as the Regulation on the Corporate Officers and the like.
- In light of the full transition into the executive officer system, at the Board of Directors meeting on November 30, 2021, the Company resolved to revise the relevant internal regulations, including those described in 1), effective January 1, 2022.

(4) Regulations and Systems Regarding Control of Risk for Loss at the Company and All Group Companies

- To minimize the risk for loss, the HQ (headquarters) taskforce established in fiscal 2020 continued to address the pressing issue of COVID-19 pandemic in coordination with each region. Ordinary meetings were held once a week from January to October and once every two weeks from November to December, sharing the latest situation and making decisions on responses (held 45 times between January and December 2021 for a total of 100 meetings since its establishment). Newsletters were distributed on an ongoing basis (three editions published in fiscal 2021) to provide helpful information to risk managers across the world. In July, risk managers, appointed for the purpose of enhancing the support system for response operations to assist with incident control conducted by divisions and business sites in the Japan region where incidents have occurred, were reappointed at 32 divisions of the Company and Shiseido Japan Co., Ltd., 15 domestic affiliate companies, and one affiliate accounted for under the equity method (FT), in light of the organizational restructuring. In addition, follow-up drills were conducted in July and September for the members of the Osaka emergency taskforce, which will be set up to replace the HQ emergency taskforce if an earthquake centered directly under Tokyo occurs.

(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 Company has established the Audit & Supervisory Board Staff Group in the Internal Audit Department directly supervised by Representative Director, President and CEO, to assist duties of Audit & Supervisory Board and its members and has assigned three employees who assist Audit & Supervisory Board and audit & supervisory board members concurrently. The employees assist with gathering information and preparing materials needed for the audit & supervisory board members' audits and carry out secretariat duties for the Audit & Supervisory Board. In addition, in order to secure the independence of the employees from the directors, etc. and to secure the effectiveness of directions of audit & supervisory board members, decisions on matters relating to appointment, relocation, evaluation and other personnel related matters regarding the employees are made by the director of Internal Audit Department, following consent of a full-time audit & supervisory board member.

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

- In addition to legally mandated attendance at Board of Directors meetings, the Company ensures that the full-time audit & supervisory board members are offered opportunities to attend other important meetings for business execution, such as the meetings of the Executive Committee, and the Global Risk Management & Compliance Committee and the HQ/SJ Compliance Committee meetings, as observers. Through these meetings, reports and information are provided to the other audit & supervisory board members. In addition, upon request from audit & supervisory board members, these committees provide materials and information.
- In Japan, the Company worked to ensure all employees are familiar with the Audit & Supervisory Board Member Hotline by providing information as part of the training for new graduate hires and mid-career hires offered at the time of joining the Company, training for employees newly appointed to managerial positions, and e-learning training for all employees on harassment held by the HQ, along with information on other consultation contact points and hotlines. The Company will also include an email address for reporting to Audit & Supervisory Board Members in the standards of business conduct and ethics scheduled to be released in February 2022, so that employees in all regions will be fully aware of the system.

(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

- The Company budgets sufficient expenses based on the annual activity plan at the beginning of every business year. The Company has established a rule that in cases where the disbursement exceeds the budgeted amount and an extra expense is needed, a request for an additional amount may be made.

(8) Other Systems to Ensure That Audits by Audit & Supervisory Board Members Are Performed Effectively

- The representative directors and audit & supervisory board members hold opinion exchange meetings as needed, and the external directors and audit & supervisory board members also hold information sharing meetings as needed. In addition, the accounting auditor and audit & supervisory board members hold opinion exchange meetings as needed, and also hold meetings on reporting accounting auditor's audit results on a quarterly basis. Of these quarterly meetings, the external directors also attended the meetings twice a year, at the end of the first half and at the end of the fiscal year, to promote sharing of information. Full-time audit and supervisory board members receive reports monthly on the internal audits conducted by the Internal Audit Department, and receive audit result reports of each domain regularly from the Quality Management Department, the Information Security Department, the Risk Management Department, which are functional departments, and the Audit Group of the Business Management Department of Shiseido Japan Co., Ltd. In addition, "three-party audit liaison meetings" are held on a quarterly basis to enable audit & supervisory board members, the accounting auditor, and the Internal Audit Department to share audit information. Furthermore, the full-time audit & supervisory board members also attend important meetings held by the executive division, such as Board of Directors and Executive Committee meetings, to check on the content of deliberations.

3) Framework for Confirmation of Transactions with Related Parties

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

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

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

(As of December 31, 2021)

Position	Name	Responsibilities at the Company
Representative Director Executive Officer ^{*1} President and CEO	Masahiko Uotani	Chair of the Board Member of the Nomination & Remuneration Advisory Committee Chair of Global Risk Management & Compliance Committee
Representative Director Executive Officer ^{*1} Senior Executive Officer	Yukari Suzuki	Chief Brand Officer, <i>Clé de Peau Beauté</i> , <i>IPSA</i> , <i>THE GINZA</i> and <i>BAUM</i> Member of Global Risk Management & Compliance Committee Chair of HQ/SJ Compliance Committee
Director Executive Officer ^{*1} Senior Executive Officer	Norio Tadakawa	Japan Region CEO Representative Director, President and CEO, Shiseido Japan Co., Ltd. Member of Global Risk Management & Compliance Committee Member of HQ/SJ Compliance Committee
Director Executive Officer ^{*1}	Takayuki Yokota	CFO Member of Global Risk Management & Compliance Committee Member of HQ/SJ Compliance Committee
External Director <Independent>	Yoshiaki Fujimori	Member of Nomination & Remuneration Advisory Committee
External Director <Independent>	Shinsaku Iwahara	Chair of Nomination & Remuneration Advisory Committee ^{*2}
External Director <Independent>	Kanoko Oishi	Member of Nomination & Remuneration Advisory Committee
Audit & Supervisory Board Member (Full-time)	Takeshi Yoshida	Observer of Global Risk Management & Compliance Committee Observer of HQ/SJ Compliance Committee
Audit & Supervisory Board Member (Full-time)	Akiko Uno	Observer of Global Risk Management & Compliance Committee Observer of HQ/SJ Compliance Committee
External Audit & Supervisory Board Member <Independent>	Yasuko Gotoh	—
External Audit & Supervisory Board Member <Independent>	Ritsuko Nonomiya	—
External Audit & Supervisory Board Member <Independent>	Hiroshi Ozu	—

(As of January 1, 2022)

Position	Name	Responsibilities at the Company
Representative Director Executive Officer President and CEO	Masahiko Uotani	Chair of the Board Member of the Nomination & Remuneration Advisory Committee Chair of Global Risk Management & Compliance Committee
Representative Director Executive Officer Senior Executive Officer	Yukari Suzuki	Chief Marketing Officer Chief D&I Officer Member of Global Risk Management & Compliance Committee Chair of HQ/SJ Compliance Committee
Director Executive Officer Senior Executive Officer	Norio Tadakawa	Japan Region CEO Representative Director, President and CEO, Shiseido Japan Co., Ltd. Member of Global Risk Management & Compliance Committee Member of HQ/SJ Compliance Committee
Director Executive Officer	Takayuki Yokota	Chief Financial Officer Member of Global Risk Management & Compliance Committee Member of HQ/SJ Compliance Committee
External Director <Independent>	Yoshiaki Fujimori	Member of Nomination & Remuneration Advisory Committee
External Director <Independent>	Shinsaku Iwahara	Chair of Nomination & Remuneration Advisory Committee
External Director <Independent>	Kanoko Oishi	Member of Nomination & Remuneration Advisory Committee
Audit & Supervisory Board Member (Full-time)	Takeshi Yoshida	Observer of Global Risk Management & Compliance Committee Observer of HQ/SJ Compliance Committee
Audit & Supervisory Board Member (Full-time)	Akiko Uno	Observer of Global Risk Management & Compliance Committee Observer of HQ/SJ Compliance Committee
External Audit & Supervisory Board Member <Independent>	Yasuko Gotoh	—
External Audit & Supervisory Board Member <Independent>	Ritsuko Nonomiya	—
External Audit & Supervisory Board Member <Independent>	Hiroshi Ozu	—

*1 Concurrently served as corporate officer. From January 2022, the Company abolished the corporate officer system and completely shifted to the executive officer management system.

*2 Mr. Shinsaku Iwahara assumed the post of the Chair of the Nomination & Remuneration Advisory Committee on September 1, 2021 in conjunction with the retirement by resignation of external director Ms. Yuko Ishikura on August 31, 2021.

Notes:

1. There are seven directors and five audit & supervisory board members, totaling 12 officers who are directors or audit & supervisory board members, as of December 31, 2021, of which seven are male and five are female.
2. External director Ms. Yoko Ishikura retired by resignation on August 31, 2021.
3. Mr. Yoshiaki Fujimori, Mr. Shinsaku Iwahara and Ms. Kanoko Oishi are external directors as provided in Article 2, item (xv) of the Companies Act of Japan.
4. Ms. Yasuko Gotoh, Ms. Ritsuko Nonomiya and Mr. Hiroshi Ozu are external audit & supervisory board members as provided in Article 2, item (xvi) of the Companies Act of Japan.
5. The Company has designated Mr. Yoshiaki Fujimori, Mr. Shinsaku Iwahara, Ms. Kanoko Oishi, Ms. Yasuko Gotoh, Ms. Ritsuko Nonomiya and Mr. Hiroshi Ozu as independent directors/audit & supervisory board members as prescribed in Article 436-2 of the Securities Listing Regulations of the Tokyo Stock Exchange. All of these external directors and audit & supervisory board members (collectively the “External Directors and Audit & Supervisory Board Members”) meet the Company’s “Criteria for Independence of External Directors and Audit & Supervisory Board Members” (Please refer to “Criteria for Independence of External Directors and Audit & Supervisory Board Members,” posted as items voluntarily disclosed relating to business report on our corporate information website: INVESTORS / General Meeting of Shareholders (<https://corp.shiseido.com/en/ir/shareholder/>)) and have sufficient independency.
6. Directors Mr. Takayuki Yokota was newly elected at the 121st ordinary general meeting of shareholders of the Company held on March 25, 2021 and assumed office on the same date.
7. Full-time audit & supervisory board member Mr. Takeshi Yoshida has had experience as the director of the Internal Audit Department of the Company and has respectable knowledge in finance and accounting. Ms. Yasuko Gotoh, an external audit & supervisory board member, has experience as Director, Audit and Supervisory Committee Member after leading the Finance & Accounting Department as the Managing Director and CFO of Kyushu Railway Company, and has knowledge in finance and accounting. In addition, Ms. Ritsuko Nonomiya, external audit & supervisory board member, has accumulated business experience in accounting offices of the KPMG Group and other places in the U.S. and Japan, and has engaged in M&A and business development in the UBS Group and the GE Group. Thus, she has expert knowledge in finance and accounting.

(5) Matters Concerning Important Positions at Other Organizations Concurrently Assumed by Directors and Audit & Supervisory Board Members

Position	Name	Important Positions at Other Organizations Concurrently Assumed
External Director	Yoshiaki Fujimori	External Director of Takeda Pharmaceutical Company Limited External Director of Boston Scientific Corporation Senior Executive Advisor of CVC Asia Pacific (Japan) Ltd. External Director and Chair of Oracle Corporation Japan Outside Director of Toshiba Corporation (Retired by expiration of term of office in June 2021)
External Director	Shinsaku Iwahara	Professor, Faculty of Law, Waseda University
External Director	Kanoko Oishi	CEO of MEDIVA Inc. CEO of Seeds 1 Co., Ltd. Outside Director of Ezaki Glico Co., Ltd. Outside Director of Santen Pharmaceutical Co., Ltd.
External Audit & Supervisory Board Member	Yasuko Gotoh	Outside Auditor & Supervisory Board Member of DENSO CORPORATION
External Audit & Supervisory Board Member	Ritsuko Nonomiya	Director of GCA Corporation Outside Director of NAGASE & CO., LTD.
External Audit & Supervisory Board Member	Hiroshi Ozu	Attorney 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 foundation) President of Criminal Justice Welfare Forum Oasis (general incorporated association) President of Japan Criminal Policy Society (general incorporated foundation)

Notes:

1. External director Ms. Yoko Ishikura, who retired by resignation on August 31, 2021, concurrently served as outside director of SEKISUI CHEMICAL CO., LTD. and outside director of TSI HOLDINGS CO., LTD.
2. The Company has established “Criteria for Important Concurrent Positions.” The above information is provided in accordance with the criteria. The criteria are posted as items voluntarily disclosed relating to the business report on our corporate information website: INVESTORS / General Meeting of Shareholders (<https://corp.shiseido.com/en/ir/shareholder/>).

(6) Outline of Execution of Liability Limitation Agreements

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

Pursuant to these provisions the Company concluded such an agreement with all six of the external directors and audit & supervisory board members under which his/her liability for compensation of damages shall be restricted to the minimum limited liability amount provided in the laws and regulations.

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

(7) Outline of Execution of Directors and Officers Liability Insurance Agreement

The Company has concluded a directors and officers liability insurance agreement provided for in Article 430-3, paragraph (1) of the Companies Act with an insurance company. The said insurance agreement shall compensate for damages including compensation for damages and legal expenses to be borne by the insureds.

Insureds in the said insurance agreement are directors, audit & supervisory board members, and principal executive persons, including executive officers, of the Company, its subsidiaries, and their subsidiaries.

(8) Important Positions at Other Organizations Concurrently Assumed by External Directors and Audit & Supervisory Board Members and Relationships between Such Organizations and the Company

	Concurrent Positions at Other Organizations	Relationships Between Such Organizations and the Company				Value for Comparison
		Transaction Matter, etc.	Vendor, Recipient of Supporting Money, etc.	Purchaser, Provider of Supporting Money, etc.	Percentage of Transaction Value	
External Director Yoshiaki Fujimori	External Director of Takeda Pharmaceutical Company Limited	The Company has no special relationships of interest with Takeda Pharmaceutical Company Limited.				
	External Director of Boston Scientific Corporation	The Company has no special relationships of interest with Boston Scientific Corporation.				
	Senior Executive Advisor of CVC Asia Pacific (Japan) Ltd.	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) Ltd., and its affiliates. Furthermore, 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. Yoshiaki Fujimori is not involved in the business execution of CVC Asia Pacific (Japan) Ltd., 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 Asia Pacific (Japan) Ltd. held by the Company pertaining to the said transaction.				
External Director and Chair of Oracle Corporation Japan	Outsourcing business, etc.	Oracle Japan Group	Shiseido Group	Less than 1%	Total amount of cost of sales and selling, general and administrative expenses of the Company on a consolidated basis for the fiscal year ended December 31, 2021	
				Less than 1%	Revenue of Oracle Corporation Japan for the fiscal year ended May 31, 2021	
Outside Director of Toshiba Corporation (Retired in June 2021)	Outsourcing business, etc.	Toshiba Group	Shiseido Group	Less than 1%	Total amount of cost of sales and selling, general and administrative expenses of the Company on a consolidated basis for the fiscal year ended December 31, 2021	
				Less than 1%	Consolidated net sales of Toshiba Corporation for the fiscal year ended March 31, 2021	
External Director Yoko Ishikura (Retired by resignation on August 31, 2021)	Outside Director of SEKISUI CHEMICAL CO., LTD.	Raw materials, etc.	SEKISUI CHEMICAL Group	Shiseido Group	Less than 1%	Total amount of cost of sales and selling, general and administrative expenses of the Company on a consolidated basis for the fiscal year ended December 31, 2021
					Less than 1%	Consolidated net sales of SEKISUI CHEMICAL CO., LTD. for the fiscal year ended March 31, 2021
	Outside Director of TSI HOLDINGS CO., LTD.	The Company has no special relationships of interest with TSI HOLDINGS CO., LTD.				
External Director Shinsaku Iwahara	Professor of Faculty of Law, Waseda University	The Company is engaged in joint studies, etc. on beauty and health with Waseda University. Mr. Shinsaku Iwahara is not involved in these joint studies.				

	Concurrent Positions at Other Organizations	Relationships Between Such Organizations and the Company				Value for Comparison
		Transaction Matter, etc.	Vendor, Recipient of Supporting Money, etc.	Purchaser, Provider of Supporting Money, etc.	Percentage of Transaction Value	
External Director Kanoko Oishi	CEO of MEDIVA Inc.	Outsourcing business, etc.	MEDIVA Group	Shiseido Group	Less than 1%	Total amount of cost of sales and selling, general and administrative expenses of the Company on a consolidated basis for the fiscal year ended December 31, 2021
					Less than 1%	Net sales of MEDIVA Inc. for the fiscal year ended December 31, 2021
	CEO of Seeds 1 Co., Ltd.	The Company has no special relationships of interest with Seeds 1 Co., Ltd.				
	Outside Director of Ezaki Glico Co., Ltd.	Snacks, etc. (mail order)	Ezaki Glico Group	Shiseido Group	Less than 1%	Total amount of cost of sales and selling, general and administrative expenses of the Company on a consolidated basis for the fiscal year ended December 31, 2021
Less than 1%					Consolidated net sales of Ezaki Glico Co., Ltd. for the fiscal year ended December 31, 2021	
Outside Director of Santen Pharmaceutical Co., Ltd.	The Company has no special relationships of interest with Santen Pharmaceutical Co., Ltd.					
External Audit & Supervisory Board Member Yasuko Gotoh	Outside Auditor & Supervisory Board member of DENSO CORPORATION	Outsourcing business, etc.	DENSO Group	Shiseido Group	Less than 1%	Total amount of cost of sales and selling, general and administrative expenses of the Company on a consolidated basis for the fiscal year ended December 31, 2021
					Less than 1%	Consolidated net revenue of DENSO CORPORATION for the fiscal year ended March 31, 2021
External Audit & Supervisory Board Member Ritsuko Nonomiya	Director of GCA Corporation	The Company has no special relationships of interest with GCA Corporation.				
	Outside Director of NAGASE & CO., LTD.	Raw materials, etc.	NAGASE & CO. Group	Shiseido Group	Less than 1%	Total amount of cost of sales and selling, general and administrative expenses of the Company on a consolidated basis for the fiscal year ended December 31, 2021
					Less than 1%	Consolidated net sales of NAGASE & CO., LTD. for the fiscal year ended March 31, 2021

	Concurrent Positions at Other Organizations	Relationships Between Such Organizations and the Company				Value for Comparison
		Transaction Matter, etc.	Vendor, Recipient of Supporting Money, etc.	Purchaser, Provider of Supporting Money, etc.	Percentage of Transaction Value	
External Audit & Supervisory Board Member Hiroshi Ozu	Attorney	There are no special relationships of interest.				
	External Audit & Supervisory Board Member of MITSUI & CO., LTD.	Outsourcing business, etc.	MITSUI & CO. Group	Shiseido Group	Less than 1%	Total amount of cost of sales and selling, general and administrative expenses of the Company on a consolidated basis for the fiscal year ended December 31, 2021
					Less than 1%	Consolidated revenue of MITSUI & CO., LTD. for the fiscal year ended March 31, 2021
	Outside Audit & Supervisory Board Member of TOYOTA MOTOR CORPORATION	Office rent, etc.	TOYOTA MOTOR Group	Shiseido Group	Less than 1%	Total amount of cost of sales and selling, general and administrative expenses of the Company on a consolidated basis for the fiscal year ended December 31, 2021
					Less than 1%	Sales revenues of TOYOTA MOTOR CORPORATION on a consolidated basis for the fiscal year ended March 31, 2021
	Representative Director of Shimizu Scholarship Foundation (general incorporated foundation)	The Company has no special relationships of interest with Shimizu Scholarship Foundation (general incorporated foundation).				
	President of Criminal Justice Welfare Forum Oasis (general incorporated association)	The Company has no special relationships of interest with Criminal Justice Welfare Forum Oasis (general incorporated association).				
President of Japan Criminal Policy Society (general incorporated foundation)	The Company has no special relationships of interest with Japan Criminal Policy Society. (general incorporated foundation)					

Notes:

1. This table indicates important positions at other organizations concurrently assumed by external directors and external audit & supervisory board members and the existence of relationships with the Company. Where transactions exist between such organizations and the Company, the table is intended to indicate that the transactions are minimal in terms of scale, and where transactions exist that are in competition with organizations in which positions are concurrently assumed, the table is intended to indicate that the transactions have no negative impact on the interests of shareholders.
2. In the table, the name of the company group at which the external director and audit & supervisory board member holds a concurrent position includes that company itself, as well as parent companies, consolidated subsidiaries, equity-method affiliates, etc. whose names are listed under the “Information on Affiliates” in “1. Overview of the Company” of “Part I. Information on the Company” in the Securities Report submitted by that company in the immediately preceding business year; similarly, “the Shiseido Group” includes Shiseido Co., Ltd, as well as parent companies, consolidated subsidiaries, and equity-method affiliates whose names are listed under the “Information on Affiliates” in “1. Overview of the Company” of “Part I. Information on the Company” in the Securities Report submitted in the immediately preceding business year.
3. The Company has established “Criteria for stating the relationship between the Company and the organizations in which the Company’s External Director holds “Important Concurrent Positions.” The above information is provided in accordance with the criteria. The criteria are posted as items voluntarily disclosed relating to business report on our corporate information website: INVESTORS / General Meeting of Shareholders (<https://corp.shiseido.com/en/ir/shareholder/>)

(9) Other Main Activities of External Directors and External Audit & Supervisory Board Members

Position	Name	Attendance, Remarks, and Outline of Duties Performed in Relation to the Expected Roles as External Director
External Director	Yoshiaki Fujimori	Mr. Fujimori attended 13 out of 13 Board of Directors meetings (Attendance rate: 100%). Based on his knowledge accumulated through a wealth of experience and a proven track record as a corporate manager and a global leader, he raised questions and made remarks on a wide range of matters concerning agenda items on the whole, including management strategy, finance and stance to be taken by a global company, and fulfilled a supervisory function in regard to the management. Also, as a member of the Nomination & Remuneration Advisory Committee, he attended 10 out of 10 committee meetings and made comments based on his experience and knowledge.
External Director	Yoko Ishikura	Prior to resigning on August 31, 2021, Ms. Ishikura attended 9 out of 9 Board of Directors meetings (attendance rate: 100%). She made remarks from a broad standpoint of international corporate strategies and diversity and fulfilled a supervisory function in regard to the management. Prior to resigning on August 31, 2021, she also served as Chair of the Nomination & Remuneration Advisory Committee, attended 5 out of 5 committee meetings, and made comments based on her experience and knowledge, while leading the discussions at committee meetings as Chair.
External Director	Shinsaku Iwahara	Mr. Iwahara attended 13 out of 13 Board of Directors meetings (Attendance rate: 100%). Based on his knowledge in the area of the capital market, finance industry and corporate governance, in addition to his legal knowledge as a university professor specializing in legal studies, he raised questions and made remarks concerning internal control, corporate governance and risks associated with individual agenda items, and fulfilled a supervisory function in regard to the management. He also served as a member and, since September 1, 2021, as Chair of the Nomination & Remuneration Advisory Committee, attended 10 out of 10 committee meetings and made comments based on his experience and knowledge, while leading the discussions at committee meetings as Chair.
External Director	Kanoko Oishi	Ms. Oishi attended 13 out of 13 Board of Directors meetings (Attendance rate: 100%). Based on her experience and knowledge gained through her career in business management inside and outside Japan as well as from a standpoint of an active manager who is pushing forward with a patient-centered transformation of the medical industry, she raised questions and made remarks on management strategy and the direction the Company should aim for concerning agenda items on the whole and fulfilled a supervisory function in regard to the management. Also, as a member of the Nomination & Remuneration Advisory Committee, she attended 10 out of 10 committee meetings and made comments based on her experience and knowledge.
External Audit & Supervisory Board Member	Yasuko Gotoh	Ms. Gotoh attended 13 out of 13 Board of Directors meetings (Attendance rate: 100%) and 13 out of 13 Audit & Supervisory Board meetings (Attendance rate: 100%). Based on her experiences as a public employee inside and outside Japan and her experiences and knowledge gained through her career in charge of the business operation of a listed company, she made remarks as necessary and fulfilled an auditing function.
External Audit & Supervisory Board Member	Ritsuko Nonomiya	Ms. Nonomiya attended 13 out of 13 Board of Directors meetings (Attendance rate: 100%) and 13 out of 13 Audit & Supervisory Board meetings (Attendance rate: 100%). Based on her experience as an expert in finance and accounting, knowledge in management including M&A, and international business experience and knowledge, she made remarks as necessary and fulfilled an auditing function.

Position	Name	Attendance, Remarks, and Outline of Duties Performed in Relation to the Expected Roles as External Director
External Audit & Supervisory Board Member	Hiroshi Ozu	Mr. Ozu attended 13 out of 13 Board of Directors meetings (Attendance rate: 100%) and 13 out of 13 Audit & Supervisory Board meetings (Attendance rate: 100%). Based on his experience and knowledge mainly in the area of legal affairs, he made remarks as necessary and fulfilled an auditing function.

Notes:

1. The average attendance rate of four external directors, that of five directors excluding external directors, and that of all nine directors at the Board of Directors meetings, are all 100%. In addition, the average attendance rate of the three external audit & supervisory board members, that of the two full-time audit & supervisory board members, and that of all five audit & supervisory board members at the Board of Directors meetings are all 100%. The average attendance rate of all directors and audit & supervisory board members at the Board of Directors meetings is 100%. The attendance rate of directors noted herein is calculated, including those who retired at the conclusion of the General Meeting of Shareholders held in March 2021.
2. In addition to the number of Board of Directors meetings attended shown above, there were two deemed resolutions where the resolution of the Board of Directors was deemed to have been made pursuant to the provisions of Article 370 of the Companies Act and Article 24 of the Articles of Incorporation of the Company.

(10) Name, Position and Responsibilities for Executive Officers Who Do Not Serve as Director

Position	Name	Responsibilities	
		As of December 31, 2021	As of January 1, 2022
Executive Officer* Senior Executive Officer	Kentaro Fujiwara	CEO, China Region Chair and President, Shiseido China Co., Ltd. Member of Global Risk Management & Compliance Committee	CEO, China Region Chair and President, Shiseido China Co., Ltd. Member of Global Risk Management & Compliance Committee
Executive Officer* Senior Executive Officer	Yoshiaki Okabe	Chief Brand Innovation Officer Member of Global Risk Management & Compliance Committee	Chief Brand Innovation Officer Chief Technology Officer Member of Global Risk Management & Compliance Committee
Executive Officer*	Hiromi Anno	Chief Public Relations Officer Member of Global Risk Management & Compliance Committee	Chief Public Relations Officer Member of Global Risk Management & Compliance Committee
Executive Officer	Maria Chiclana	Chief Legal Officer Global General Counsel Member of Global Risk Management & Compliance Committee	Chief Legal Officer Global General Counsel Member of Global Risk Management & Compliance Committee
Executive Officer	Angelica Munson	Chief Digital Officer	Chief Digital Officer Member of Global Risk Management & Compliance Committee
Executive Officer	Antonios Spiliotopoulos	Chief Supply Network Officer Member of Global Risk Management & Compliance Committee	Chief Supply Network Officer Member of Global Risk Management & Compliance Committee
Executive Officer*	Atsunori Takano	Chief Information Technology Officer Member of Global Risk Management & Compliance Committee	Chief Information Technology Officer Member of Global Risk Management & Compliance Committee
Executive Officer*	Toshinobu Umetsu	Chief Strategy Officer Member of Global Risk Management & Compliance Committee	Chief Strategy Officer Member of Global Risk Management & Compliance Committee
Executive Officer*	Naomi Yamamoto	Chief Creative Officer	Chief Creative Officer
Executive Officer*	Ryota Yukisada	Chief Brand Officer, brand <i>SHISEIDO</i>	Chief Brand Officer, brand <i>SHISEIDO</i>

* Concurrently served as corporate officer. From January 2022, the Company abolished the corporate officer system and completely shifted to the executive officer management system.

Notes:

1. Corporate officers who retired during the fiscal year ended December 31, 2021 and on December 31, 2021 are as follows:

Position	Name	Date of Retirement
Executive Officer* Senior Executive Officer	Jun Aoki	December 31, 2021
Executive Officer*	Kiyomi Horii	December 31, 2021
Executive Officer*	Akihiro Miura	December 31, 2021
Executive Officer*	Minoru Nakamura	December 31, 2021
Executive Officer*	Katsunori Yoshida	December 31, 2021

* Concurrently served as corporate officer. From January 2022, the Company abolished the corporate officer system and completely shifted to the executive officer management system.

2. Executive officers who were newly appointed on January 1, 2022 are as follows:

Position	Name	Responsibilities
Executive Officer	Mizuki Hashimoto	Chief Brand Officer, <i>Clé de Peau Beauté</i>
Executive Officer	Kenichi Saito	Chief Quality Officer Member of Global Risk Management & Compliance Committee

Note: Mr. Koichi Noda is scheduled to be appointed Executive Officer and Chief People Officer on March 1, 2022.

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

1) Basic Philosophy of the Remuneration, etc. to Directors and Executive Officers of the Company

The Company regards the directors and executive officers remuneration policy (remuneration policy for the executive officers including directors who concurrently serve as the executive officers) as an important matter for corporate governance. For this reason, in accordance with the following basic philosophy, the directors and executive officers remuneration policy of the Company is deliberated in the Nomination & Remuneration Advisory Committee chaired by an external director to incorporate objective points of view, and the outcome is reported to the Board of Directors for the resolution.

■ Basic philosophy and policy of the remuneration to directors and executive officers

The remuneration policy to directors and executive officers shall:

1. contribute to realizing the 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 and executive officers to bring medium-to-long-term growth;
4. have a mechanism incorporated to prevent overemphasis on short-term views and wrongdoing; and
5. be designed as 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.

2) The Company's Directors and Executive Officers Remuneration Policy

Based on the above basic philosophy, the Board of Directors of the Company has resolved its policy on decisions regarding matters including remuneration of individual directors.

The Company's directors and executive officers remuneration policy, including an outline of the contents of the policy on decisions regarding matters including remuneration of individual directors, is described below in detail.

■ Overall picture

The remuneration of the directors and executive officers of the Company comprises "basic remuneration" as fixed remuneration as well as "annual bonus" and "long-term incentive-type remuneration (non-monetary remuneration)" 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. Matters including remuneration of individual directors are determined at the Board of Directors meetings after deliberations by the Nomination & Remuneration Advisory Committee. Matters including remuneration of individual directors for the fiscal year ended December 31, 2021 were deliberated on by the Nomination & Remuneration Advisory Committee according to the specific remuneration framework and indicators designed based on the policy on decisions regarding matters including remuneration of individual directors. They were then reported to the Board of Directors, and the Board of Directors made decisions on matters including remuneration in deference to the said report. The Company therefore determines that matters including remuneration are in line with the aforementioned policy on decisions.

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. Furthermore, the Company does not have an officers' retirement benefit plan.

■ **The proportion of remuneration for directors eligible for the payment by remuneration type and rank as executive officer**

The proportion of remuneration is set by role grade and in such a way that the greater the responsibility for the overall management borne by the rank, the higher the proportion of performance-linked remuneration becomes.

Rank as Executive Officer	Composition of Remuneration for Directors and Executive Officers			Total
	Basic Remuneration	Performance-linked Remuneration		
		Annual Bonus	Long-Term Incentive-Type Remuneration	
President and CEO	33.3%	33.3%	33.3%	100%
Executive Vice President	54%–56%	22%–23%	22%–23%	
Senior Executive Officer	54%–60%	20%–23%	20%–23%	
Executive Officer	56%–64%	18%–22%	18%–22%	

Notes:

1. In this model, the basic remuneration amount is the median of the applicable role grade, and the amount paid for performance-linked remuneration is based on 100% of a reference amount determined by the Company. The proportions stated above may change depending on changes in the Company’s performance and changes in the share price.
2. There is no difference in the proportion of remuneration by remuneration type applied to directors based on whether a director has a representation right or otherwise.
3. Because different remuneration tables will be applied depending on the role grade of respective directors and executive officers, proportions of remuneration by remuneration type will vary even within a same rank.

■ **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 executive 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 executive 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 pay 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 executive 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.

■ Annual bonus

Of the performance-linked remuneration, in order to realize medium-to-long-term strategies, the Company has set evaluation items for the annual bonus in accordance with the scope that respective directors and executive officers are in charge of as described in the table below, in addition to the achievement rate of target consolidated net sales and consolidated operating profit which are financial indicators, as common performance indicators across directors and executive 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) as described in the table below, 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 determining the achievement rate of each target and threshold for consolidated net sales, consolidated operating profit and net profit attributable to owners of parent, actual performance may be adjusted by resolution of the Board of Directors following deliberation by the Nomination & Remuneration Advisory Committee. 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 personal performance evaluation of all directors and executive 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.

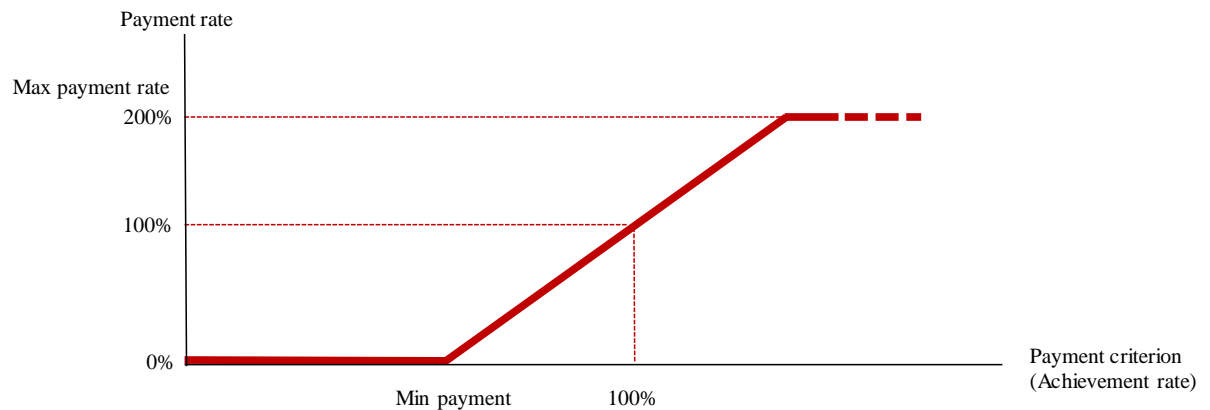
Annual bonus is paid once a year.

■ Performance indicators and evaluation weights for annual bonus for directors eligible for the payment as executive officers

Evaluation Item	Performance Indicators	Evaluation Weight								
		President and CEO		Executive Officers in Charge of Businesses				Executive Officers Other than Those in Charge of Businesses		
				Regional Headquarters President		Other		CFO and Other		
Whole Group Performance	Consolidated net sales	30%	70%	10%	20%	10%	20%	30%	70%	
	Consolidated operating profit	40%		10%		10%		40%		
	Net profit attributable to owners of parent	If this amount ends up below the threshold, the Nomination & Remuneration Advisory Committee will consider lowering the percentage amount of the payment attributable to the whole group performance component.								
Performance of Business Unit in Charge	Business performance	—		50%		50%		—		
Personal Performance	Level of achievement of strategic goals set individually	30%								
		Setting no more than five priority objectives which contribute to realizing long-term strategies reflecting the Company's management approach and Corporate Philosophy.								

Note: There is no difference in the performance indicators and the weight of performance indicators applied to directors based on whether a director has a representation right or otherwise.

■ Model of annual bonus payment rate



■ 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 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’ 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 instilling 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 designed 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 has been achieved or not, the Company will apply 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 the Company deems it necessary to ensure that management not let the benchmark weigh too heavily on proactive efforts particularly involving future growth investment and resolving challenges with our sights set on achieving long-term growth, the Company 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.

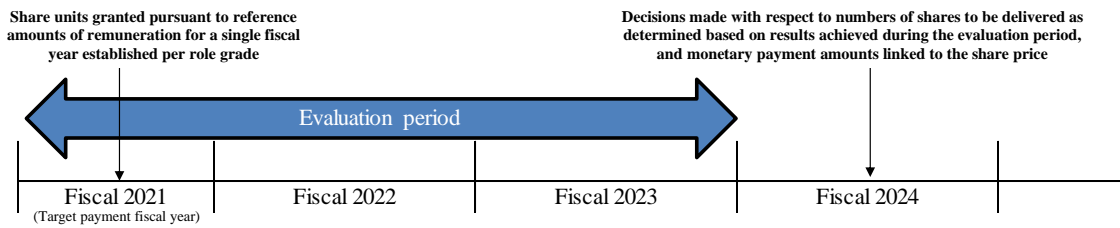
In fiscal 2022, in line with its sustainability strategy, the Company will newly set an environmental indicator (CO₂ reduction target) in addition to a society indicator (female empowerment), the area on which the Company places the strongest emphasis. Newly set performance indicators are described on pages 141-145 of the Reference Document.

The LTI is provided to those Eligible Directors who have served continuously in the position of director or executive officer during a certain period set in advance.

The Company adopts the malus and clawback provisions with regard to performance share units. Specifically, under certain conditions, such as in case of serious misconduct of a person eligible for payment, the Board of Directors may, based on its decision, reduce the number of share units or receive a refund.

In addition, the Company makes payments of LTI to principal 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.

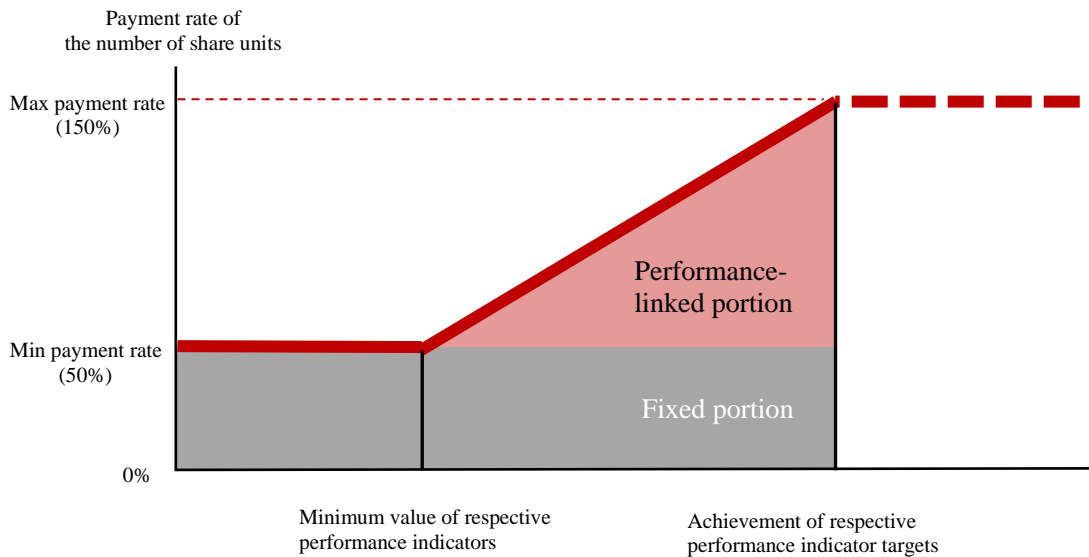
■ LTI schedule



■ Performance indicators and evaluation weights for performance-linked portion of the LTI

Evaluation Item	Performance Indicators	Evaluation Weight	
Economic Value	Compound average growth rate (CAGR) of consolidated net sales	30%	100%
	Consolidated operating profit margin in the final fiscal year of the evaluation period	60%	
Social Value	Multiple internal and external indicators pertaining to the environment, society and governance (ESG) with focus on the area of “empowered beauty”	10%	
Economic Value	Consolidated ROE (return on equity)	If this ends up below the threshold, the Nomination & Remuneration Advisory Committee will consider lowering the percentage amount of the payment attributable to the performance-linked portion.	

■ Model for payment rate of the number of share units for the LTI



■ Framework to ensure objectivity, fairness and transparency of evaluation that serves as a basis of calculation for remuneration

In the Company’s directors and executive officers remuneration policy, personal evaluation of each director and executive officer has a significant impact on determination of the amount of remuneration including basic remuneration and annual bonus. Unlike evaluations based on performance indicators such as consolidated net sales, personal evaluation is not a quantitative evaluation. It therefore requires a framework to ensure its objectivity, fairness and transparency.

To this end, the Company conducts overall business evaluation including the performance evaluation for President and CEO in CEO Review Meeting. The CEO Review Meeting also deliberates and reviews reappointment, etc. of President and CEO, playing an extensive role concerning appropriate appointment of the President and CEO and determining incentives. The

CEO Review Meeting comprises external directors and external audit & supervisory board members, as importance is placed on the independence from the President and CEO as well as business execution structure led by President and CEO.

Personal evaluation of executive officers other than the President and CEO (including those who concurrently serve as directors) is performed by the President and CEO, together with evaluation based on the performance indicators. Objectivity, fairness and transparency of this personal evaluation are ensured by the Nomination & Remuneration Advisory Committee monitoring this evaluation process and the evaluation approach.

3) Amount of Remuneration, etc. to Directors and Audit & Supervisory Board Members for the Fiscal Year Ended December 31, 2021

(Millions of yen)

	Basic Remuneration	Bonus	Total of the left* (a)	Former Long-Term Incentive (Stock Option) (b)	Long-Term Incentive (Stock Compensation) (c)	Total [(a)+(b)+(c)]
Directors (9 persons)	343	200	543	-91	156	608
External Directors Among Directors (4 persons)	55	—	55	—	—	55
Audit & Supervisory Board Members (5 persons)	104	—	104	—	—	104
External Audit & Supervisory Board Members Among Audit & Supervisory Board Members (3 persons)	39	—	39	—	—	39
Total	447	200	648	-91	156	712

*Total remuneration in cash that has been confirmed by March 2021

Notes:

- The total amount of the basic remuneration and bonus for directors has 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. The number of directors at the conclusion of the said general meeting of shareholders was six (three of whom were external directors). Furthermore, it was resolved at the 121st ordinary general meeting of shareholders (March 25, 2021) that, separate from the monetary remuneration, up to 78,000 shares would be provided as performance-linked stock compensation (performance share units) (of which, with a maximum of 39,000 shares, the portion equivalent to 50% of the remuneration based on the aforesaid remuneration policy is provided in monetary remuneration claims for the delivery of shares of the common stock of the Company and the rest in cash) to directors excluding external directors. The number of directors at the conclusion of the said general meeting of shareholders was eight (four of whom were external directors). 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. The number of audit & supervisory board members at the conclusion of the said general meeting of shareholders was five.
- The bonuses of directors for fiscal 2021 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. Representative Director, Masahiko Uotani proposed to voluntarily decline 20% of the annual bonus, which had been calculated in accordance with the remuneration policy and proposed by the Nomination & Remuneration Advisory Committee. His decision was based on the current state of the COVID-19 pandemic despite achieving a business recovery that exceeds the target set at the beginning of the fiscal year and accomplishing structural reforms that led to a strong earnings base in fiscal 2021. Following discussions by the said Committee, the Board of Directors has approved the proposal. The above amounts of bonuses have been already adjusted based on the reduced amounts. (Mr. Uotani declined 50% of the annual bonus in fiscal 2020 for the same reasons.)

3. 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, 2021, upon the approval of the ordinary general meeting of shareholders, in consideration of duties executed by directors. In these stock options, performance conditions are assessed at two points in time, at the time of allotment of stock acquisition rights as stock options and at the start of the rights exercise period for the allotted stock acquisition rights. Stock options for fiscal 2018 entail an adjustment amount of negative value that arose based on the performance achievement rate as a result of determining the number of exercisable rights in August 2021 immediately before the start of the rights exercise period.
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, 2021, 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. It has been resolved that the portion equivalent to 50% of the remuneration based on the aforesaid remuneration policy is provided in monetary remuneration claims for the delivery of shares of the common stock of the Company and the rest in cash. The said amount of the expenses recognized includes -¥14 million in adjustment to the expenses recognized based on the performance achievement rate of the delivered long-term incentive-type remuneration (stock compensation).
5. In addition to the above payments, an adjustment of -¥19 million was recorded for the fiscal year ended December 31, 2020 to expenses associated with stock options granted to two directors of the Company, at the time the directors served as corporate officers not holding the office of directors. In addition, an adjustment of -¥1 million was recorded to the expenses recognized for the fiscal year ended December 31, 2020, on the performance-linked stock compensation (performance share units) delivered to three directors of the Company, at the time the directors served as corporate officers or employee not holding the office of directors.
6. None of the directors or the audit & supervisory board members was paid remuneration other than described above (including that described in notes 1. through 5.).

4) Amounts of Remuneration, etc. to Representative Directors and Directors Whose Total Amount of Remuneration, etc. Exceeded ¥100 Million for the Fiscal Year Ended December 31, 2021

(Millions of yen)

	Basic Remuneration	Bonus	Total of the left* (a)	Former Long-Term Incentive (Stock Option) (b)	Long-Term Incentive (Stock Compensation) (c)	Total [(a)+(b)+(c)]
Masahiko Uotani, President and CEO	169	164	333	-78	123	378

* Total remuneration in cash that has been confirmed by March 2022

Notes:

1. The bonuses of directors for fiscal 2021 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 3) Amount of Remuneration, etc. to Directors and Audit & Supervisory Board Members for the Fiscal Year Ended December 31, 2021. Regarding the above amount of bonus indicated above, please refer to note 2. of 3) Amount of Remuneration, etc. to Directors and Audit & Supervisory Board Members for the Fiscal Year Ended December 31, 2021.
2. 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, 2021, upon the approval of the ordinary general meeting of shareholders, in consideration of duties executed by directors. In terms of these stock options, as stated in note 3. of 3) Amount of Remuneration, etc. to Directors and Audit & Supervisory Board Members for the Fiscal Year Ended December 31, 2021, stock options for fiscal 2018 entail an adjustment amount of negative value that arose based on the performance achievement rate as a result of determining the number of exercisable rights in August 2021 immediately before the start of the rights exercise period.
3. 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, 2021, 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 recognized includes an adjustment of -¥11 million to the expenses recognized based on the performance achievement rate of the delivered long-term incentive-type remuneration (stock compensation).

4. No director above was paid remuneration other than described above (including that described in notes 1. through 3.).

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

(Billions of yen)

Performance Evaluation Indicators	Fluctuation Range of Payment Percentage	Targets for Payment Factor at 100%	Actual Performance	Achievement Rate	Payment Factor Calculated Based on the Target Achievement Rate
Consolidated Net Sales	0%–200%	1,100.0	1,035.2	94.1%	44.0% (Note 3.)
Consolidated Operating Profit		35.0	41.6	118.8%	121.4% (Note 3.)
Net Profit Attributable to Owners of Parent	–		42.4	–	Not subject to lowering of the payment amount percentage by thresholds
Performance of Business in Charge		(Note 1.)			
Personal Performance Evaluation	0%–200%	(Note 2.)	–	–	(Note 2.) 150.0% (Average)
				Total payment rate	95.2%

Notes:

- Key performance evaluation indicators such as net sales, profits and cost indices, etc. are set to measure performance of respective business. Specific figures are not disclosed.
- Each individual's priority targets are set in personal performance evaluation considering not only a single fiscal year performance but also initiatives to realize long-term strategies that reflect management approach and Corporate Philosophy, such as improvement in organizational skills.
- With regard to consolidated net sales and consolidated operating profit, in the calculation of the payment factor, adjustments are made to exclude the impact of business transfers and other factors on targets set at the beginning of the period, as well as the impact of foreign exchange and other factors on the actual performance for the fiscal year, in order to compare the targets and the actual performance in the practically same situation. The payment factors are as shown in the above result.

(12) Matters Concerning Accounting Auditor

1) Name of Accounting Auditor

KPMG AZSA LLC

Notes:

- The Company has not entered into a liability limitation agreement with KPMG AZSA LLC.
- Of the significant subsidiaries of the Company, some overseas subsidiaries are subject to audits of accounts by a certified public accountant or incorporated accounting firm (including overseas auditors possessing similar qualifications) other than the accounting auditor of the Company.

2) Remuneration, etc. to the Accounting Auditor

(Millions of yen)

Category	Amount
Remuneration paid for services rendered as the accounting auditor for the fiscal year ended December 31, 2021	245
Total cash and other remuneration to be paid by the Company and its subsidiaries to the accounting auditor	369

Note: In the audit contract between the Company and its accounting auditor, remuneration paid for audits under the Companies Act and remuneration paid for audits under the Financial Instruments and Exchange Act are not clearly distinguished and cannot be practically separated. Therefore, the total payment for both is shown in “Remuneration paid for services rendered as the accounting auditor for the fiscal year ended December 31, 2021” above.

The breakdown of “Remuneration paid for services rendered as the accounting auditor for the fiscal year ended December 31, 2021” is as follows.

(i) Remuneration for the accounting auditor (remuneration paid for audits under the Companies Act and the Financial Instruments and Exchange Act) ¥186 million

(ii) Remuneration paid for audit operations concerning the International Financial Reporting Standards (IFRS) comparative financial statements in preparation for the application of the IFRS for the fiscal year ending December 31, 2022 ¥59 million

3) Reason for Audit & Supervisory Board to Have Agreed to Remuneration, etc. to the Accounting Auditor

The Audit & Supervisory Board of the Company reviewed the status of performance of duties and basis for the calculation of the estimated amount of remuneration in the previous fiscal year as well as the validity of both descriptions in the audit plan prepared by the accounting auditor during the current fiscal year and the estimated amount of remuneration, using the “Practical Guidelines for Cooperation with Accounting Auditors” released by the Japan Audit & Supervisory Board Members Association as a guide, and by way of necessary documents obtained from the directors, internal relevant departments and the accounting auditor as well as interviews to obtain information from them, and determined that the fees, etc. of the accounting auditor were appropriate, and expressed agreement in accordance with Article 399, paragraph (1) and paragraph (2) of the Companies Act.

4) Details of Services Other Than Audit

The Company entrusted the accounting auditor with the “advisory services on the adoption of IFRS” which are services other than services under Article 2, paragraph (1) of the Certified Public Accountants Act (services other than audit). The amount of remuneration, etc. is ¥81 million that is included in the “Total cash and other remuneration to be paid by the Company and its subsidiaries to the accounting auditor” under the “2) Remuneration, etc. to the Accounting Auditor” above.

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

In the event that the Company determines that keeping an accounting auditor as its accounting auditor causes material trouble to the Company for the reasons, among others, that the accounting auditor has violated its duties, negated its duties or behaved in a manner inappropriate as an accounting auditor, the Audit & Supervisory Board shall dismiss the accounting auditor pursuant to Article 340 of the Companies Act.

Furthermore, in the event that it is deemed that the accounting auditor is unable to carry out its duties duly or change of the accounting auditor to another audit firm is reasonably required to enhance the appropriateness of accounting audit, the Board of Directors shall submit a proposal to the general meeting of shareholders for the dismissal of the accounting auditor or not to reappoint the accounting auditor in accordance with the resolution of the Audit & Supervisory Board on the proposal resolved in consideration of the opinion of the executive agency.

Notes:

1. Amounts in this business report given in billions of JPY have been rounded to the nearest 0.1 billion, and other amounts have been rounded down to the nearest million JPY, thousand USD, thousand EUR, thousand CNY, thousand TWD, thousand SGD, or million VND. In the notation of 1,000 shares, shares of less than one unit have been omitted.
2. In regard to the calculation of percentages, the ownership percentage of shares, the composition percentage of directors and audit & supervisory board members and the attendance rate of the respective meetings are rounded down to one decimal place. In general, other amounts are rounded to one decimal place.
3. Figures in parentheses () or “-” in graphs and tables denote negative value such as loss or decrease.
4. “Shain (employee)” as used in this business report is not “shain (shareholder/interest holder) as defined by the Companies Act, but has the same meaning as “employee.”

The business report according to Article 435, paragraph (2) of the Companies Act is as indicated above.

February 22, 2022

Masahiko Uotani
Representative Director,
President and CEO

Consolidated Balance Sheet

(As of December 31, 2021)

(Millions of yen)

	December 31, 2021	December 31, 2020 (Reference)		December 31, 2021	December 31, 2020 (Reference)
ASSETS			LIABILITIES		
Current Assets:	521,533	514,763	Current Liabilities:	384,031	352,977
Cash and Time Deposits	172,056	130,013	Notes and Accounts Payable	28,021	21,187
Notes and Accounts Receivable	151,115	144,728	Electronically Recorded Obligations-Operating	40,584	55,740
Short-term Investment Securities	—	21,000	Short-Term Debt	—	56,491
Inventories	143,758	170,031	Current Portion of Long-Term Debt	730	10,730
Other Current Assets	58,636	52,634	Current Portion of Corporate Bonds Scheduled for Redemption	15,000	—
Less: Allowance for Doubtful Accounts	(4,032)	(3,644)	Lease Obligations	9,664	8,344
Fixed Assets:	657,827	689,466	Other Payables	96,488	75,695
Property, Plant and Equipment:	357,405	341,044	Accrued Income Taxes	45,600	7,374
Buildings and Structures	166,387	147,931	Reserve for Sales Returns	3,379	6,227
Machinery, Equipment and Vehicles	61,249	55,538	Refund Liabilities	13,631	10,518
Tools, Furniture and Fixtures	38,529	41,976	Accrued Bonuses for Employees	29,557	15,024
Land	46,519	44,605	Accrued Bonuses for Directors	169	165
Leased Assets	6,811	5,420	Provision for Liabilities and Charges	293	545
Right-of-Use Assets	21,719	18,262	Provision for Loss on Business Withdrawal	95	725
Construction in Progress	16,188	27,308	Provision for Structural Reforms	8,524	—
Intangible Assets:	146,489	241,392	Other Current Liabilities	92,291	84,208
Goodwill	44,159	54,429	Long-Term Liabilities:	227,896	344,658
Leased Assets	300	403	Bonds	50,000	65,000
Trademark Rights	40,322	131,636	Long-Term Debt	95,915	167,861
Other Intangible Assets	61,707	54,922	Lease Obligations	19,673	15,872
Investments and Other Assets:	153,932	107,029	Long-Term Payables	4,756	52,968
Investment Securities	9,717	13,527	Liability for Retirement Benefits	18,587	27,189
Long-Term Loans Receivable	31,116	0	Allowance for Losses on Guarantees	350	350
Long-Term Prepaid Expenses	12,367	14,125	Deferred Tax Liabilities	1,040	2,944
Deferred Tax Assets	72,968	42,501	Other Long-Term Liabilities	37,573	12,472
Other Investments	27,792	37,014	Total Liabilities	611,927	697,635
Less: Allowance for Doubtful Accounts	(30)	(140)	NET ASSETS		
TOTAL ASSETS	1,179,360	1,204,229	Shareholders' Equity:	499,217	472,610
			Common Stock	64,506	64,506
			Capital Surplus	70,741	70,741
			Retained Earnings	366,306	339,817
			Less: Treasury Stock, at Cost	(2,338)	(2,455)
			Accumulated Other Comprehensive Income:	45,805	11,678
			Valuation Difference on Available- for-Sale Securities	1,267	3,054
			Foreign Currency Translation Adjustments	37,881	5,257
			Accumulated Adjustments for Retirement Benefits	6,656	3,366
			Stock Acquisition Rights	1,067	1,399
			Non-Controlling Interests in Consolidated Subsidiaries	21,343	20,905
			Total Net Assets	567,433	506,593
			TOTAL LIABILITIES AND NET ASSETS	1,179,360	1,204,229

Consolidated Statement of Income
(Fiscal Year from January 1, 2021 to December 31, 2021)

(Millions of yen)

	Fiscal Year 2021	Fiscal Year 2020 (Reference)
Net Sales	1,035,165	920,888
Cost of Sales	262,959	238,401
Gross Profit	772,206	682,487
Selling, General and Administrative Expenses	730,619	667,523
Operating Profit	41,586	14,963
Non-operating Income	9,453	6,054
Interest Income	1,213	762
Dividend Income	273	153
Equity in Earnings of Affiliates	—	269
Rental Income	567	638
Subsidy Income	3,362	2,776
Foreign Exchange Gain	2,359	—
Other	1,678	1,453
Non-operating Expenses	6,204	11,379
Interest Expense	1,881	2,226
Equity in Losses of Affiliates	1,090	—
Foreign Exchange Loss	—	3,088
Other Interest on Debt	529	1,332
Other	2,702	4,732
Ordinary Profit	44,835	9,638
Extraordinary Gains	93,066	16,554
Gain on Sales of Fixed Assets	561	9,716
Gain on Sale of Businesses	73,954	—
Gain on Change in Equity	13,520	—
Gain on Sales of Investment Securities	2,733	819
Grant Income	1,965	6,018
Gain on Reversal of Share Acquisition Rights	331	—
Extraordinary Losses	64,644	28,234
Loss on Disposal of Fixed Assets	2,491	3,665
Impairment Loss	26,463	944
Structural Reform Expenses	31,110	3,196
Loss on COVID-19	4,507	18,696
Loss on Sales of Investment Securities	67	4
Loss on Revaluation of Investment Securities	4	499
Loss on Business Withdrawal	—	1,226
Profit (Loss) before Income Taxes	73,256	(2,040)
Income Taxes – Current	61,923	6,199
Refund of Income Taxes for Prior Years	(1,165)	—
Income Taxes – Deferred	(32,413)	880
Net Profit (Loss)	44,912	(9,120)
Net Profit Attributable to Non-Controlling Interests	2,472	2,540
Net Profit (Loss) Attributable to Owners of Parent	42,439	(11,660)

Reference: Consolidated Statement of Comprehensive Income

(Fiscal Year from January 1, 2021 to December 31, 2021)

(Millions of yen)

	Fiscal Year 2021	Fiscal Year 2020 (Reference)
Net Profit (Loss)	44,912	(9,120)
Other Comprehensive Income:		
Valuation Difference on Available-for-Sale Securities	(1,799)	40
Foreign Currency Translation Adjustments	34,247	(5,562)
Adjustment for Retirement Benefits	3,322	25,039
Share of Other Comprehensive Income of Associates Accounted for Under the Equity Method	519	34
Total Other Comprehensive Income	36,310	19,551
Comprehensive Income	81,222	10,431
(Breakdown)		
Comprehensive Income Attributable to Owners of Parent	79,565	7,672
Comprehensive Income Attributable to Non-Controlling Interests	4,656	2,759

Consolidated Statement of Changes in Net Assets
(Fiscal Year from January 1, 2021 to December 31, 2021)

(Millions of yen)

	Shareholders' Equity				
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock, at Cost	Total Shareholders' Equity
Balance at Beginning of Period	64,506	70,741	339,817	(2,455)	472,610
Changes during Period					
Dividends from Retained Earnings			(15,978)		(15,978)
Net Profit Attributable to Owners of Parent			42,439		42,439
Acquisition of Treasury Stock				(23)	(23)
Disposal of Treasury Stock			(69)	140	71
Non-Controlling Interests, Capital Transactions, Others			98		98
Net Changes of Items Other than Shareholders' Equity					
Total Changes during Period	—	—	26,489	117	26,606
Balance at End of Period	64,506	70,741	366,306	(2,338)	499,217

(Millions of yen)

	Accumulated Other Comprehensive Income				Stock Acquisition Rights	Non-Controlling Interests	Total Net Assets
	Valuation Difference on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Accumulated Adjustment for Retirement Benefits	Total Accumulated Other Comprehensive Income			
Balance at Beginning of Period	3,054	5,257	3,366	11,678	1,399	20,905	506,593
Changes during Period							
Dividends from Retained Earnings							(15,978)
Net Profit Attributable to Owners of Parent							42,439
Acquisition of Treasury Stock							(23)
Disposal of Treasury Stock							71
Non-Controlling Interests, Capital Transactions, Others							98
Net Changes of Items Other than Shareholders' Equity	(1,787)	32,623	3,290	34,126	(332)	438	34,232
Total Changes during Period	(1,787)	32,623	3,290	34,126	(332)	438	60,839
Balance at End of Period	1,267	37,881	6,656	45,805	1,067	21,343	567,433

Notes to Consolidated Financial Statements

Basis of Presenting Consolidated Financial Statements

1. Scope of Consolidation

(1) Number of consolidated subsidiaries: 69

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

[Addition: 2 companies]

Shiseido Interactive Beauty Company, Limited and Shiseido Creative Company, Limited have been included in the scope of consolidation effective from the fiscal year following their establishment.

[Exclusion: 5 companies]

Drunk Elephant Holdings, LLC, Drunk Elephant, LLC, and Drunk Elephant Blocker, Inc. were excluded from the scope of consolidation effective from the fiscal year following the absorption-type merger into Shiseido Americas Corporation.

Shanghai Huani Transparent Beauty Soap Co., Ltd. was excluded from the scope of consolidation effective from the fiscal year as its liquidation was completed.

Bare Escentuals K.K. was excluded from the scope of consolidation effective from the fiscal year following the transfer of shares held.

(2) Unconsolidated subsidiaries

Major company names: Shiseido India Private Ltd.

(Reasons for excluding unconsolidated subsidiaries from the scope of consolidation)

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

2. Application of the Equity Method

(1) Affiliates accounted for under the equity method: 15

Major company name: K.K. Asian Personal Care Holding, Pierre Fabre Japon Co., Ltd.

[Addition: 12 companies]

K.K. Asian Personal Care Holding and its 11 subsidiaries have been included in the scope of equity method application effective from the fiscal year as the Company acquired shares of the said company.

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

3. Fiscal Year of Consolidated Subsidiaries

The balance sheet dates of all consolidated subsidiaries are the same as the consolidated balance sheet date.

4. Notes on Accounting Policies

(1) Valuation of Major Assets

1) Securities

Available-for-sale securities:

Securities with readily determinable fair value:

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

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

Securities without readily determinable fair value:

Primarily stated at cost, based mainly on the moving-average method.

Investments in limited partnerships are recorded as investment securities, at the amount of interest in such partnerships calculated based on ownership percentage. Investment gain or loss is included in net profit or loss in proportion to the ownership interests in the net asset value of the partnership.

2) Inventories

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

(2) Depreciation of Major Assets

1) Property, Plant and Equipment (Excluding Leased Assets and Right-of-Use Assets)

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

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

2) Intangible Assets (Excluding Leased Assets)

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

Goodwill:	mainly 10–20 years
Software:	mainly 5–10 years
Consumer relationships:	mainly 5 years
Trademark rights:	mainly 9–10 years (except for those with indefinite useful lives)

3) Leased Assets

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

4) Right-of-Use Assets

Right-of-use assets are depreciated using the straight-line method.

5) Long-Term Prepaid Expenses

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

(3) Significant Provisions

1) Allowance for Doubtful Accounts

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

2) Reserve for Sales Returns

The Company and its domestic consolidated subsidiaries provide a reserve for sales returns for future losses considering the past return ratios and market distributors' stock.

3) Accrued Bonuses for Employees

The Company and its consolidated subsidiaries provide accrued bonuses for employees based on the estimated amounts to be paid in respect of the fiscal year. This reserve includes bonuses for corporate officers who are non-Board members, for whom the calculations are the same as those for accrued bonuses for directors.

4) Accrued Bonuses for Directors

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

5) Provision for Liabilities and Charges

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

6) Provision for Losses on Guarantees

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

7) Provision for Loss on Business Withdrawal

To provide for losses related to the discontinuation of some brands and withdrawal from businesses, the amount of loss expected to be incurred in the future is recorded.

8) Provision for Structural Reforms

To provide for losses related to structural reforms, the amount of losses expected to be incurred in the future is recorded.

(4) Basis for Calculating Net Defined Benefit Liability

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

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

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

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

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

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

Receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rate prevailing at the end of the consolidated fiscal year and resulting exchange gains and losses are included in net profit or loss for the fiscal year. The financial statements of overseas consolidated subsidiaries and affiliates are translated into yen at the exchange rate prevailing on the respective balance sheet dates of those subsidiaries for assets and liabilities. All income and expenses are translated at the average rate of exchange during the fiscal year and resulting translation adjustments are included in net assets as foreign currency translation adjustments and non-controlling interests.

(6) Significant Accounting for Hedges

Hedge accounting method

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

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

- 1) Consumption Taxes: The Company and its consolidated subsidiaries adopted the tax-exclusive method for consumption tax and regional consumption tax.
- 2) Application of Consolidated Taxation System: The Company and certain domestic consolidated subsidiaries applied a consolidated taxation system with the Company as the taxable parent company.
- 3) Application of Tax Effect Accounting Pertaining to the Transition from Consolidated Taxation System to Group Tax Sharing System: With regard to the transition into the group tax sharing system established under “the Act for Partial Amendment of the Income Tax Act, etc.” (Act No. 8 of 2020) and items for which the consolidated taxation system has been revised upon the transition to the group tax sharing system, based on the practical solution in paragraph 3 of “Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System” (Practical Issues Task Force (PITF) No. 39, March 31, 2020), the Company and its domestic consolidated subsidiaries do not apply the provisions of paragraph 44 of “Implementation Guidance on Tax Effect Accounting” (Accounting Standards Board of Japan (ASBJ) Guidance No. 28, February 16, 2018), and the amounts of deferred tax assets and deferred tax liabilities are based on the provisions of tax laws prior to the revisions.

Notes to Changes in Method of Presentation

(Consolidated balance sheet)

“Long-term loans receivable,” which was included in “other investments” under “investments and other assets” for the previous fiscal year, has been presented separately from the fiscal year ended December 31, 2021, due to an increase in financial materiality. Reclassifications of the consolidated financial statements for the previous fiscal year have been made to reflect this change in presentation. As a result, ¥0 million that was included in “other investments” under “investments and other assets” in the consolidated balance sheet for the previous fiscal year has been reclassified as “long-term loans receivable.”

(Application of the “Accounting Standard for Disclosure of Accounting Estimates”)

The Group has applied the “Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No. 31, March 31, 2020) from the fiscal year 2021, and provided notes to accounting estimates in the consolidated financial statements.

Notes to Accounting Estimates

Accounting estimates calculate the reasonable amount based on available information at the time that the consolidated financial statements are prepared. Among the amounts recorded based on accounting estimates in the consolidated financial statements for the fiscal year 2021, items which may have risk of significantly affecting the consolidated financial statements for the following fiscal year, are as follows:

1. Valuation of Goodwill related to Shiseido Americas Corporation (“SAC”) reporting unit

(1) The amount recorded in consolidated financial statements for the fiscal year 2021 and ratio of total assets

The amounts of goodwill by segment are as follows. Goodwill related to SAC reporting unit is ¥20,941 million. A risk of significant estimates for this valuation of goodwill has been identified.

Account	Segments	Amounts (Millions of yen)	Ratio of total assets
Goodwill	Japan Business	1,544	0.1%
	China Business	5,693	0.5%
	Asia Pacific Business	3,631	0.3%
	Americas Business	20,941	1.8%
	EMEA Business	5,124	0.4%
	Travel Retail Business	5,647	0.5%
	Other	1,575	0.1%
		44,159	3.7%

(2) Other information that contributes to the understanding of users of the consolidated financial statements regarding the accounting estimates

Goodwill related to SAC reporting unit is recorded in SAC which is a subsidiary applying generally accepted accounting principles in the United States (“U.S. GAAP”). The goodwill is amortized on a straight-line basis according to the accounting alternative for private company under U.S. GAAP. U.S. GAAP requires that the amortizable goodwill be allocated to reporting units and be subject to impairment test when indication of impairment is identified. Valuation by outside specialists is utilized for goodwill fair value estimation and impairment test. Estimates of the fair value is calculated by the discounted cash flow method, which uses many estimates and assumptions such as discount rates, long-term market growth rate, and future cash flow which considers future projections, past performance, current and expected economic conditions, and market data. These estimates and assumptions may significantly affect the result of impairment test and impairment loss. In the fiscal year 2021, indication of impairment was identified due to transfer of the three prestige makeup brands, and impairment test was performed, but since the fair value of SAC reporting unit exceeded its carrying value, the impairment loss of goodwill related to SAC reporting unit had not been recognized. Future cash flow used to calculate the fair value is estimated based on the future business plan in SAC reporting unit and long-term market growth rate of 3%, and incorporates the long-term market growth rate of the cosmetics market in the United States and an increase in sales through sales expansion plan as primary assumptions. In addition, discount rate of 11% which considers the company-specific risk premium and risk-free rate in the United States is used. Management determined that the estimates for the fair value on this test is reasonable, but it is possible that the fair value declines and impairment loss occurs due to unexpectable changes in the future business assumptions. Additionally, regarding the goodwill related to the three transferred brands, the book value of the assets group related to the business is reduced to the recoverable

amount, and the reduction is recorded as an extraordinary loss. For details, please refer to “Notes to Consolidated Statement of Income.”

Regarding impact of COVID-19 pandemic, although recovery is delayed in some categories, the Company has made certain assumptions that it would recover in earnest in 2023. The above assumption used for the estimates includes many uncertainties, and if the impact to the economic environment from COVID-19 changes, impairment loss may occur, which may affect the company’s financial position and operating results.

Notes to Consolidated Balance Sheet

(1) Inventories

Merchandise and products	¥84,120 million
Work in process	¥7,107 million
Raw materials and supplies	¥52,530 million

(2) Collateralized assets and loan liabilities

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

Cash and time deposits	¥1,736 million
Buildings and structures	¥11,478 million
Machinery and equipment, and tools, furniture and fixtures	¥70 million
Investment securities	¥1,155 million
Other investments (Guarantee deposit paid)	¥15,200 million
Total	¥29,640 million

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

Current portion of long-term debt	¥730 million
Long-term debt	¥15,915 million

(3) Accumulated depreciation of property, plant and equipment

¥270,547 million

Notes to Consolidated Statement of Income

(1) Gain on sale of businesses

These are related to the transfer of the Personal Care business and the three prestige makeup brands. For details, please refer to “Other (1) Business Combinations.”

(2) Gain on change in equity

These are related to the transfer of the Personal Care business. For details, please refer to “Other (1) Business Combinations.”

(3) Grant income

Income mainly from grants and subsidies provided by governments and local municipalities for the employment maintenance and compensation of employees in relation to COVID-19.

(4) Impairment loss

The Group recognizes an impairment loss on the following asset groups.

The Group organizes its business-use assets into groups according to minimum independent cash-flow-generating units, based on business classifications. Store assets among business-use assets are grouped by each of the stores.

Use	Location	Type	Impairment loss (Millions of yen)
Assets for business use	Paris, France (Note 1)	Trademark rights	15,582
	Madrid, Spain (Note 1)	Other	18
	Subtotal		15,600
	Delaware, United States (Note 2)	Goodwill	7,427
	Subtotal		7,427
	Kakegawa-shi, Shizuoka Pref., Japan (Note 3)	Buildings and structures	1,829
		Machinery and equipment	1,445
		Other	51
	Subtotal		3,326
	Tokyo, Japan (Note 4)	Buildings and structures	92
		Other	16
	Subtotal		109
	Total		

Notes:

1. The Company's subsidiary Beauté Prestige International S.A.S. and Dolce&Gabbana S.r.l. have agreed to terminate an exclusive global license agreement which had been recorded as business-use assets. Subsequently, the profitability of the trademark rights, etc. has declined and the Company no longer expects to recover its investment. The book value after the deduction of related liability is therefore reduced to the recoverable amount, and the reduction is recorded as an extraordinary loss. The recoverable amount is determined by value in use after the deduction of related liability and is estimated at zero.
2. With the conclusion of agreements to transfer the related assets for the three prestige makeup brands, the carrying amount of the asset group related to the business has been reduced to the recoverable amount, and the amount of the reduction has been recorded as an extraordinary loss. The recoverable amount is determined by its net realizable value and is calculated based on the transfer price under the agreement.
3. Following the decision to discontinue production of hyaluronic acid, the book value of factory asset groups related to the hyaluronic acid business was reduced to the recoverable amount, and the amount of the reduction is recorded as an extraordinary loss. The recoverable amount is determined by value in use and is estimated at zero.
4. In the Japan subsidiary, the book value of the assets group for the stores whose operating profit is continuously negative, is reduced to the recoverable amount, and the reduction is recorded as an extraordinary loss. The recoverable amount is determined by value in use which is calculated based on 6.2% as discount rate.

(5) Structural reform expenses

Mainly expenses related to termination of an exclusive global license agreement with Dolce&Gabbana S.r.l. and related retirement premiums, etc. of ¥20,930 million; retirement premiums, etc. of ¥2,279 million related to organizational reform in Europe; advisory fees, etc. of ¥1,688 million related to transfer of the three prestige makeup brands and partial office and store closing expenses, etc. of ¥2,926 million; retirement premiums, etc. of ¥1,463 million related to brands transfer of *Za* and *PURE&MILD*; and transfer incentive, etc. of ¥1,324 million related to transfer of the Personal Care business.

(6) Loss on COVID-19

Loss mainly from fixed costs, etc. due to the suspension of in-store employee dispatchment and the low operation of factories at the request of various governments to prevent the spread of COVID-19. The breakdown is as follows.

Salaries and allowances for employees	¥3,756 million
Fixed costs for factories and stores	¥750 million
Total	¥4,507 million

Notes to Consolidated Statement of Changes in Net Assets

(1) Shares issued (including treasury shares)

Class and number of shares issued (including treasury shares) as of December 31, 2021

Common stock 400,000 thousand shares

(2) Dividends

1) Cash dividends paid

Resolution	Share Class	Cash Dividends Paid (Millions of yen)	Cash Dividends per Share (Yen)	Record Date	Effective Date
Ordinary General Meeting of Shareholders on March 25, 2021	Common stock	7,989	20.00	December 31, 2020	March 26, 2021
Board of Directors Meeting on August 5, 2021	Common stock	7,989	20.00	June 30, 2021	September 3, 2021
Total		15,978			

2) Resolution at the Ordinary General Meeting of Shareholders to be held on March 25, 2022 concerning dividends on shares of common stock with the record date in the fiscal year ended December 31, 2021 but for which the effective date is after the end of the fiscal year

Cash dividends to be paid:	¥11,984 million
Cash dividends per share:	¥30.00
Record date:	December 31, 2021
Effective date:	March 28, 2022
Funding source:	Retained earnings

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

Common stock 319 thousand shares

Financial Instruments

1. Financial Instruments

(1) Policy for financial instruments

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

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

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

Investment securities, primarily the equity securities of corporations with which the Shiseido Group does business, are exposed to the risk of fluctuations in market price. The Shiseido Group manages this risk by periodically examining market prices and the financial condition of the issuing entities. Long-term loans receivable are mostly seller notes acquired in connection with the transfer of three prestige makeup brands, which are exposed to credit risk of the transferee. The Shiseido Group manages this risk by periodically monitoring the fulfillment status of contractual conditions and other factors to assess the recoverability of receivables.

Notes payable, electronically recorded obligations-operating, accounts payable and other payables, which are operating payables, are due within one year.

Long-term debt, bonds and lease obligations, which are interest-bearing debt, are primarily used to fund capital expenditures, the acquisition of Drunk Elephant Holdings, LLC and operating transactions. Long-term payables, which are mostly liabilities incurred in connection with the execution of a license agreement, are not exposed to foreign exchange risk and interest rate risk. Floating-rate debt is exposed to the risk of interest rate fluctuations. The Shiseido Group hedges this risk for specific long-term debt by using derivatives (interest rate swap contracts and interest rate and currency swap contracts) on an individual loan contract basis to avoid the risk of interest rate fluctuations and fix interest payments.

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

The Shiseido Group executes and manages derivatives in accordance with the internal rules and regulations that prescribe transaction authority, and reduces credit risk by limiting counterparties to highly creditworthy financial institutions.

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

2. Fair Value of Financial Instruments

Fair value and variance with carrying value presented on the consolidated balance sheet as of December 31, 2021 are as follows. Unlisted equity securities, investments in limited partnerships and other instruments with fair values that are not readily determinable are not included in the following table.

(Millions of yen)

	Carrying Value*	Fair Value*	Variance
(1) Cash and time deposits	172,056	172,056	—
(2) Notes and accounts receivable (before deducting allowance for doubtful accounts)	151,115	151,115	—
(3) Short-term investment securities and investment securities			
Available-for-sale securities	5,570	5,570	—
(4) Long-term loans receivable	31,116	31,116	—
(5) Notes payable, electronically recorded obligations-operating, accounts payable and other payables	(165,094)	(165,094)	—
(6) Bonds	(65,000)	(64,967)	33
(7) Long-term debt	(96,645)	(96,599)	45
(8) Lease obligations	(29,338)	(29,185)	153
(9) Derivative instruments			
1) Hedge accounting not applied	(501)	(501)	—
2) Hedge accounting applied	—	(201)	(201)
(10) Long-term payables	(4,756)	(4,756)	—

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

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

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

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

(3) Short-term investment securities and investment securities

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

(4) Long-term loans receivable

The fair value of long-term loans receivable is the discounted total cash flows using a certain interest rate.

(5) Notes payable, electronically recorded obligations-operating, accounts payable and other payables

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

(6) Bonds

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

(7) Long-term debt

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

(8) Lease obligations

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

(9) Derivative instruments

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

(10) Long-term payables

Carrying value and fair value of long-term payables are measured and calculated as the present value discounted using the interest rate that is assumed to be applied when an additional loan is taken out from banks, etc. for future cash flows.

Per-Share Information

Net assets per share	¥1,364.28
Net profit per share	¥106.24

Significant Subsequent Events

Company splits and other changes accompanying the transfer of Professional business

The Company has determined to transfer the Professional business (the “Business”). As a result, the assets related to the Business held in Japan will be transferred from the Company to its wholly owned subsidiary Shiseido Professional Inc. (“SPI”) through an absorption-type corporate split, followed by a transfer of 80% of its shares to Henkel Nederland B.V. (“HNBV”), a subsidiary of Henkel AG & Co. KGaA (“Henkel”), and the shares and related assets of the subsidiaries operating the Business overseas will be transferred to Henkel Group companies (the “Transaction”). The Company has executed a legally binding agreement pertaining to the above (the “Agreement”) on February 9, 2022.

1. Objectives of the Transaction

In its medium-to-long-term business strategy “WIN 2023 and Beyond,” the Shiseido Group has positioned the three years from 2021 to 2023 as a period to solidify its business foundation required for a “skin beauty company” and has launched a fundamental business transformation. Henkel operates worldwide with a strong foothold in both professional and consumer hair categories. In recent years, Henkel has expanded its footprint, particularly in the professional hair segment, in Europe and the United States. Therefore, the Company is confident that integration of its Professional business, whose brands are well established in Japan and Asia, with the business of the Henkel Group will foster global competitiveness and expansion.

2. Details of the Transaction Procedures

Global brand holder functions of the Business including the Business in Japan (wholesale to SPI, etc.) and export operations (wholesale to overseas subsidiaries, etc.) will be transferred from the Company to SPI with an effective date on or before December 31, 2022 (planned) through an absorption-type corporate split, followed by a transfer of 80% of the outstanding shares of SPI to HNBV. The overseas assets and operation of the Business will be transferred from the Company’s subsidiaries operating in seven countries and regions to Henkel Group companies through a share transfer and asset transfers in accordance with local laws. The Company will continue to support the Business through retaining shares of the company succeeding the assets related to the Business in Japan. Obtaining approval from relevant authorities based on domestic and international competition laws is a prerequisite for carrying out the Transaction.

3. Overview of the Business to be Split and Transferred

(1) Details of the business

Manufacturing and distribution of technical and retail products for hair salons, such as hair care, hair color, perm, straightening, and styling items

(2) Reportable segment included in the business

Professional business

4. Future Outlook

The transfer price of 80% of SPI’s shares, other shares, and related business assets is ¥12,300 million. In the fiscal year 2022, the Company expects a gain on sale of businesses in the amount of ¥10,000 million (Japanese Standards). In addition, the valuation amount of the Business used in calculation of transfer price is ¥14,800 million.

Other

(1) Business Combinations

(The Transfer of the Personal Care business)

On July 1, 2021, the Personal Care business (the “Business”) and its subsidiaries in Japan (Shiseido Japan Co., Ltd. (“SJ”) and FT Shiseido Co., Ltd. (the “Former FTS”) were succeeded by Fine Today Shiseido Co., Ltd. (the “New FTS”) through a company split from the Company, and all of the outstanding shares of the New FTS were transferred to Oriental Beauty Holding Co., Ltd. (“OBH”). Additionally, on July 1, 2021, the Company acquired 35% of the shares of K.K. Asian Personal Care Holding, the wholly owning parent company of OBH, through a contribution in kind. As of October 1, 2021, a merger was carried out with OBH as the surviving company and the New FTS as the disappearing company, and the trade name of OBH after the merger was changed to Fine Today Shiseido Co., Ltd.

In addition, on July 1, 2021, two of the Company’s Chinese subsidiaries, Shiseido China Co., Ltd. and Shiseido Cosmetics Manufacturing Co., Ltd., and on September 1, 2021, one of its Chinese subsidiaries, Shiseido Hong Kong Ltd., and two Asia Pacific subsidiaries, Shiseido Singapore Co., (Pte.) Ltd. and Shiseido Korea Co., Ltd., transferred their assets of the Business to affiliates of OBH.

In addition to the above transactions, the total consideration for the transfer of shares and assets, adjusted for the decrease in net working capital, etc., is ¥143,153 million.

Excluding the above noted subsidiaries, seven of the Company’s subsidiaries that operate the Business in Asia Pacific (Taiwan Shiseido Co., Ltd., FLELIS International Inc., Shiseido Thailand Co., Ltd., Shiseido Malaysia Sdn. Bhd., Shiseido Philippines Corporation, PT. Shiseido Cosmetics Indonesia, and Shiseido Cosmetics Vietnam Co., Ltd.) are planning to transfer assets of the Business in 2022 and thereafter.

All operations of the company split, share transfer, asset transfer and contribution in kind of share purchase are pursuant to the Purchase Agreement between the Company and OBH.

The following section details the company split and share transfer of the Business in Japan executed in the fiscal year 2021 and asset transfer related to the Business of three Chinese subsidiaries and two Asia Pacific subsidiaries.

1. Overview of business divestiture

(1) Name of divestee and company to which shares are transferred

- a. Name of company to which the Business in Japan is divested through company split:
Fine Today Shiseido Co., Ltd.
- b. Name of company to which shares are transferred:
Fine Today Shiseido Co., Ltd. (former Oriental Beauty Holding Co., Ltd.)
- c. Name of company to which assets related to the Business of Shiseido China Co., Ltd. and Shiseido Cosmetics Manufacturing Co., Ltd. are transferred:
Shanghai FTS Cosmetics Co., Ltd.
- d. Name of company to which assets related to the Business of Shiseido Hong Kong Ltd. are transferred:
Oriental Beauty (HK) Ltd.
- e. Name of company to which assets related to the Business of Shiseido Singapore Co., (Pte.) Ltd. are transferred:
Fine Today Singapore Pte. Ltd.
- f. Name of company to which assets related to the Business of Shiseido Korea Co., Ltd. are transferred:
Fine Today Korea Co., Ltd.

(2) Details of divested business

Personal Care business

(3) Reasons for business divestiture and objectives of share transfer

The Company has positioned skin beauty as its core business. In view of this strategy, the Company has considered various strategic options for further growth and development of the Business, and as a result determined that a transfer of the Business will promote further development of its brands and employees and bolster investment in its growth, resulting in flexible strategies and rapid decision-making attuned to the mass business segment, nurturing of human resources exceptional in value creation, and benefits for consumers and business partners.

(4) Date of Company split, share transfer, and asset transfer

a. Company split and share transfer of the Business in Japan

Effective date of company split July 1, 2021

Date of share transfer July 1, 2021

b. Asset transfers related to the Business of Shiseido China Co., Ltd. and Shiseido Cosmetics Manufacturing Co., Ltd.

Date of asset transfers July 1, 2021

c. Asset transfers related to the Business of Shiseido Hong Kong Ltd., Shiseido Singapore Co., (Pte.) Ltd., and Shiseido Korea Co., Ltd.

Date of asset transfers September 1, 2021

(5) Outline of other transactions including legal formality

Company split of the Business in Japan	The Company, SJ, and the Former FTS are the splitting companies, and the New FTS is the succeeding company that assumes the rights and obligations related to the Business in Japan.
Share transfer of the succeeding company	Share transfer of the succeeding company with consideration received as property such as cash
Asset transfers related to the Business of three Chinese subsidiaries and two Asia Pacific subsidiaries	Transfer of assets related to the Business

2. Overview of accounting treatment

(1) Amount of gain on transfer

Gain on sale of businesses ¥73,058 million

Gain on change in equity ¥13,520 million

(2) Appropriate book value of assets and liabilities related to transferred business and its breakdown

Current assets ¥22,273 million

Fixed assets ¥484 million

Total assets ¥22,757 million

Current liabilities ¥11,420 million

Long-term liabilities ¥366 million

Total liabilities ¥11,787 million

(3) Accounting treatment

Regarding accounting treatment of the transferred business in the consolidated financial statements, as the Company continues to invest a substantial 35%, any gain on sale of businesses which is recognized in the non-consolidated financial statements is accounted for through the elimination of unrealized gains and losses in accordance with ASBJ Statement No. 16, "Accounting Standard for Equity Method of Accounting for Investments." In addition, any difference between the increase in the

equity of the divesting company related to the affiliated company and decrease in the equity of the divesting company related to the transferred business is accounted for as a gain on change in equity.

3. Reportable segments included in business divestiture

Japan Business, China Business, and Asia Pacific Business

4. Approximate profit or loss related to the Business recorded in Consolidated Statements of Income for the fiscal year 2021

Net sales	¥55,152 million
Operating profit	¥4,201 million

5. Overview of continuing involvement

The Company has entered into manufacturing agreements and product procurement agreements for the products related to the Personal Care business.

(Transfer of Prestige Makeup Brands *bareMinerals*, *BUXOM*, and *Laura Mercier*)

The Company announced that Shiseido Americas Corporation, the Company's regional headquarters for the Americas and its subsidiary (registered in Delaware, United States; "SAC") transferred the related assets of prestige makeup brands *bareMinerals*, *BUXOM*, and *Laura Mercier* (including shares of a SAC's subsidiary) to an entity owned by independent private equity partnership Advent International (registered in Massachusetts, United States; "Advent") on December 6, 2021.

1. Overview of business divestiture

(1) Name of divestee

AI Beauty Holdings Ltd. (an entity owned by Advent)

(2) Details of divested business

Business of makeup brands *bareMinerals*, *BUXOM*, and *Laura Mercier*, including all shares of Bare Escentuals K.K. (Japan), a wholly owned subsidiary of SAC and the operating company of *bareMinerals* in Japan

(3) Reasons for business divestiture

Under its medium-to-long-term business strategy "WIN 2023 and Beyond," the Shiseido Group is shifting to a new business structure, with skin beauty positioned as its core category. To that end, we have launched a fundamental business transformation and aim to become a global leader in skin beauty by 2030. Amid an extremely volatile business environment, mostly impacted by the spread of COVID-19, we are making steady progress in shifting from a focus on growth through sales expansion to profitability and cash-flow management in the three years from 2021 to 2023, in order to solidify the business foundation required for a global Skin Beauty Company.

As we are taking steps to prioritize our brands, optimize our portfolio, and strengthen our competitive advantages under this strategy, we have decided to transfer the business of three of the Company's makeup brands—*bareMinerals* and *BUXOM*, acquired in 2010, and *Laura Mercier*, acquired in 2016—to an external party. The transfer of the brands' employees to the new owner along with the businesses is an important consideration and factor in this transaction.

(4) Date of business divestiture

December 6, 2021

(5) Outline of other transactions including legal formality

The transfer price of the assets related to the brands was 700 million US dollars (¥80,577 million), of which 350 million US dollars (¥40,288 million) was paid in cash upon closing, and the remainder—as deferred payment in the form of a seller note* payable on the seventh anniversary of the closing. Relating to the above asset transfer, the Company also contributed 118 million US dollars (¥13,582 million) to the transferee, AI Beauty Holdings Ltd., mainly as working capital adjustments and initial funds.

*A type of debt financing in which the seller partially extends credit to the buyer

2. Overview of accounting treatment

(1) Amount of gain on transfer

Gain on sale of businesses	¥895 million
Impairment loss	¥7,427 million

(2) Appropriate book value of assets and liabilities related to transferred business and its breakdown

Current assets	¥11,822 million
Fixed assets	¥52,277 million
Total assets	¥64,099 million
Current liabilities	¥856 million
Long-term liabilities	¥16 million
Total liabilities	¥872 million

(3) Accounting treatment

On the date of business divestiture, accounting treatment was applied based on the “ASC 805 Business Combinations.” With the conclusion of this agreement, gain on sale of businesses was recorded as extraordinary gains, and impairment losses and structural reform expenses were recorded as extraordinary losses for the fiscal year 2021. For details, please refer to “Notes to Consolidated Statement of Income.”

3. Reporting segments included in business divestiture

Japan Business, China Business, Asia Pacific Business, Americas Business, EMEA Business, and Travel Retail Business

4. Approximate profit or loss related to the Business recorded in Consolidated Statements of Income for the fiscal year 2021

Net sales	¥52,327 million
Operating loss	¥(7,332) million

5. Overview of continuing involvement

The Company has entered into manufacturing agreements and product procurement agreements for the products related to prestige makeup brands *bareMinerals*, *BUXOM*, and *Laura Mercier*.

(2) Additional Information

(Conclusion of Agreement related to manufacturing and distribution)

The Company and its subsidiary Beauté Prestige International S.A.S. entered into agreement to manufacture and distribute “DOLCE&GABBANA” related products until the end of 2022 with Dolce&Gabbana S.r.l. and Dolce&Gabbana Trademark S.r.l. on December 15, 2021.

Non-Consolidated Balance Sheet

(As of December 31, 2021)

(Millions of yen)

	December 31, 2021	December 31, 2020 (Reference)		December 31, 2021	December 31, 2020 (Reference)
ASSETS			LIABILITIES		
Current Assets:	235,912	218,974	Current Liabilities:	231,417	188,079
Cash and Time Deposits	40,677	26,185	Electronically Recorded Obligations-Operating	35,688	50,575
Notes Receivable	5	126	Accounts Payable	12,850	10,701
Accounts Receivable	83,882	46,489	Short-Term Debt	—	30,000
Short-term Investment Securities	—	21,000	Current Portion of Long-Term Debt	—	10,000
Merchandise and Products	15,985	22,211	Current Portion of Corporate Bonds Scheduled for Redemption	15,000	—
Work in Process	5,454	4,900	Lease Obligations	1,534	1,760
Raw Materials and Supplies	24,971	25,503	Other Payables	45,441	42,582
Prepaid Expenses	5,240	4,440	Accrued Expenses	1,338	3,712
Short-Term Loans Receivable	218	2,576	Accrued Income Taxes	27,251	—
Other Accounts Receivable	41,786	23,054	Deposits Received	778	1,301
Other Current Assets	23,459	42,567	Deposits Received from Subsidiaries and Affiliates	72,002	25,316
Less: Allowance for Doubtful Accounts	(5,769)	(81)	Reserve for Sales Returns	6,127	8,892
Fixed Assets:	665,490	600,163	Accrued Bonuses for Employees	5,901	2,778
Property, Plant and Equipment:	246,586	229,351	Accrued Bonuses for Directors	169	162
Buildings	122,579	103,539	Allowance for Investment Loss of Subsidiaries and Affiliates	4,787	—
Structures	4,530	3,497	Other Current Liabilities	2,545	293
Machinery and Equipment	51,455	45,208	Long-Term Liabilities:	142,488	189,288
Vehicles	160	128	Bonds	50,000	65,000
Tools, Furniture and Fixtures	12,688	12,641	Long-Term Debt	80,000	110,000
Land	38,488	36,839	Lease Obligations	1,792	1,578
Leased Assets	3,197	3,205	Provision for Retirement Benefits	6,549	7,902
Construction in Progress	13,486	24,291	Allowance for Losses on Guarantees	350	350
Intangible Assets:	39,133	31,237	Other Long-Term Liabilities	3,796	4,457
Patent Rights	19	22	Total Liabilities	373,906	377,368
Telephone Rights	123	123	NET ASSETS		
Software	33,149	21,344	Shareholders' Equity:	525,777	437,919
Software in Progress	4,774	8,465	Common Stock	64,506	64,506
Leased Assets	81	84	Capital Surplus	70,258	70,258
Other Intangible Assets	985	1,196	Additional Paid-In Capital	70,258	70,258
Investments and Other Assets:	379,770	339,574	Retained Earnings	393,350	305,610
Investment Securities	1,713	5,076	Legal Reserve	16,230	16,230
Investments in Shares of Subsidiaries and Affiliates	319,025	276,175	Other Retained Earnings	377,120	289,380
Other Investment Securities of Subsidiaries and Affiliates	17,631	17,631	Reserve for Advanced Depreciation of Fixed Assets	4,545	4,490
Capital Investments	110	368	Retained Earnings Carried Forward	372,574	284,890
Capital Investments in Subsidiaries and Affiliates	11,816	11,816	Less: Treasury Stock	(2,338)	(2,455)
Long-Term Loans Receivable	932	1,030	Valuation, Translation Adjustments and Others:	651	2,451
Long-Term Prepaid Expenses	260	578	Valuation Difference on Available-for-Sale Securities	651	2,451
Deferred Tax Assets	24,268	14,883	Stock Acquisition Rights	1,067	1,399
Other Investments	4,391	12,226	Total Net Assets	527,496	441,770
Less: Allowance for Doubtful Accounts	(380)	(213)	TOTAL LIABILITIES AND NET ASSETS	901,402	819,138
TOTAL ASSETS	901,402	819,138			

Non-Consolidated Statement of Income

(Fiscal Year from January 1, 2021 to December 31, 2021)

(Millions of yen)

	Fiscal Year 2021	Fiscal Year 2020 (Reference)
Net Sales	275,063	249,335
Cost of Sales	152,565	154,872
Gross Profit	122,498	94,463
Selling, General and Administrative Expenses	101,368	95,478
Operating Profit (Loss)	21,129	(1,015)
Non-operating Income	29,116	36,588
Interest Income	258	701
Dividend Income	20,529	31,559
Foreign Exchange Gain	1,834	—
Gain on Investment in Limited Partnerships	1,551	1,456
Royalty Income	1,498	1,375
Other	3,444	1,495
Non-operating Expenses	3,905	3,655
Interest Expense	640	356
Provision of Allowance for Doubtful Accounts	325	134
Foreign Exchange Loss	—	1,394
Loss on Investment in Limited Partnerships	—	0
Other	2,939	1,770
Ordinary Profit	46,341	31,917
Extraordinary Gains	74,944	5,099
Gain on Sales of Fixed Assets	170	488
Gain on Sale of Businesses	71,646	—
Gain on Sales of Investment Securities	2,732	819
Gain on Reversal of Share Acquisition Rights	331	—
Grant Income	63	184
Gain on Liquidation of Subsidiaries and Affiliates	—	3,556
Gain on Extinguishment of Tie-in Shares	—	51
Extraordinary Losses	5,009	6,599
Loss on Disposal of Fixed Assets	1,053	2,434
Impairment Loss	3,326	—
Structural Reform Expenses	579	1,963
Loss on COVID-19	30	1,621
Loss on Sales of Investment Securities	15	1
Loss on Revaluation of Investment Securities	4	499
Loss on Revaluation of Shares in Subsidiaries and Affiliates	—	78
Profit before Income Taxes	116,275	30,417
Income Taxes – Current	21,858	(301)
Refund of Income Taxes for Prior Years	(795)	—
Income Taxes – Deferred	(8,576)	(3,148)
Net Profit	103,788	33,867

Non-Consolidated Statement of Changes in Net Assets
(Fiscal Year from January 1, 2021 to December 31, 2021)

(Millions of yen)

	Shareholders' Equity		
	Common Stock	Capital Surplus	
		Additional Paid-In Capital	Total Capital Surplus
Balance at Beginning of Period	64,506	70,258	70,258
Changes during Period			
Dividends from Retained Earnings			
Net Profit			
Provision of Reserve for Tax Purpose Reduction Entry			
Acquisition of Treasury Stock			
Disposal of Treasury Stock			
Net Changes of Items Other than Shareholders' Equity			
Total Changes during Period	—	—	—
Balance at End of Period	64,506	70,258	70,258

(Millions of yen)

	Shareholders' Equity					
	Retained Earnings			Total Retained Earnings	Treasury Stock, at Cost	Total Shareholders' Equity
	Legal Reserve	Other Retained Earnings				
		Reserve for Tax Purpose Reduction Entry of Fixed Assets	Retained Earnings Carried Forward			
Balance at Beginning of Period	16,230	4,490	284,890	305,610	(2,455)	437,919
Changes during Period						
Dividends from Retained Earnings			(15,978)	(15,978)		(15,978)
Net Profit			103,788	103,788		103,788
Provision of Reserve for Tax Purpose Reduction Entry		55	(55)	—		—
Acquisition of Treasury Stock				—	(23)	(23)
Disposal of Treasury Stock			(69)	(69)	140	71
Net Changes of Items Other than Shareholders' Equity						—
Total Changes during Period	—	55	87,684	87,739	117	87,857
Balance at End of Period	16,230	4,545	372,574	393,350	(2,338)	525,777

(Millions of yen)

	Valuation, Translation Adjustments and Others		Stock Acquisition Rights	Total Net Assets
	Valuation Difference on Available-for-Sale Securities, Net of Taxes	Total Valuation, Translation Adjustments and Others		
Balance at Beginning of Period	2,451	2,451	1,399	441,770
Changes during Period				
Dividends from Retained Earnings				(15,978)
Net Profit				103,788
Provision of Reserve for Tax Purpose Reduction Entry				—
Acquisition of Treasury Stock				(23)
Disposal of Treasury Stock				71
Net Changes of Items Other than Shareholders' Equity	(1,799)	(1,799)	(332)	(2,131)
Total Changes during Period	(1,799)	(1,799)	(332)	85,726
Balance at End of Period	651	651	1,067	527,496

Notes to Non-Consolidated Financial Statements

Significant Accounting Policies

(1) Valuation of Assets

1) Securities

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

Available-for-sale securities

Securities with readily determinable fair value:

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

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

Securities without readily determinable fair value:

Stated at cost, based on the moving-average method.

Investments in limited partnerships are recorded as investment securities, at the amount of interest in such partnerships calculated based on ownership percentage. Investment gain or loss is included in net profit or loss in proportion to the ownership interests in the net asset value of the partnership.

2) Inventories

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

(2) Depreciation of Fixed Assets

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

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

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

2) Intangible Assets (Excluding Leased Assets)

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

Software:	mainly 5–10 years
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3) Leased Assets

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

4) Long-Term Prepaid Expenses

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

(3) Provisions

1) Allowance for Doubtful Accounts

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

2) Reserve for Sales Returns

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

3) Accrued Bonuses for Employees

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

4) Accrued Bonuses for Directors

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

5) Allowance for Investment Loss of Subsidiaries and Affiliates

Of excessive debt of the relevant subsidiaries and affiliates, the estimated amount to be borne by the Company is recorded considering asset components of the subsidiaries and affiliates, and other factors.

6) Provision for Retirement Benefits

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

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

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

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

7) Allowance for Losses on Guarantees

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

(4) Significant Accounting for Hedges

Hedge accounting method

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

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

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

2) Application of Consolidated Taxation System: The Company applied a consolidated taxation system with the Company as the taxable parent company.

- 3) Application of Tax Effect Accounting Pertaining to the Transition from Consolidated Taxation System to Group Tax Sharing System: With regard to the transition into the group tax sharing system established under “the Act for Partial Amendment of the Income Tax Act, etc.” (Act No. 8 of 2020) and items for which the consolidated taxation system has been revised upon the transition to the group tax sharing system, based on the practical solution in paragraph 3 of “Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System” (PITF No. 39, March 31, 2020), the Company does not apply the provisions of paragraph 44 of “Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No. 28, February 16, 2018), and the amounts of deferred tax assets and deferred tax liabilities are based on the provisions of tax laws prior to the revisions.
- 4) Accounting Treatment Related to Retirement Benefits: The method of accounting for unrecognized net actuarial gain or loss and unrecognized prior service cost related to retirement benefits is different from the method adopted in the consolidated financial statements.

Notes to Changes in Method of Presentation

(Application of the “Accounting Standard for Disclosure of Accounting Estimates”)

The Company has applied the “Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No. 31, March 31, 2020) from the fiscal year 2021, and provided notes to accounting estimates in the financial statements.

Notes to Accounting Estimates

(Revaluation of shares of subsidiaries and affiliates in connection with Shiseido Americas Corporation (“Shiseido Americas”))

- (1) The amount recorded in the financial statements for the fiscal year 2021

Shares of subsidiaries and affiliates in connection with Shiseido Americas	¥259,260 million
Loss on revaluation of shares of subsidiaries and affiliates in connection with Shiseido Americas	¥— million

- (2) Other information that contributes to the understanding of users of the financial statements regarding the accounting estimates

As for shares whose fair values are not readily determinable, such as investments in subsidiaries and affiliates, when real value of the shares declines significantly due to deterioration in their issuer’s financial position, revaluation loss needs to be recognized for the investment, unless the recoverability is backed up by sufficient evidence. For shares of subsidiaries and affiliates in connection with Shiseido Americas, the carrying amount in the balance sheet is based on the acquisition cost. Since the real value had not declined significantly as at the end of the fiscal year, no loss on revaluation of shares of subsidiaries and affiliates in connection with Shiseido Americas was recorded. The real value of Shiseido Americas includes excess earning power related to SAC reporting unit. For details, please refer to “Notes to Accounting Estimates” in the Notes to Consolidated Financial Statements.

Regarding impact of COVID-19 pandemic, although recovery is delayed in some categories, the Company has made certain assumptions that it would recover in earnest in 2023. The assumption includes many uncertainties, and if the impact to the economic environment from COVID-19 changes, it might result in impairment of the real value and raise the need to recognize a loss on revaluation.

Notes to Non-Consolidated Balance Sheet

- (1) Accumulated depreciation of property, plant and equipment: ¥109,799 million

(2) Monetary receivables and payables from/to subsidiaries and affiliates (Note)

Short-term receivables	¥135,087 million
Long-term receivables	¥932 million
Short-term payables	¥25,320 million

Note: Items presented separately on the non-consolidated balance sheet are excluded from the above.

Notes to Non-Consolidated Statement of Income

(1) Transactions with subsidiaries and affiliates

Net sales	¥270,661 million
Purchases	¥16,637 million
Other operating transactions	¥13,985 million
Non-operating transactions	¥24,372 million

(2) Gain on sale of businesses

The Company transferred the Personal Care business on July 1, 2021, and has disclosed the amount derived by offsetting the following gains and losses arising from the transfer as gain on sale of businesses.

Gain on sales of shares of subsidiaries and affiliates (Note 1)	¥92,356 million
Loss on revaluation of shares of subsidiaries and affiliates (Note 2)	¥(10,288) million
Provision of allowance for doubtful accounts (Note 3)	¥(5,633) million
Provision of allowance for investment loss of subsidiaries and affiliates (Note 3)	¥(4,787) million
Total	¥71,646 million

Note 1: Gain on sales of shares in subsidiaries and affiliates arose at the time of the transfer of assets and liabilities related to the Personal Care business from the Company and Shiseido Japan Co., Ltd. and FT Shiseido Co., Ltd., its subsidiaries, to Fine Today Shiseido Co., Ltd., a subsidiary newly established by the Company, in the form of company splits, followed by a transfer of all outstanding shares of Fine Today Shiseido Co., Ltd. to Oriental Beauty Holding Co., Ltd.

Note 2: FT Shiseido Co., Ltd. fell into excessive debt as a result of a series of processing procedures in connection with the transfer of the Personal Care business. Therefore, loss on revaluation of shares in subsidiaries and affiliates was recorded for shares of FT Shiseido Co., Ltd. held by the Company.

Note 3: To provide for the loss related to the excessive debt of FT Shiseido Co., Ltd. as described in Note 2, provision of allowance for doubtful accounts and provision of allowance for investment loss of subsidiaries and affiliates were recorded.

Notes to Non-Consolidated Statement of Changes in Net Assets

Treasury stock

	(Thousand shares)			
	Number of shares on January 1, 2021	Increase in shares in the year ended December 31, 2021	Decrease in shares in the year ended December 31, 2021	Number of shares on December 31, 2021
Common stock	534	3	30	506

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

Note 2: Shares of common stock held as treasury stock decreased due to exercise of stock options for 30 thousand shares and sale of 0 thousand shares in response to requests from less-than-one-unit shareholders.

Tax-Effect Accounting

Principal components of deferred tax assets and deferred tax liabilities

	(Millions of yen)
Deferred tax assets	
Investment in Shares in subsidiaries and affiliates	28,777
Provision for retirement benefits	2,030
Inventories	4,945
Depreciation	4,555
Accrued bonuses	2,055
Write-down of investment securities and other investments	273
Reserve for sales returns	218
Allowance for doubtful accounts	1,906
Allowance for investment loss of subsidiaries and affiliates	1,484
Other	3,291
Subtotal	<u>49,537</u>
Less: Valuation allowance	<u>(22,652)</u>
Total	26,885
Deferred tax liabilities	
Reserve for tax purpose reduction entry	(2,042)
Unrealized losses on available-for-sale securities	(232)
Unrealized losses on fixed assets due to company split	(322)
Asset retirement obligation	(19)
Total	<u>(2,617)</u>
Net deferred tax assets	<u>24,268</u>

Transactions with Related Parties

Subsidiaries, affiliates and other related parties

Type	Name	Voting Rights Held by Company (or held by others)	Relationship	Transactions	Amount of Transactions (Millions of yen)	Accounts Name	Balance as of December 31, 2021 (Millions of yen)
Subsidiary	Shiseido Japan Co., Ltd.	Direct, 100%	Product sales Concurrent directors	Sales of cosmetics (Note 1)	24,627	Accounts receivable	11,528
Subsidiary	FT Shiseido Co., Ltd.	Direct, 100%	Product sales Concurrent directors	Consolidated taxation	14,796	Other accounts receivable	14,796
Subsidiary	Shiseido Americas Corporation	Direct, 100%	Product sales Concurrent directors	Underwriting of capital increase (Note 2)	57,565	–	–
Subsidiary	Shiseido Europe S.A.	Direct, 100%	No business transaction conducted Concurrent directors	Deposit received (Note 3)	–	Deposits received from subsidiaries and affiliates	20,875
Subsidiary	Shiseido China Co., Ltd.	Direct, 100%	Product sales Concurrent directors	Sales of cosmetics (Note 1)	60,372	Accounts receivable	18,066
				Deposit received (Note 3)	–	Deposits received from subsidiaries and affiliates	9,070
Subsidiary	Shiseido Travel Retail Asia Pacific Pte. Ltd.	Indirect, 100%	Product sales	Sales of cosmetics (Note 1)	66,716	Accounts receivable	18,121
				Deposit received (Note 3)	–	Other accounts receivable	1,109
Affiliate	Oriental Beauty Holding Co., Ltd. (Currently: Fine Today Shiseido Co., Ltd.)	Indirect, 35%	Product sales Concurrent directors	Sales of cosmetics (Note 1)	14,729	Deposits received from subsidiaries and affiliates	14,734
						Accounts receivable	9,956
						Other current liabilities	1,511

Note 1: Transaction Terms and Relevant Policies

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

Note 2: The underwriting has been performed through execution of debt equity swap on loans to subsidiaries.

Note 3: Funding transactions with subsidiaries are carried out as a part of a cash management system.

Amounts stated in the “Amount of Transactions” column above do not include consumption tax, while balances stated in the “Balance as of December 31, 2021” column above include consumption tax (except for deposits received from subsidiaries and affiliates, other current liabilities, and receivables from overseas subsidiaries).

Per-Share Information

Net assets per share	¥1,317.74
Net profit per share	¥259.81

Significant Subsequent Events

Company splits and other changes accompanying the transfer of Professional business

This note has been omitted because the same details are stated in “Significant Subsequent Events” in the Notes to Consolidated Financial Statements. Out of the transfer price of ¥12,300 million stated in the Notes to Consolidated Financial Statements, the transfer price to be allocated to the Company has not been determined. The Company is currently analyzing the impact of the Transaction on its performance.

Copy of the Accounting Auditor's Report (Consolidated)

Independent Auditor's Report

February 21, 2022

The Board of Directors
Shiseido Company, Limited

KPMG AZSA LLC

Tokyo Office

Masakazu Hattori
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Kentaro Hayashi
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Unshil Kang
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Opinion

We have audited the consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and the related notes of Shiseido Co., Ltd. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), as at December 31, 2021 and for the year from January 1, 2021 to December 31, 2021 in accordance with Article 444-4 of the Companies Act.

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

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Corporate auditors and the board of corporate auditors for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties including the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Copy of the Accounting Auditor's Report

Independent Auditor's Report

February 21, 2022

The Board of Directors
Shiseido Company, Limited

KPMG AZSA LLC

Tokyo Office

Masakazu Hattori
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Kentaro Hayashi
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Unshil Kang
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Opinion

We have audited the financial statements, which comprise the balance sheet, the statement of income, the statement of changes in net assets and the related notes, and the supplementary schedules ("the financial statements and others") of Shiseido Co., Ltd. ("the Company") as at December 31, 2021 and for the year from January 1, 2021 to December 31, 2021 in accordance with Article 436-2-1 of the Companies Act.

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

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements and Others* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Corporate Auditors and the Board of Corporate Auditors for the Financial Statements and Others

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

In preparing the financial statements and the supplementary schedules, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties including the design, implementation and maintenance of the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements and Others

Our objectives are to obtain reasonable assurance about whether the financial statements and the supplementary schedules as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements and the supplementary schedules.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements and the supplementary schedules, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the supplementary schedules or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the financial statements and the supplementary schedules are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the financial statements and the supplementary schedules, including the disclosures, and whether the financial statements and the supplementary schedules represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Copy of the Audit & Supervisory Board's Report**Audit Report**

With respect to the directors' performance of their duties during the 122nd business period (from January 1, 2021 to December 31, 2021), The Audit & Supervisory Board has prepared this audit report after deliberations based on the audit reports prepared by each of the audit & supervisory board members, and hereby report as follows:

1. Method and Contents of Audit by the Audit & Supervisory Board and the Audit & Supervisory Board members
 - (1) In order to ensure sound and sustainable growth of the Company and the Shiseido Group, the Audit & Supervisory Board has established the audit plans, etc., with the establishment of a good corporate governance structure that meets the trust of various stakeholders as audit policies. The Audit & Supervisory Board has received a report from each of the Audit & Supervisory Board members regarding the status of implementation of their audits and results thereof. In addition, the Audit & Supervisory Board has received reports from the directors, the corporate officers, etc., and the accounting auditor regarding the status of performance of their duties. Also, the Audit & Supervisory Board requested explanations as necessary regarding the status of development, etc. of corporate governance that enables for prompt and decisive decision-making for the Company, while always performing its duties from an independent standpoint and with integrity and objectivity, ensuring the Company's transparent and fair decision-making.
 - (2) In conformity with the Audit & Supervisory Board member audit standards established by the Audit & Supervisory Board, and in accordance with the audit policies and audit plans, etc., each of the Audit & Supervisory Board members endeavored to facilitate a mutual understanding with the directors, the corporate officers, the internal audit division and other employees, etc., endeavored to collect information, maintain and improve the audit environment, and conducted the audits based on the methods described below.
 - i) Each of the Audit & Supervisory Board members has attended the meetings of the Board of Directors and other important meetings, received reports on the status of performance of duties from the directors and the internal audit division and requested explanations as necessary, examined important approval/decision documents, and inspected the status of the corporate affairs and assets at the head office and other principal business locations in Japan and overseas. Also, with respect to the subsidiaries, each of the Audit & Supervisory Board members achieved a mutual understanding and exchanged information with the heads of the business locations and received reports on their business and business status. That said, given the global spread of COVID-19 during the 122nd business period, at those business locations that were not visited, the members used an online conference system as an alternative to visitation and achieved a mutual understanding and exchanged information with the heads of the business locations and received reports on their business and business status.
 - ii) Each of the Audit & Supervisory Board members regularly received reports from the directors and employees, etc., requested explanations from them as necessary, and expressed opinions, on the status of the construction and operation of the contents of the Board of Directors' resolutions regarding the development and maintenance of systems to ensure that the directors' performance of their duties complied with all laws and regulations and the articles of incorporation of the Company and other systems that are set forth in Article 100, paragraphs 1 and 3 of the Ordinance for Enforcement of the Companies Act of Japan as systems necessary for ensuring the properness of operations of a corporate group comprised of a stock company and its subsidiaries, and the systems (internal control systems) developed based on such resolutions. With respect to the internal control related to the financial report, the Audit & Supervisory Board received reports regarding the assessment and status of their audits from the directors, the corporate officers, and accounting auditors, and also requested explanations as necessary.

- iii) Each of the Audit & Supervisory Board members monitored and verified whether the accounting auditor maintained its independence and properly conducted its audit, received a report from the accounting auditor on the status of its performance of duties, and requested explanations as necessary. Each of the Audit & Supervisory Board members were notified by the accounting auditor that it had established a “system to ensure that the performance of the duties of the accounting auditor was properly conducted” (the matters listed in the items of Article 131 of the Company Accounting Regulations) in accordance with the “Quality Control Standards for Audits” (Business Accounting Council on October 28, 2005), and requested explanations as necessary.

Based on the above-described methods, each of the Audit & Supervisory Board members examined the business report and the supplementary schedules, the financial statements (balance sheet, profit and loss statement, shareholders’ equity variation statement, and schedule of individual notes) and the annexed specifications thereto, as well as the consolidated financial statements (consolidated balance sheet, consolidated profit and loss statement, consolidated shareholders’ equity variation statement, and schedule of consolidated notes), for the business period under consideration.

2. Results of Audit

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

- i) We acknowledge that the business report and the annexed specifications thereto fairly present the status of the Company in conformity with the applicable laws and regulations and the articles of incorporation of the Company.
- ii) We acknowledge that no misconduct or material fact constituting a violation of any law or regulation or the articles of incorporation of the company was found with respect to the directors’ performance of their duties.
- iii) We acknowledge that the Board of Directors’ resolutions with respect to the internal control systems are appropriate. We did not find any matter to be mentioned with respect to the directors’ performance of their duties concerning the internal control systems.

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

(2) Results of Audit of Financial Statements and their Annexed Specifications

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

(3) Results of Audit of Consolidated Financial Statements

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

February 21, 2022

Audit & Supervisory Board of

Shiseido Company, Limited

Audit & Supervisory Board Member (Full-time)

Takeshi Yoshida (Seal)

Audit & Supervisory Board Member (Full-time)

Akiko Uno

Audit & Supervisory Board Member (External)

Yasuko Gotoh

Audit & Supervisory Board Member (External)

Ritsuko Nonomiya

Audit & Supervisory Board Member (External)

Hiroshi Ozu

Reference Document Concerning the General Meeting of Shareholders

1. Total Number of Voting Rights Held by Shareholders: 3,991,559

2. Items of Business and Reference Information:

First Item of Business: Dividends of Retained Earnings

The Company would like to propose the amount of dividends for the fiscal year ended December 31, 2021 as follows, taking into account the basic policy for shareholder returns below, the consolidated financial results for the fiscal year, and future business development, among other factors.

If this proposal is accepted, total dividends per share for the fiscal year 2021 including the interim dividend will be ¥50, an increase of ¥10 from the previous fiscal year.

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

An amount per share of common stock of the Company: ¥30.00
The total amount thereof: ¥11,984,796,990

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

March 28, 2022

Basic Policy for Shareholder Returns (As of December 31, 2021)

The Company's shareholder return policy targets total returns, comprising direct returns to shareholders through dividends and medium- and long-term share price gains. Based on this approach, our fundamental policy involves maximizing corporate value which entails focusing on strategic investments for sustainable growth, while also enhancing efficiency of invested capital exceeding capital costs to achieve medium- and long-term increases in dividends and share price.

Upon determining dividends, we aim to achieve long-term, stable and continuous enhancement of returns with emphasis given to consolidated business results and free cash flow, and accordingly set a minimum dividend on equity ratio (DOE) of 2.5% or more as an indicator that reflects our capital policy.

We will also take a flexible approach to buying back shares with consideration given to the market environment.

Trends of Dividends, etc.

	119th Business Term (1/1/2018 - 12/31/2018)	120th Business Term (1/1/2019 - 12/31/2019)	121st Business Term (1/1/2020 - 12/31/2020)	122nd Business Term (Current term) (1/1/2021 - 12/31/2021)
Annual cash dividends per share (Yen)	45	60	40	50 (Plan)
Annual dividends (Millions of yen)	17,970	23,965	15,978	19,974 (Plan)
Consolidated payout ratio (%)	29.3	32.6	–	47.1 (Plan)
DOE (%)	4.1	5.1	3.3	3.9 (Plan)

Notes:

- Figures of each item for the 122nd Business Term (current term) are predicated on the approval of this item of business at this general meeting of shareholders.
- Consolidated payout ratio for the 121st Business Term is not shown because the amount of net profit attributable to owners of parent is negative.

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

1. Reasons for amendments

As the amendment provision as stipulated in the proviso of Article 1 of the Supplementary Provisions of the “Act for Partial Amendment of the Companies Act” (Act No. 70 of 2019) will come into force on September 1, 2022, the Company proposes partial amendment to its Articles of Incorporations as follows:

- (1) After amendment, Article 16, paragraph (1) shall provide that information of the Reference Documents Concerning the General Meeting of Shareholders and others be provided electronically;
- (2) After amendment, Article 16, paragraph (2) shall establish a provision to limit the scope of the matters to be included in documents that are to be delivered to shareholders who make a request for the delivery of hard copies;
- (3) Since an article regarding disclosure on the Internet of reference documents for the general meeting of shareholders, etc. and their deemed provision (Article 16 of the current Articles of Incorporation) will become unnecessary, it is to be deleted;
- (4) In conjunction with the new establishment and deletion as above, a proviso regarding the effective date, etc. shall be established.

Also, the revision of the “Act on Strengthening Industrial Competitiveness” (Act No. 98 of 2013) has allowed a listed company to stipulate in its Articles of Incorporation and hold a general meeting of shareholders without specifying a location (so-called ‘virtual only shareholders meeting’ where a physical venue is not established with the directors and shareholders attending through means such as the Internet), subject to certain requirements in light of consideration to ensure benefits of shareholders among other things. The Company proposes to newly establish Article 17, after amendment, so that a general meeting of shareholders may be held without specifying a location when the Board of Directors determines that it is not appropriate in light of benefits of shareholders and other factors to hold a general meeting of shareholders for which a location is specified in the wake of a large-scale disaster including the spread of an infectious disease or a natural disaster.

In addition, the Company plans to amend the number of articles in conjunction with those changes.

2. Details of amendments

Details of the amendments mentioned above are as follows:

(Underline indicates amended portions)

Current Articles	Proposed Amendment
<p><u>Article 16. (Disclosure via the Internet of reference documents for the general meeting of shareholders, etc. and deemed provision thereof)</u></p> <p><u>By disclosing information relating to all matters that shall be described or stated in any reference document for the general meeting of shareholders, business report, financial statement and consolidated financial statement (including accounting auditor's report and Audit & Supervisory Board's report relating to such any consolidated financial statement) upon convening a general meeting of shareholders by a method utilizing the Internet in accordance as provided for in the Ordinance of the Ministry of Justice of Japan, the Company may be deemed to have provided such information to the shareholders.</u></p>	<p>(deleted)</p>
<p>(newly established)</p>	<p><u>Article 16 (Electronic provision, etc.)</u></p> <ol style="list-style-type: none"> 1. <u>The Company shall electronically provide information of the Reference Documents Concerning the General Meeting of Shareholders and others in convening general meetings of shareholders.</u> 2. <u>Among the matters to be provided electronically, the Company may choose to omit all or some of the matters stipulated by the ordinances of the Ministry of Justice in documents to be delivered to shareholders who make a request for the delivery of hard copies by the base date of voting rights.</u>

Current Articles	Proposed Amendment
<p>(newly established)</p> <p><u>Article 17 to Article 38</u> (Provisions omitted)</p> <p>(newly established)</p>	<p><u>Article 17</u> (General meeting of shareholders for which a location is not specified)</p> <p><u>When the Board of Directors determines that it is not appropriate in light of benefits of shareholders and other factors to hold a general meeting of shareholders for which a location is specified in the wake of a large-scale disaster including the spread of an infectious disease and natural disaster, the Company may choose a general meeting of shareholders for which a location is not specified.</u></p> <p><u>Article 18 to Article 39</u> (As per the current)</p> <p><u>(SUPPLEMENTARY PROVISIONS)</u></p> <p><u>1. The amendment of Article 16 of the Articles of Incorporation shall come into effect on September 1, 2022, the date on which the amendment provision as stipulated in Article 1, proviso, of the Supplementary Provisions of the “Act for Partial Amendment of the Companies Act” (Act No. 70 of 2019), (hereinafter referred to as the “Effective Date”).</u></p> <p><u>2. Notwithstanding the provision in the preceding paragraph, Article 16 of the Articles of Incorporation, before amendment, shall remain in force with respect to a general meeting of shareholders the date of which is within six (6) months of the Effective Date.</u></p> <p><u>3. This supplementary provision shall be deleted on the later of the two dates: six (6) months from the Effective Date or three (3) months from the date of a general meeting of shareholders in the preceding paragraph.</u></p>

Third Item of Business: Election of Eight (8) Directors

The Company's Articles of Incorporation provide that the term of director is one (1) year, in order to seek shareholders' approval on the appointment of directors each year from a viewpoint of directors' management responsibilities. Moreover, the Articles of Incorporation of the Company provide that the authorized number of director is twelve (12) or less due to efforts aimed at reducing the size of the Board of Directors of the Company.

The term of office of seven (7) directors out of eight (8) directors who were elected at the 121st ordinary general meeting of shareholders held in March last year will expire at the conclusion of this general meeting of shareholders. External director Ms. Yoko Ishikura retired by resignation on August 31, 2021. Thus, the Company asks shareholders to elect eight (8) directors including four (4) external directors in accordance with the provisions of the Articles of Incorporation in order to promote an agile management capable of responding appropriately to changes in management environment.

Policy and Process under Which Candidates for Directors Are Selected

It is a policy of the Company to select candidates for directors from appropriate individuals who are able to fulfill the duties and responsibilities of director in response to entrustment on management by shareholders, fully taking into consideration their personality, expertise and the like regardless of gender, age and nationality. Pursuant to this policy, the Board of Directors has determined candidates for directors upon receiving a report from the Nomination & Remuneration Advisory Committee.

Furthermore, the Company sets forth the Criteria for Independence of External Directors and Audit & Supervisory Board Members. The four (4) candidates for external directors have fulfilled the Criteria in full. Overview of the criteria is stated on pages 49 to 50, and the entire set of criteria is listed as a voluntary disclosure item relating to the business report on our corporate information website "INVESTORS > General Meeting of Shareholders" (<https://corp.shiseido.com/en/ir/shareholder/>).

Candidates for Directors

No.	Name	Current Position and Responsibilities, etc. at the Shiseido Group	Attributes of the Candidates		
1	Masahiko Uotani	Representative Director Executive Officer* ¹ President and CEO Chair of the Board Member of Nomination & Remuneration Advisory Committee Chair of Global Risk Management & Compliance Committee			
2	Yukari Suzuki	Representative Director Executive Officer* ¹ Senior Executive Officer Chief Marketing Officer Chief D&I Officer Member of Global Risk Management & Compliance Committee Chair of HQ/SJ Compliance Committee* ²			
3	Norio Tadakawa	Director Executive Officer* ¹ Senior Executive Officer Japan Region Chief Executive Officer (CEO) Representative Director, President and CEO, Shiseido Japan Co., Ltd. Member of Global Risk Management & Compliance Committee Member of HQ/SJ Compliance Committee* ²			
4	Takayuki Yokota	Director Executive Officer* ¹ Chief Financial Officer (CFO) Member of Global Risk Management & Compliance Committee Member of HQ/SJ Compliance Committee* ²			
5	Shinsaku Iwahara	External Director Chair of Nomination & Remuneration Advisory Committee* ³	Candidate for External Director		Candidate for Independent Director
6	Charles D. Lake II	-	Candidate for New Director	Candidate for External Director	Candidate for Independent Director
7	Kanoko Oishi	External Director Member of Nomination & Remuneration Advisory Committee	Candidate for External Director		Candidate for Independent Director
8	Mariko Tokuno	-	Candidate for New Director	Candidate for External Director	Candidate for Independent Director

*1 In January 2022, the Company completely shifted to a management system centering on executive officers, having abolished the previous corporate officer system.

*2 The committee comprehends the actual situation and examines measures with regard to ethics, compliance and incidents in each Shiseido Group company located in Japan including the Company (HQ) and Shiseido Japan Co., Ltd. (SJ).

*3 Ms. Yoko Ishikura, external director, retired by resignation on August 31, 2021. Accordingly, Mr. Shinsaku Iwahara took the chair of the Nomination & Remuneration Advisory Committee as of September 1, 2021.

Main knowledge and expertise required of the Board of Directors of the Company

Main experience	Icon	Specific
Corporate Management		Assess changes in the management environment, develop appropriate strategies, and support responsible management execution
Sales and Marketing		Accurately grasp the business environment and consumer preferences and develop strategies in anticipation of them to secure predominance in the industry
Research Product Development		Constantly pursue innovative research & development and solid product quality to secure predominance in the industry
Supply Network		Build efficient high-quality supply chain management
Finance		Engage in appropriate financial activities aimed at re-building the earnings base to ensure financial soundness
DX		Strongly promote DX to build a corporate structure with DX as its strength
People and Organization Development, and D&I Acceleration		Encourage the promotion of diverse and talented people and promote the development of an organization for that with a view to achieving sustainable growth
Corporate Governance		Develop a strong corporate governance system as a basis for all business activities
Global Understanding		Support the development of strategies as a global company with understanding of diverse values and cultures

*1 Experience of each candidate that forms the background for the required knowledge and expertise is indicated on the following pages along with the icons above.

*2 Icon (in red): Expected knowledge and expertise which the Company strongly expects the relevant candidate will demonstrate

Icon (in blue): Expected knowledge and expertise which the Company expects the relevant candidate will demonstrate

*3 Experience of each candidate other than the experience that forms the background for knowledge and expertise indicated with the above icons is indicated with a ● (black circle).

Candidates for Directors



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

Career Summary, and Position and Responsibilities at the Company

- Apr. 1977: Joined the Lion Dentifrice Co., Ltd. (currently Lion Corporation)
- Jan. 1988: Manager, Citibank, N.A.
- Apr. 1991: Representative Director, Vice President, Kraft Japan Limited (currently Mondelez Japan Limited)
- May 1994: Director, Executive Vice President and Chief Officer of Marketing, Coca-Cola (Japan) Co., Ltd.
- Oct. 2001: Representative Director, President, Coca-Cola (Japan) Co., Ltd. (Global Officer)
- Aug. 2006: Representative Director, Chair, Coca-Cola (Japan) Co., Ltd.
- Jun. 2007: Representative Director, Chief Executive Partner, BrandVision Inc.
- Aug. 2011: Outside Director, ASKUL Corporation
- Oct. 2012: Director (part time), Citibank Japan Ltd. (previously)
- Apr. 2013: Outside Chief Marketing Advisor of the Company
- Apr. 2014: President and CEO of the Company [incumbent]
- Jun. 2014: Representative Director of the Company [incumbent]
- Jan. 2020: Japan Region CEO of the Company
Representative Director, Chair and President, Shiseido Japan Co., Ltd.
- Oct. 2020: Representative Director, Chair and CEO, Shiseido Japan Co., Ltd.
- Jan. 2021: Executive Officer of the Company [incumbent]

- Number of shares of the Company owned
17,900 shares
- Number of years in office of the Company as Director
7 years and 9 months
- Number of attendance at the Board of Directors meetings of the Company for the fiscal year ended December 31, 2021
13 out of 13 Board of Directors meetings (100%)
- Number of attendance at the Nomination & Remuneration Advisory Committee meetings of the Company for the fiscal year ended December 31, 2021
10 out of 10 Nomination & Remuneration Advisory Committee meetings (100%)

Important Positions at Other Organizations Concurrently Held

None

Reasons for Nomination of the Candidate for Director








As detailed in the above career summary, Mr. Masahiko Uotani has a proven track record in business management and is particularly highly regarded within the marketing field. As a result of this and other factors, the Company invited him to become President 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.

He has been leading overall management; specifically, he has been executing a drastic business reform to make the premium skin beauty category a core business under the COVID-19 pandemic since 2020, and newly formulated the medium-to-long-term strategy "WIN 2023 and Beyond" in 2021 with the aim of becoming the world's No. 1 player in this category by 2030.

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

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

Experience of the candidate

-  Experience in corporate management
-  Experience in sales and marketing
-  Experience in people and organization development, and D&I acceleration
-  Global understanding
-  Experience in finance
-  Experience in corporate governance
-  Experience in the general consumer product industry

Special Interest between the Candidate and the Company

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



2. Yukari Suzuki (Date of birth: September 16, 1962)

Career Summary, and Position and Responsibilities at the Company

- Number of shares of the Company owned
 1,700 shares
 - Number of years in office of the Company as Director
 2 years
 - Number of attendance at the Board of Directors meetings of the Company for the fiscal year ended December 31, 2021
 13 out of 13 Board of Directors meetings (100%)
- Apr. 1985: Joined the Company
 - Apr. 2014: Representative Director and President, IPSA Company, Limited
 - Apr. 2015: General Manager of Marketing Department, Prestige Brands, Japan Business Division of the Company
 - Oct. 2015: General Manager of Marketing Department, Prestige Brands, Shiseido Japan Co., Ltd.
 - Jan. 2016: Marketing Director, Marketing Department, Cosmetics Specialty Store, Shiseido Japan Co., Ltd.
 - Jan. 2017: Brand Director, *Clé de Peau Beauté* Brand Unit, Global Prestige Brands of the Company
 - Jan. 2018: Corporate Officer of the Company
Chief Brand Officer, *Clé de Peau Beauté* Brand, Global Prestige Brands of the Company
 - Jan. 2020: Senior Executive Officer of the Company [incumbent]
Chief Brand Officer, *Clé de Peau Beauté*, *IPSA*, *THE GINZA*, *BAUM* of the Company
 - Mar. 2020: Director of the Company
 - Jan. 2021: Representative Director of the Company [incumbent]
Executive Officer of the Company [incumbent]
 - Jan. 2022: Chief Marketing Officer of the Company [incumbent]
Chief D&I Officer of the Company [incumbent]

Important Positions at Other Organizations Concurrently Held

None






Reasons for Nomination of the Candidate for Director

Since joining the Company, Ms. Yukari Suzuki has developed her career in several brands and new businesses of the Shiseido Group. She has been responsible for nurturing brands as President of IPSA Company, Limited, which is the Company's subsidiary, and other positions, and possesses a wealth of experience and knowledge in the field. She has also accumulated extensive experience in the marketing of prestige brands, which drive the Company's growth, in the Prestige Brands division of Shiseido Japan Co., Ltd. In addition to being thoroughly familiar with the fields of product development including product quality and brand marketing, she has experience and knowledge as a pioneer in D&I. By capitalizing on them, she has assisted the CEO in general corporate management of the Company as Representative Director of the Company since January 2021.

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

Based on her career stated in "Career Summary, and Position and Responsibilities at the Company" and other background, Ms. Suzuki has experience as follows:

Experience of the candidate

-  Experience in sales and marketing
-  Experience in research and product development
-  Experience in DX
-  Experience in people and organization development, and D&I acceleration
-  Global understanding

Special Interest between the Candidate and the Company

There is no special interest between Ms. Yukari Suzuki and the Company.



3. Norio Tadakawa (Date of birth: January 6, 1967)

Career Summary, and Position and Responsibilities at the Company

- Number of shares of the Company owned
12,300 shares
 - Number of years in office of the Company as Director
2 years
 - Number of attendance at the Board of Directors meetings of the Company for the fiscal year ended December 31, 2021
13 out of 13 Board of Directors meetings (100%)
- Apr. 1989: Joined the Company
 - Jan. 2010: Department Director, International Business Planning Department, International Business Division of the Company
 - Apr. 2012: Department Director, Corporate Planning Department of the Company
 - Apr. 2014: Corporate Officer, Chief Financial Officer of the Company
Responsible for Finance, Investor Relations, Information System Planning and Internal Control of the Company
 - Apr. 2015: Corporate Officer, Chief Financial Officer of the Company
 - Jan. 2016: Responsible for Financial Management of the Company
 - Jan. 2017: Responsible for Business Development of the Company
 - Jan. 2018: Senior Executive Officer of the Company [incumbent]
 - Jul. 2018: Chief Supply Network Officer of the Company
 - Jan. 2019: Chief Supply Network Officer of the Company
Responsible for Demand & Supply Planning, Logistics, Production, Factories, Supply & Purchasing, Supply Network (SN) Strategy, Global Initiative and Nasu Factory Establishment of the Company
 - Jan. 2020: Responsible for SN Strategy, SN Fundamental Development and Global Brands Sales & Operation (S&OP) of the Company
 - Mar. 2020: Director of the Company [incumbent]
 - Oct. 2020: Japan Region Chief Operating Officer (COO)
Representative Director, President and COO, Shiseido Japan Co., Ltd.
 - Jan. 2021: Executive Officer of the Company [incumbent]
 - Jul. 2021: Japan Region Chief Executive Officer (CEO) [incumbent]
Representative Director, President and CEO, Shiseido Japan Co., Ltd. [incumbent]

Important Positions at Other Organizations Concurrently Held

None







Reasons for Nomination of the Candidate for Director

Since joining the Company, Mr. Norio Tadakawa has been engaged in marketing and product development, and possesses a wealth of experience and knowledge in those fields. Thereafter, he has accumulated experiences relating to overall management in the International Business Planning Department and the Corporate Planning Department. Further, he has also assumed the post of Chief Financial Officer, and thus possesses experience and knowledge in finance and accounting, and he has experience and knowledge in the supply network and overall Japan business. Since July 2021, he has assumed the office of Japan Region CEO, and has been capturing changing customer needs due to the COVID-19 pandemic and taking charge of specific actions for the Japan business. Based on these extensive experiences, he actively expressed opinions at meetings of the Board of Directors and promoted structural reform.

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

Based on his career stated in “Career Summary, and Position and Responsibilities at the Company” and other background, Mr. Tadakawa has experience as follows:

Experience of the candidate

-  Experience in supply network
-  Experience in finance
-  Experience in corporate management
-  Experience in sales and marketing
-  Experience in people and organization development, and D&I acceleration
-  Experience in corporate governance

Special Interest between the Candidate and the Company

There is no special interest between Mr. Norio Tadakawa and the Company.



4. Takayuki Yokota (Date of birth: May 18, 1973)

Career Summary, and Position and Responsibilities at the Company

- Apr. 1996: Joined SUMITOMO CORPORATION
- Dec. 2003: Country Controller, Dow Chemical Japan Limited
- Aug. 2006: Japan Finance Manager, GE Toshiba Silicones Company, Limited (currently Momentive Performance Materials Japan LLC)
- Sep. 2007: Supply Chain Finance Director, Northeast Asia, Unilever Japan K.K.
- Dec. 2010: Finance Director, Marketing Operations & Customer Development, Asia, Africa, MET, CEE, and Russia, Unilever Asia Private Limited
- Sep. 2011: Finance Director, Global Marketing Operations, Unilever Asia Private Limited
- Aug. 2012: Representative Director, Vice President, Finance, Japan & Korea, Unilever Japan Holdings K.K.
- Jul. 2016: Vice President, Finance, Global Hair Care Category, Unilever PLC
- Nov. 2019: Vice President, Global Headquarters Finance of the Company
- Jan. 2020: Vice President, Financial Accounting of the Company
- Apr. 2020: Director and CFO, Shiseido Japan Co., Ltd.
- Jan. 2021: Executive Officer, Chief Financial Officer (CFO) of the Company [incumbent] Japan Region CFO Executive Officer and CFO, Shiseido Japan Co., Ltd.
- Mar. 2021: Director of the Company [incumbent]

- Number of shares of the Company owned
200 shares
- Number of years in office of the Company as Director
1 year
- Number of attendance at the Board of Directors meetings of the Company for the fiscal year ended December 31, 2021
10 out of 10 Board of Directors meetings (100%)

Important Positions at Other Organizations Concurrently Held

None

Reasons for Nomination of the Candidate for Director

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. Since January 2021, he has assumed the post of Chief Financial Officer at the Company, and leads the finance field in general. He actively expressed opinions for the finance field in general at meetings of the Board of Directors as the Chief Financial Officer to contribute to the structural reform. Further, he has been leading “FOCUS,” a Group-wide project that seeks to standardize data and optimize business processes by globally integrating systems across the Shiseido Group using cutting-edge technologies, to focus on operational reforms and also working on strengthening cash flow management and strategic allocation of investments.

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

Based on his career stated in “Career Summary, and Position and Responsibilities at the Company” and other background, Mr. Yokota has experience as follows:

Experience of the candidate

- Experience in finance
- Global understanding
- Experience in corporate management
- Experience in supply network
- Experience in DX
- Experience in corporate governance
- Experience in the general consumer product industry

Special Interest between the Candidate and the Company

There is no special interest between Mr. Takayuki Yokota and the Company.



5. Shinsaku Iwahara

(Date of birth: December 17, 1952)

Candidate for External Director

Candidate for Independent Director

Career Summary, and Position and Responsibilities at the Company

- Aug. 1978: Associate Professor, Faculty of Law, The University of Tokyo
- Sep. 1981: Visiting Researcher, Harvard Law School, U.S.A.
- Dec. 1982: Visiting Researcher, University of California, Berkeley, School of Law, U.S.A.
- Sep. 1991: Visiting Professor, Harvard Law School, U.S.A.
- Nov. 1991: Professor, Graduate School of Law and Politics, The University of Tokyo
- Apr. 2003: Member, Postal Services Policy Council
- Jan. 2005: Member, Business Accounting Council, Financial Services Agency
- Apr. 2009: Director, Financial Accounting Standards Foundation
- Apr. 2010: Member, Legislative Council, Ministry of Justice, Chair, Corporate Legislation Subcommittee, Legislative Council, Ministry of Justice
- Apr. 2013: Professor, Faculty of Law, Waseda University [incumbent]
- Jun. 2013: Professor Emeritus, The University of Tokyo [incumbent]
- Jan. 2015: Member and Chair, Financial System Council, Financial Services Agency
- Jul. 2017: Adviser to Mori Hamada & Matsumoto [incumbent]
- Mar. 2018: External Director of the Company [incumbent]
- Jun. 2019: Chair, Legislative Council, Ministry of Justice
- Sep. 2021: Chair, Nomination & Remuneration Advisory Committee of the Company [incumbent]

- Number of shares of the Company owned
500 shares
- Number of years in office of the Company as External Director
4 years
- Number of attendance at the Board of Directors meetings of the Company for the fiscal year ended December 31, 2021
13 out of 13 Board of Directors meetings (100%)

- Number of attendance at the Nomination & Remuneration Advisory Committee meetings of the Company for the fiscal year ended December 31, 2021
10 out of 10 Nomination & Remuneration Advisory Committee meetings (100%)

Important Positions at Other Organizations Concurrently Held

Professor, Faculty of Law, Waseda University

Reasons for Nomination of the Candidate for External Director and Outline of Expected Roles

Mr. Shinsaku Iwahara is a candidate for external director fulfilling the requirements provided in Article 2, paragraph (3), item (vii) of the Regulation for Enforcement of the Companies Act.





He 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. Based on such knowledge and experience, he has been contributing to improve the effectiveness of the Board of Directors of the Company by actively making statements at meetings of the Board of Directors on initiatives aimed at strengthening the corporate governance system, including communication with audit & supervisory board members and the desired state of risk management and internal control.

In addition, since September 2021, Mr. Iwahara has assumed the chair of the Company's Nomination & Remuneration Advisory Committee, and actively expresses opinions regarding nomination and remuneration as the chair within and outside of the Committee.

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 achieve adequately the role of external director. 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.

Based on his career stated in "Career Summary, and Position and Responsibilities at the Company" and other background, Mr. Iwahara has experience as follows:

Experience of the candidate

-  Experience in corporate governance
-  Experience in finance
-  Global understanding
-  Experience in legal matters

Special Interest between the Candidate and the Company

There is no special interest between Mr. Shinsaku Iwahara and the Company.



- Number of shares of the Company owned
0 shares
- Number of years in office of the Company as External Director
—
- Number of attendance at the Board of Directors meetings of the Company for the fiscal year ended December 31, 2021
—

6. Charles D. Lake II

(Date of birth: January 8, 1962)

Candidate for New Director

Candidate for External Director

Candidate for Independent Director

Career Summary, and Position and Responsibilities at the Company

- Aug. 1992: Director of Japan Affairs, Office of the U.S. Trade Representative (USTR)
- Jul. 1993: Director of Japan Affairs and Special Counsel to the Deputy U.S. Trade Representative, Office of the U.S. Trade Representative (USTR)
- Jan. 1995: Attorney-at-Law, Dewey Ballantine LLP
- Jun. 1999: Vice President and Counsel, Japan Branch, American Family Life Assurance Company of Columbus (currently Aflac Life Insurance Japan Ltd.)
- Jan. 2001: Senior Vice President and Counsel, Japan Branch, American Family Life Assurance Company of Columbus (currently Aflac Life Insurance Japan Ltd.)
- Apr. 2001: Senior Vice President and General Counsel, Japan Branch, American Family Life Assurance Company of Columbus (currently Aflac Life Insurance Japan Ltd.)
- Jul. 2001: Deputy President, Japan Branch, American Family Life Assurance Company of Columbus (currently Aflac Life Insurance Japan Ltd.)
- Jan. 2003: President and Representative in Japan, Japan Branch, American Family Life Assurance Company of Columbus (currently Aflac Life Insurance Japan Ltd.)
- Apr. 2005: Vice Chairman and Representative in Japan, Japan Branch, American Family Life Assurance Company of Columbus (currently Aflac Life Insurance Japan Ltd.)
- Jul. 2008: Chairman and Representative in Japan, Japan Branch, American Family Life Assurance Company of Columbus (currently Aflac Life Insurance Japan Ltd.)
- Jan. 2014: Director, President, Aflac International Incorporated [incumbent]
- Jun. 2016: External Director, Tokyo Electron Ltd. [incumbent]
External Director, Japan Post Holdings Co., Ltd. [incumbent]
- Apr. 2018: Representative Director, Chairman, Aflac Life Insurance Japan Ltd. [incumbent]

Important Positions at Other Organizations Concurrently Held

Director, President, Aflac International Incorporated
 External Director, Tokyo Electron Ltd.*
 External Director, Japan Post Holdings Co., Ltd.*
 Representative Director, Chairman, Aflac Life Insurance Japan Ltd.
 (* indicates a listed company)

Reasons for Nomination of the Candidate for External Director and Outline of Expected Roles

Mr. Charles D. Lake II is a candidate for external director fulfilling the requirements provided in Article 2, paragraph (3), item (vii) of the Regulation for Enforcement of the Companies Act.

He has extensive experience and achievements as an executive in several companies across Japan and the United States accompanying his experience working for key U.S. government positions and as a U.S. lawyer. In addition, he has a deep understanding in Japanese companies and its cultures as well as global business environment, and deep knowledge about corporate governance. We have selected him as the external director because we believe he will be able to provide advice on corporate management for a Japanese company so that it can thrive on the global stage, as well as enhancing higher level of corporate governance and supervision of execution.

Accordingly, the Board of Directors has decided to newly select him as a candidate for external director. After election, he is expected to fulfill the abovementioned roles.

Based on his career stated in "Career Summary, and Position and Responsibilities at the Company" and other background, Mr. Charles D. Lake II has experience as follows:

Experience of the candidate



Experience in corporate management



Experience in corporate governance



Global understanding



Experience in finance



Experience in DX



Experience in people and organization development, and D&I acceleration

Special Interest between the Candidate and the Company

Mr. Charles D. Lake II concurrently holds the office of External Director of Tokyo Electron Ltd. (“Tokyo Electron”) and External Director of Japan Post Holdings Co., Ltd. (“Japan Post”), with which the Company has the following transactions.

<Organizations at Which the Candidate Concurrently Assumes the Post of External Director>

Organization where Concurrent Position is Held	Transaction Matter, etc.	Vendor, Recipient of Supporting Money, etc.	Purchaser, Provider of Supporting Money, etc.	Percentage of Transaction Value	Value for Comparison
Tokyo Electron Ltd.	Outsourcing business, etc.	Tokyo Electron Group	Shiseido Group	Less than 1%	Total amount of cost of sales and selling, general and administrative expenses of the Company on a consolidated basis for the fiscal year ended December 31, 2021
				Less than 1%	Consolidated net sales of Tokyo Electron Ltd. for the fiscal year ended March 31, 2021
Japan Post Holdings Co., Ltd.	Outsourcing business, etc.	Japan Post Holdings Group	Shiseido Group	Less than 1%	Total amount of cost of sales and selling, general and administrative expenses of the Company on a consolidated basis for the fiscal year ended December 31, 2021
				Less than 1%	Consolidated ordinary income of Japan Post Holdings Co., Ltd. for the fiscal year ended March 31, 2021



7. Kanoko Oishi (Date of birth: March 24, 1961)

Career Summary, and Position and Responsibilities at the Company

- Apr. 1983: Joined Nippon Life Insurance Company
- Aug. 1987: McKinsey & Company, Inc. New York Office
- Nov. 1988: McKinsey & Company, Inc. Tokyo Office
- Jun. 2000: CEO, MEDIVA Inc. [incumbent]
- Jul. 2000: CEO, Seinan MEDIVA Co., Ltd. (currently Seeds 1 Co., Ltd.) [incumbent]
- Aug. 2001: Outside Auditor, ASKUL Corporation
- Aug. 2002: Outside Director, ASKUL Corporation
- Jun. 2010: Outside Director, Astellas Pharma Inc.
- Jun. 2015: Outside Director, Ezaki Glico Co., Ltd. [incumbent]
External Board Member, Santen Pharmaceutical Co., Ltd. [incumbent]
External Director, Suruga Bank Ltd.
- Mar. 2016: External Director of the Company [incumbent]
- Apr. 2018: Chair of Remuneration Advisory Committee of the Company

- Number of shares of the Company owned
2,300 shares
- Number of years in office of the Company as External Director
6 years
- Number of attendance at the Board of Directors meetings of the Company for the fiscal year ended December 31, 2021
13 out of 13 Board of Directors meetings (100%)
- Number of attendance at the Nomination & Remuneration Advisory Committee meetings of the Company for the fiscal year ended December 31, 2021
10 out of 10 Nomination & Remuneration Advisory Committee meetings (100%)

Important Positions at Other Organizations Concurrently Held

- CEO, MEDIVA Inc.
 - CEO, Seeds 1 Co., Ltd.
 - Outside Director, Ezaki Glico Co., Ltd.*
 - External Board Member, Santen Pharmaceutical Co., Ltd.*
- (* indicates a listed company)

Reasons for Nomination of the Candidate for External Director and Outline of Expected Roles

Ms. Kanoko Oishi is a candidate for external director fulfilling the requirements provided in Article 2, paragraph (3), item (vii) of the Regulation for Enforcement of the Companies Act.

She 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. Based on such knowledge and experience, she has been fulfilling the role adequately including oversight on business execution as an external director of the Company by contributing to improve the effectiveness of the Board of Directors of the Company by actively expressing opinions at meetings of the Board of Directors on structural reform projects and proposals by the Company in general.

In addition, as a member of the Company's Nomination & Remuneration Advisory Committee, she attended the meetings of these Committees and actively expressed precise opinions from the perspective of an incumbent management executive.

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.

Based on her career stated in "Career Summary, and Position and Responsibilities at the Company" and other background, Ms. Oishi has experience as follows:

Experience of the candidate

- Experience in corporate management
- Experience in sales and marketing
- Experience in finance
- Experience in people and organization development, and D&I acceleration
- Global understanding
- Experience in the medical industry

Special Interest between the Candidate and the Company

Ms. Kanoko Oishi concurrently holds the office of CEO of MEDIVA Inc. (“MEDIVA”) and Outside Director of Ezaki Glico Co., Ltd. (“Ezaki Glico”), with which the Company has the following transactions:

<Organization at Which the Candidate Concurrently Executes Business>

Organization where Concurrent Position is Held	Transaction Matter, etc.	Vendor, Recipient of Supporting Money, etc.	Purchaser, Provider of Supporting Money, etc.	Percentage of Transaction Value	Value for Comparison
MEDIVA Inc.	Outsourcing business, etc.	MEDIVA Group	Shiseido Group	Less than 1%	Total amount of cost of sales and selling, general and administrative expenses of the Company on a consolidated basis for the fiscal year ended December 31, 2021
				Less than 1%	Net sales of MEDIVA for the fiscal year ended December 31, 2021

<Organization at Which the Candidate Concurrently Assumes the Post of External Director>

Organization where Concurrent Position is Held	Transaction Matter, etc.	Vendor, Recipient of Supporting Money, etc.	Purchaser, Provider of Supporting Money, etc.	Percentage of Transaction Value	Value for Comparison
Ezaki Glico Co., Ltd.	Snacks, etc. (mail order)	Ezaki Glico Group	Shiseido Group	Less than 1%	Total amount of cost of sales and selling, general and administrative expenses of the Company on a consolidated basis for the fiscal year ended December 31, 2021
				Less than 1%	Consolidated net sales of Ezaki Glico for the fiscal year ended December 31, 2021



8. Mariko Tokuno

(Date of birth: October 6, 1954)

Candidate for New Director

Candidate for External Director

Candidate for Independent Director

- Number of shares of the Company owned
0 shares
- Number of years in office of the Company as External Director
- Number of attendance at the Board of Directors meetings of the Company for the fiscal year ended December 31, 2021

Career Summary, and Position and Responsibilities at the Company

Apr. 1978: Joined The Bank of Tokyo, Ltd. (currently MUFG Bank, Ltd.)
 Jan. 1994: Joined Louis Vuitton Japan K.K.
 Apr. 2002: Senior Director, Sales Administration, Louis Vuitton Japan K.K.
 Mar. 2004: Vice President, Tiffany & Co., Japan Inc.
 Aug. 2010: Representative Director, President, Christian Dior K.K.
 Jun. 2013: External director, HAPPINET CORPORATION [incumbent]
 Sep. 2013: Representative Director, President and CEO, Ferragamo Japan K.K.
 Jun. 2016: External Director, Mitsubishi Materials Corporation [incumbent]
 Jun. 2017: External Director, Yamato Holdings Co., Ltd. [incumbent]

Important Positions at Other Organizations Concurrently Held

External director, HAPPINET CORPORATION*
 External Director, Mitsubishi Materials Corporation*
 External Director, Yamato Holdings Co., Ltd.*
 (* indicates a listed company)

Reasons for Nomination of the Candidate for External Director and Outline of Expected Roles

Ms. Mariko Tokuno is a candidate for external director fulfilling the requirements provided in Article 2, paragraph (3), item (vii) of the Regulation for Enforcement of the Companies Act.

Through her extensive experience as executives of a company with a global prestige brand, she has deep knowledge of the prestige brand business as well as insight into corporate management, marketing, and other areas from a global perspective. In addition, she has accumulated experience as an external director at several companies where she contributes to strengthen the corporate governance. We have selected her as an external director because we believe that she will be able to further improve the effectiveness of the Board of Directors by providing advice on our business from both management and marketing perspectives, as well as providing appropriate opinions on governance and supervising of execution.

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 newly selected her as a candidate for external director. After election, she is expected to fulfill the abovementioned roles.

Based on her career stated in “Career Summary, and Position and Responsibilities at the Company” and other background, Ms. Tokuno has experience as follows:

Experience of the candidate



Experience in corporate management



Experience in sales and marketing



Experience in people and organization development, and D&I acceleration



Experience in corporate governance



Global understanding

Special Interest between the Candidate and the Company

Ms. Mariko Tokuno concurrently holds the office of External Director of Mitsubishi Materials Corporation (“Mitsubishi Materials”) and External Director of Yamato Holdings Co., Ltd. (“Yamato Holdings”), with which the Company has the following transactions:

Organization at Which the Candidate Concurrently Assumes the Post of External Director>

Organization where Concurrent Position is Held	Transaction Matter, etc.	Vendor, Recipient of Supporting Money, etc.	Purchaser, Provider of Supporting Money, etc.	Percentage of Transaction Value	Value for Comparison
Mitsubishi Materials Corporation	Outsourcing business, etc.	Mitsubishi Materials Group	Shiseido Group	Less than 1%	Total amount of cost of sales and selling, general and administrative expenses of the Company on a consolidated basis for the fiscal year ended December 31, 2021
				Less than 1%	Consolidated net sales of Mitsubishi Materials for the fiscal year ended March 31, 2021
Yamato Holdings Co., Ltd.	Outsourcing business, etc.	Yamato Holdings Group	Shiseido Group	Less than 1%	Total amount of cost of sales and selling, general and administrative expenses of the Company on a consolidated basis for the fiscal year ended December 31, 2021
				Less than 1%	Consolidated operating revenue of Yamato Holdings for the fiscal year ended March 31, 2021

Notes:

1. Conclusion of liability limiting agreement

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

Pursuant to these provisions the Company has entered into such agreement with each of Mr. Shinsaku Iwahara and Ms. Kanoko Oishi, under which his/her liability for compensation of damages is limited to the minimum limited liability amount provided in the laws and regulations. If this item of business is approved as originally proposed and those External Directors are reappointed, the Company plans to renew the agreement with the same details. In addition, the Company plans to enter into an agreement with each of Mr. Charles D. Lake II and Ms. Mariko Tokuno limiting their liability for compensation of damages with the same details after the election at this general meeting of shareholders.

2. Execution of Directors and Officers Liability Insurance Agreement

The Company has concluded a directors and officers liability insurance agreement provided for in Article 430-3, paragraph (1) of the Companies Act with an insurance company. The said insurance agreement shall compensate for damages including compensation for damages and legal expenses to be borne by the insureds. The candidates will be included as insureds in the said insurance agreement. In addition, the Company plans to renew the agreement with details of the same degree at the time of next renewal.

3. Independent Directors

The Company has designated Mr. Shinsaku Iwahara and Ms. Kanoko Oishi as Independent Directors prescribed in Article 436-2 of the Securities Listing Regulations of the Tokyo Stock Exchange. Upon appointment at this general meeting of shareholders, the Company will once again designate Mr. Shinsaku Iwahara and Ms. Kanoko Oishi as Independent Directors. In addition, the Company will newly designate Mr. Charles D. Lake II and Ms. Mariko Tokuno as Independent Directors upon appointment at this ordinary general meeting of shareholders.

4. Incidents entailing violation of laws, regulations or articles of incorporation, or incidents otherwise entailing wrongful business practices occurring at another company where an external director candidate has served either as director, executive officer or audit & supervisory board member over the last five years, arising at such company during such tenure

On October 5, 2018, the Financial Services Agency took administrative actions (partial business suspension order and business improvement order) with respect to Suruga Bank Ltd. where Ms. Kanoko Oishi served as External Director from June 2015 to June 2018. The reasons cited for the administrative actions included misconduct on share house loans and other investment real estate loans, business operations harming the interests of customers, and inappropriate financing for family companies. Although she had not been aware of the aforementioned incidents prior to them coming to light, she regularly furnished advice to Suruga Bank on a daily basis as an External Director of Suruga Bank from the perspective of compliance with laws and regulations and brought to its attention matters concerning its compliance with laws and regulations. Subsequent to the aforementioned incidents coming to light, Ms. Kanoko Oishi has been fulfilling her duties appropriately at the Board of Directors' meetings of Suruga Bank, such as by calling for an investigation of the facts of the matter, for a further strengthening and thorough approach to compliance, and for measures to be taken appropriately to prevent recurrence of such situations, as well as working to restore confidence in Suruga Bank.

Forth Item of Business: Election of One (1) Audit & Supervisory Board Member

The term of office of full-time audit & supervisory board member, Mr. Takeshi Yoshida will expire at the conclusion of this general meeting of shareholders. Accordingly, it is proposed that one (1) audit & supervisory board member be elected.

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

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

Taking into consideration the importance of audit and functions of audit & supervisory board members for the corporate management, and the personality and expertise of candidates therefor, representative directors of the Company select appropriate individuals as candidates for audit & supervisory board members who are able to fulfill the duties of audit & supervisory board members 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 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.

Candidate for Audit & Supervisory Board Member



Takeshi Yoshida (Date of birth: October 4, 1961)

Career Summary and Position at the Company

- Aug. 1985: Joined Okura Keiei Keiri Gakuin Co., Ltd.
- Feb. 1992: Joined the Company
- Apr. 2009: General Manager of Cosmetics Business Planning Department, General Manager of Business Administration Group, Cosmetics Business Planning Department of the Company
- Apr. 2011: Executive Vice President, Shiseido Americas Corporation
- Oct. 2014: Department Director, Internal Audit Department of the Company
- Jan. 2016: Department Director, Business Planning Department, Shiseido Japan Co., Ltd.
- Jan. 2017: Director, Personal Care Planning Department, FT Shiseido Co., Ltd.
- Jan. 2018: Executive & External Relations Department of the Company
- Mar. 2018: Audit & Supervisory Board Member of the Company [incumbent]

- Number of shares of the Company owned
3,400 shares
- Number of years in office of the Company as External Audit & Supervisory Board Member
4 years

- Number of attendance at the Board of Directors meetings of the Company for the fiscal year ended December 31, 2021
13 out of 13 Board of Directors meetings (100%)

- Number of attendance at the Audit & Supervisory Board Members meetings of the Company for the fiscal year ended December 31, 2021
13 out of 13 Audit & Supervisory Board Members meetings (100%)

Important Positions at Other Organizations Concurrently Held





None

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

Mr. Takeshi Yoshida was engaged in the management of various business departments and internal audit of the Company. With these experiences he has adequately fulfilled the role of audit & supervisory board member through demonstrating skills in performing audits of accounting audits by accounting auditors and auditing the legality and appropriateness of business execution and the Board of Directors. In addition, he is well versed in business, accounting, and finance and has candidly raised management issues to the members of the Board of Directors as well as offered recommendations to resolve such issues from a company-wide, objective perspective at all times. For the reasons stated above, the Company is of an opinion that he would be able to fulfill adequately the role of Full-time audit & supervisory board member. Accordingly, the Board of Directors has decided to continuously select him as a candidate for audit & supervisory board member.

Based on his career stated in “Career Summary and Position at the Company” and other background, Mr. Yoshida has experience as follows:

Experience of the candidate

-  Experience in finance
-  Experience in sales and marketing
-  Experience in corporate governance
-  Global understanding

Special Interest between the Candidate and the Company

There is no special interest between Mr. Takeshi Yoshida and the Company.

Note: Execution of Directors and Officers Liability Insurance Agreement

The Company has concluded a directors and officers liability insurance agreement provided for in Article 430-3, paragraph (1) of the Companies Act with an insurance company. The said insurance agreement shall compensate for damages including compensation for damages and legal expenses to be borne by the insureds. The candidates will be included as insureds in the said insurance agreement. In addition, the Company plans to renew the agreement with details of the same degree at the time of next renewal.

Fifth Item of Business: Determination of Long-Term Incentive-Type Remuneration (LTI) to Directors

The Company has introduced the long-term incentive-type remuneration policy (the “LTI”) that utilizes performance share units, a type of performance-linked stock remuneration, in order to give directors excluding external directors (the “Eligible Directors”) additional motive to create corporate value over the long term and ensure they share interests with shareholders.

Under the LTI, the number of fiscal years that the payment relates to will be one fiscal year, and the Company will grant an initial reference allocation of share units to each Eligible Director every fiscal year. Multiple performance indicators will be established in advance, covering an evaluation period of three fiscal years, including the fiscal year that the payment relates to. After the evaluation period has ended, the percentage amount of payment will be calculated corresponding to the level of achievement of each performance indicator, and the number of share units will be increased or decreased in accordance with the percentage amount of payment. Then, monetary remuneration claims for the delivery of the Company’s common stock and cash will be paid in accordance with the number of share units to each Eligible Director. Each Eligible Director will receive delivery of the Company’s common stock by providing all of the monetary remuneration claims as contributions in kind, and the amount to be paid in this case shall be based on the closing price of the Company’s common stock on the Tokyo Stock Exchange on the business day preceding the date of resolution of the Board of Directors of the Company to issue or dispose of the said common stock (if no trades are made on this day, the closing price on the most recent preceding trading day) (the “share price at time of delivery”), and shall be determined by the Board of Directors within a range that is not especially advantageous for each Eligible Director subscribing to the Company’s common stock. An outline of conditions for the payment of monetary remuneration claims for the delivery of the Company’s common stock and cash to the Eligible Directors is provided in <Information Provided as Reference to Assist Understanding of the LTI> below.

The specific timing of payment and distribution of remuneration, etc. under the LTI to each Eligible Director will be determined by the Board of Directors, following deliberation by the Nomination & Remuneration Advisory Committee chaired by an external director. In regard to the total amount of monetary remuneration claims for the delivery of the Company’s common stock and cash to be paid in accordance with the achievement rates, etc. of targets mainly relating to company performance as of the end of the three consecutive fiscal years starting from fiscal 2022 to Eligible Directors as remuneration, etc. for fiscal 2022 under the LTI, shall be as follows:

1) a total maximum payment amount (the “maximum payment amount”) of 86,000 shares of the Company’s common stock multiplied by the share price at time of delivery. However, if all Eligible Directors forfeit their positions as directors or executive officers of the Company or of subsidiaries of the Company as a result of restructuring or other events during the evaluation period, leading to payments of remuneration, etc. being made under the terms of the LTI before the end of the evaluation period, the closing price of the Company’s common stock on the Tokyo Stock Exchange on the business day preceding the date of resolution of the Board of Directors concerning said payments shall be used (if no trades are made on this day, the closing price on the most recent preceding trading day).

2) a maximum total number of shares of the Company’s common stock to be delivered to Eligible Directors based on the LTI of 43,000 shares (the “maximum number of shares to be delivered”), with 50% of remuneration, etc. based on the LTI delivered to each Eligible Director as monetary remuneration claims for the delivery of the Company’s common stock, in principle, and the remainder paid as cash, within the limits described above. The Company asks shareholders to approve the provision of the above remuneration.

The contents of this Item of Business is in line with the policy on decisions regarding matters including remuneration of individual directors stated in the business report, and the Company therefore views that the contents are appropriate.

Currently, the number of directors of the Company is seven directors (including three external directors). After the Third Item of Business is approved as originally proposed, the number of directors of the Company will continue to be eight directors (including four external directors). The total number of Eligible Directors will be four directors who are not external directors, out of the eight directors in total.

<Information Provided as Reference to Assist Understanding of the LTI>

Overview of the Company's Directors, Audit & Supervisory Board Members and Corporate Officers Remuneration Policy

The Company's directors and corporate officers remuneration policy has been designed by the Nomination & Remuneration Advisory Committee chaired by an external director, and is a highly transparent system that incorporates objective perspectives. The remuneration of the directors and corporate officers comprises basic remuneration and performance-linked remuneration, which is linked to the achievement of management targets and share price, 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. Meanwhile, the Company abolished its officers' retirement benefit plan as of June 29, 2004 on which the 104th ordinary general meeting of shareholders was held.

The Company's directors, audit & supervisory board members and corporate officers remuneration policy and basic remuneration paid to directors in fiscal 2021 and the annual bonus, etc. that the Company plans to pay on reflection of the performance evaluation of the same fiscal year are outlined on pages 71 through 79.

Overview of the LTI

Under the LTI, each year, multiple performance indicators will be established in advance, covering an evaluation period of three fiscal years, including the fiscal year that the payment relates to. After the evaluation period has ended, monetary remuneration claims for the delivery of the Company's common stock and cash corresponding to the level of achievement of these performance indicators, etc. will be paid as remuneration, etc.

The evaluation period with fiscal 2022 as the fiscal year that the payment relates to covers the three fiscal years from January 1, 2022 through December 31, 2024, and delivery of monetary remuneration claims for the delivery of the Company's common stock and determination of the amount of cash and its payment to Eligible Directors will take place after the evaluation period has ended, in principle. Furthermore, under the LTI, monetary remuneration claims for the delivery of the Company's common stock and cash will be paid in accordance with the level of achievement of performance indicators, etc., and therefore, at the time share units are granted, it is undetermined whether or not this delivery or payment of remuneration, etc. to each Eligible Director will take place. Likewise, the number of shares of the Company's common stock, the amount of monetary remuneration claims for delivery of the Company's common stock, and the amount of cash are also undetermined.

In addition, in the event that the Company conducts a share split (including free distribution of the Company's stock) or share consolidation of the Company's common stock on or after the date of the resolution of this Item of Business, the Company will adjust both the number of shares of the Company's common stock (86,000 shares) used as the basis for the calculation of the above maximum payment amount and the maximum number of shares to be delivered (43,000 shares). As a result, the number of shares of the Company's common stock to be delivered to each Eligible Director will be determined in accordance with the ratio of the split or consolidation.

Structure of the LTI

The specific structure of the LTI is as follows:

- 1) The LTI has a performance-linked portion and a fixed portion.
- 2) The Board of Directors will determine the performance indicators to be used in the LTI, performance-linked coefficients, and other performance indicators and percentage amount of the payment attributable to the level of achievement, etc. of each performance indicator, etc. required for the specific calculation of the number of shares, etc. to be delivered to each Eligible Director. Given that it is difficult to predict the timing of the market recovery and develop a growth forecast due to the continuing spread of COVID-19 infections, the Company will maintain the financial indicators and use operating profit margin of 15%, a target under the medium-to-long-term strategy "WIN 2023 and Beyond," as a committed target for the final fiscal year of the evaluation period. Since growth in sales is essential when focusing

most on the accomplishment of the operating profit margin target, the Company will also maintain the target for sales growth rate and use it as the performance indicator related to economic value. In addition, recognizing that business activities conscious of social value are important in realizing sustainable growth, the Company will increase its evaluation weight for social value indicators from fiscal 2022.

- 3) The overall picture of the performance indicators and their weights under the LTI is shown in the table below. The target for the indicator related to economic value, which is the consolidated operating profit margin for the final fiscal year of the evaluation period, is 15%, and if the target is achieved, the maximum percentage of the payment attributable to this indicator will be applied. In addition, the lower limit for evaluation is set at 10%, and if performance falls short of this limit, the performance-linked portion for this indicator will not be paid. As for the CAGR of consolidated net sales for the evaluation period, if performance achieves the 7% level, the maximum percentage amount of the payment attributable to this indicator will be applied, and if performance falls short of 4%, the performance-linked portion for this indicator will not be paid. The CAGR of consolidated net sales will be calculated based on the performance in fiscal 2019 net sales of business/brand transferred as the starting point before the Company was impacted by COVID-19. In regard to indicators related to social value, the structure of the LTI presupposes that targets are established for multiple internal and external indicators related to environment, society, and corporate governance (ESG) as presented in the table below, and the percentage amount of the payment will fluctuate according to the level of achievement of these targets. In particular, from this year, reducing CO₂ emissions, which is an important initiative under the Company's sustainability strategies, is newly set as an environmental indicator. As a result of this, the Company has increased the evaluation weight of the indicators for social value to 20% from 10%. Additionally, it is essential that the Company remains aware of matters related to consolidated return on equity (ROE). However, it is crucial that it does not permit such benchmarks to weigh too heavily on proactive initiatives to resolve such issues as those related to future growth-oriented investments and long-term expansion. As such, upon the Nomination & Remuneration Advisory Committee deliberation, the Company has established certain performance standards (thresholds) in advance, with the evaluation framework designed so that the Nomination & Remuneration Advisory Committee will consider lowering the percentage amount of the payment attributable to the performance-linked portion, if results fall below the thresholds.

Evaluation Item	Performance Indicators		Evaluation Weight	
Economic Value Indicators	Consolidated operating profit margin for the final fiscal year of the evaluation period		50%	
	Consolidated net sales compound average growth rate (CAGR)		30%	
Social Value Indicators	Environment	Status of the achievement of the CO ₂ emissions reduction target	20%	100%
	Society	Ratio of female managers/leaders in Japan and overseas at the Company, and the status of inclusion in the indices related to the promotion of women by ESG rating agencies designated by the Company		
	ESG in general	Evaluation scores by ESG rating agencies designated by the Company		
Economic Value Indicator	Consolidated ROE (return on equity)		If this falls below the threshold, the Nomination & Remuneration Advisory Committee will consider lowering the percentage amount of the payment attributable to the performance-linked portion.	

- 4) After the end of the evaluation period, the Board of Directors shall determine the number of shares of the Company's common stock to be allotted to each Eligible Director and the

amount of cash to be paid, following deliberation by the Nomination & Remuneration Advisory Committee, in accordance with the “Calculation Method for the Number of Shares of the Company’s Common Stock to be Delivered and Amount of Cash to be Paid to Eligible Directors” described in the next paragraph, based on the percentage amount of the payment determined in accordance with the level of achievement of each performance indicator, etc.

- 5) Pursuant to a resolution by the Board of Directors, the Company will pay monetary remuneration claims for the delivery of the Company’s common stock to each Eligible Director, in accordance with the number of shares of the Company’s common stock to be allotted to each Eligible Director as determined in item 4), and each Eligible Director will receive delivery of the Company’s common stock by providing all of the monetary remuneration claims as contributions in kind. Furthermore, the amount paid for the Company’s common stock will be determined by the Company’s Board of Directors based on the share price at time of delivery within a range that is not especially advantageous for each Eligible Director subscribing to the Company’s common stock.
- 6) Each Eligible Director will incur tax expenses in accordance with the delivery of the Company’s shares as described in item 5), and therefore the Company will pay each Eligible Director an amount of cash determined in item 4) in addition to the monetary remuneration claims in item 5), in order to secure funds for these tax expenses.
- 7) Conditions for the delivery of shares to each Eligible Director and other details will be determined by the Board of Directors.

Calculation Method for the Number of Shares of the Company’s Common Stock to be Delivered and Amount of Cash to be Paid to Eligible Directors

The Company will calculate the number of shares of the Company’s stock to be delivered to each Eligible Director based on the formula in the below 1), and will calculate the amount of cash to be paid as tax funds to each Eligible Director based on the formula in the below 2).

- 1) Number of shares of the Company’s common stock to be delivered to each Eligible Director (*3)
Reference number of share units (*1) × percentage amount of payment (*2) × 50%
 - 2) Amount of cash to be paid to each Eligible Director (*3) (*4)
{(Reference number of share units (*1) × percentage amount of payment (*2)) – number of shares of the Company’s common stock to be delivered to each Eligible Director based on the formula in item 1} × share price at time of delivery
- *1 For each fiscal year during the evaluation period, the Company will grant to each Eligible Director, as the reference number of share units, a number of share units obtained by dividing the reference amount determined by the Board of Directors in accordance with each Eligible Director’s role grade by an amount determined by the Board of Directors within a range that is not especially advantageous for each Eligible Director, based on the closing price of the Company’s common stock on the Tokyo Stock Exchange on the trading day preceding the date of the resolution by the Board of Directors to grant share units (if there are no trades on this date, the closing price on the most recent preceding trading day) (however, fractions of less than one unit arising as a result shall be rounded down).
- *2 The percentage amount of payment will fluctuate within the range of 50% to 150% via a method determined by the Board of Directors of the Company, in accordance with the level of achievement of each performance indicator described in the above “Structure of the LTI.”
- *3 In the event that the maximum number of shares to be delivered (43,000 shares) or the maximum payment amount will be exceeded by delivering the number of shares of the Company’s common stock or paying the amount of cash calculated with the above formula, the Company will reduce the number of shares and amount of cash to be delivered or paid to each Eligible Director through proportional distribution or other reasonable method determined by the Board of Directors, such that the maximum number of shares to be delivered and the maximum payment amount are not exceeded.
- *4 Any fractions of less than one yen arising as a result of the above calculation will be rounded down.

Conditions for Payment of Remuneration, etc. based on the LTI

The Company will pay remuneration, etc. based on the LTI to Eligible Directors who fulfill the following conditions. Delivery of the Company's common stock shall be conducted by issuing shares or disposing of treasury stock, and the Board of Directors shall determine the Eligible Directors to whom the Company's common stock will be delivered and matters related to subscription for the issuance of shares or disposal of treasury stock after the evaluation period has ended, in accordance with the below conditions 1) through 3) and the calculation method described above.

- 1) The required period in office must be fulfilled (must have served continuously in the position of director or executive officer of the Company or a subsidiary of the Company during the entire period of the fiscal year that the payment relates to, etc.).
- 2) When retiring prior to the determination of rights, the retirement must not be due to disciplinary action or such like.
- 3) Any other conditions set forth by the Board of Directors as necessary to achieve the intent of the LTI must be fulfilled.

Under the LTI, the Company has introduced the malus and clawback provisions. In certain conditions, such as in case of serious misconduct of Eligible Directors, the Board of Directors is entitled to make the decision to reduce the number of the share units or receive a refund.

Treatment when Eligible Directors Retire

Even if an Eligible Director loses his/her position as a director or executive officer of the Company or any of its subsidiaries during the evaluation period, such Eligible Director may be provided with the Company's common stock and/or cash prorated based on a reasonable method prescribed by the Board of Directors of no more than the maximum payment amount and the maximum number of shares to be delivered corresponding to the nature of the reason for loss of the aforementioned position in case the conditions for payment described above are fulfilled, and such delivery and/or payment is made at a timing determined by the Board of Directors. In addition, if as a result of the resignation of Eligible Directors, payments of remuneration, etc. are made under the terms of the LTI before the end of the evaluation period, the number of shares to be delivered or the amount paid to such Eligible Directors shall be computed using the closing price of the Company's common stock on the Tokyo Stock Exchange on the business day preceding the date of resolution of the Board of Directors of the Company concerning said payments (if no trades are made on this day, the closing price on the most recent preceding trading day).

Notes:

1. In Article 361 of the Companies Act of Japan, financial benefits receivable as a consideration for the execution of duties from the Company such as remuneration and bonus of directors are defined as "remuneration, etc.," and the term "remuneration, etc." stated in this item of business is synonymous with such definition.
2. The Company has decided to voluntarily adopt International Financial Reporting Standards (IFRS) for consolidated financial statements of the Shiseido Group from fiscal 2022, in lieu of the currently applied Generally Accepted Accounting Principles in Japan. When evaluating the economic value indicators of the LTI, the Company will adjust the financial indicators for the evaluation period based on this change in accounting standards.

- End -

Information on Other Matters Related to This Notice of Convocation of the Ordinary General Meeting of Shareholders on Our Corporate Information Website

The Company's Notice of Convocation of the Ordinary General Meeting of Shareholders is posted on our corporate information website (<https://corp.shiseido.com/jp/ir/shareholder/>) and on the Japan Exchange Group's website (<https://www.jpx.co.jp/>) (Japanese and English).

1. On our corporate information website, the following are voluntarily disclosed by the Company in the column entitled "INVESTORS / General Meeting of Shareholders" (<https://corp.shiseido.com/en/ir/shareholder/>)
 2. Items voluntarily disclosed on our corporate information website relating to business report:
 - “Criteria for Independence of External Directors and Audit & Supervisory Board Members”
 - “Criteria for “Important Concurrent Position” Assumed by Company's Directors and Audit & Supervisory Board Members”
 - “Criteria for Stating the Relationship between the Company and the Organizations in Which the Company's Directors and Audit & Supervisory Board Members Hold “Important Concurrent Positions”
3. In cases that the attached documents and “Reference Document Concerning the General Meeting of Shareholders” are amended, the Company will announce the updated version on our following corporate information website.
(<https://corp.shiseido.com/en/ir/shareholder/>)