

(Translation)

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Notice of Disposal of Treasury Stock under Performance-Linked Stock Compensation as Long-Term Incentive-Type Remuneration

Shiseido Company, Limited (the “Company”) hereby announces that its meeting of the Board of Directors held on May 12, 2022 resolved to dispose of its treasury stock under the performance-linked stock compensation as long-term incentive-type remuneration (the “Disposal”) as follows.

1. Overview of the Disposal

(1) Disposal date	May 27, 2022
(2) Class and number of shares to be disposed of	10,653 ordinary shares of the Company
(3) Disposal price	¥ 5,377 per share
(4) Total disposal amount	¥ 57,281,181
(5) Allottees of shares and number thereof; number of shares to be allotted	Directors (excluding external directors) or corporate officers* ¹ of the Company as of June 2019: 17 persons* ² , 8,700 shares Officers of the Company’s subsidiaries as of June 2019: 4 persons* ³ , 1,953 shares Notes: 1. The Company abolished the corporate officer system and completely shifted to a management system centering on executive officers in January 2022. The title presented is as of June 2019. 2. Including 10 retired directors or corporate officers of the Company 3. Including 1 retired officer of the Company’s subsidiary
(6) Other	The Company has submitted a securities notice regarding the Disposal in accordance with the Financial Instruments and Exchange Act.

2. Purpose of and Reason for the Disposal

The Company, by a meeting of its Board of Directors held on February 21, 2019, resolved the introduction of 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 motivation to create corporate value over the long term and ensure that they share interests with shareholders. The LTI was approved at the 119th Ordinary General Meeting of Shareholders held on March 26, 2019.

The Company applies the LTI also to the corporate officers of the Company and directors and officers of the Company’s subsidiaries, such as CEOs of regional headquarters overseas (together with Eligible Directors, “Eligible Officers” collectively).

The Disposal is based on the resolution approved at a meeting of the Board of Directors held today



in order to deliver the Company's ordinary shares to 17 eligible directors or corporate officers of the Company, and four officers of the Company's subsidiaries who were determined eligible for the LTI for the evaluation period covering the three fiscal years from January 1, 2019 to December 31, 2021 (the "Evaluation Period") as of June 2019 in accordance with the level of achievement of performance indicators during the Evaluation Period.

Under the Disposal, the Eligible Officers shall be granted monetary remuneration claims by the Company or its subsidiaries, whereupon they shall receive delivery of ordinary shares of the Company by paying all the monetary remuneration claims using the method of contribution in kind.

For the Disposal, the Board of Directors determined, following deliberation by the Nomination & Remuneration Advisory Committee chaired by an external director, that monetary remuneration claims totaling ¥57,281,181 shall be granted to the Eligible Officers by the Company or its subsidiaries, and they shall receive delivery of a total of 10,653 ordinary shares of the Company by paying all the monetary remuneration claims using the method of contribution in kind. The amount of the monetary remuneration claims is based on the percentage amount of the payment determined in accordance with the level of achievement of performance indicators, etc. during the Evaluation Period.

The Board of Directors has also determined to pay a total of ¥63,617,858 to 19 persons who satisfy certain conditions among the Eligible Officers in accordance with the LTI.

3. Details of the LTI

(1) 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 ordinary shares and cash corresponding to the level of achievement of these performance indicators, etc. will be paid as remuneration, etc. Only ordinary shares of the Company may be delivered to persons residing outside of Japan.

(2) Structure of the LTI and performance indicators during the Evaluation Period

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 Officer. An overview of the performance indicators to be used in the calculation of remuneration, etc. for the Evaluation Period is shown in the table below. The targets for the indicators related to economic value, which are consolidated net sales compound average growth rate (CAGR) and consolidated operating profit CAGR, are 8.0% and 15.8%, respectively, and if these targets are achieved, the maximum percentage amount of the payment attributable to each indicator will be applied. In addition, the lower limits for evaluation for the consolidated net sales CAGR and consolidated operating profit CAGR are 5.0% and 10.0%, respectively, and in the event that performance falls below these values, the performance-linked portion for each of these indicators will not be paid. These CAGR indicators are each calculated based on performance in fiscal 2017 as the starting point. In regard to indicators related to social value, the structure of the LTI similarly establishes targets for multiple internal and external environmental, social, and corporate governance (ESG)-related indicators, and the percentage amount of the payment will fluctuate according to the level of achievement of these targets. Although on the one hand it is essential that the Company remains aware of matters related to consolidated return on equity (ROE), on the other hand it is crucial that it does not permit such benchmarks to weigh too heavily on proactive initiatives to resolve issues related to future growth-oriented investments and long-term expansion. As such, upon the deliberation of the Remuneration Advisory Committee (currently, the Nomination & Remuneration Advisory Committee; the same shall apply hereafter), the Company has established certain performance standards (thresholds) in advance, with the evaluation framework designed so that the Remuneration Advisory Committee will consider lowering the percentage amount of the payment attributable to the performance-linked portion in the event that results fall below the thresholds.

Performance indicators of the LTI and weight of the performance indicators

Evaluation Item	Performance Indicators	Evaluation Weight	
Economic Value Indicators	Consolidated net sales CAGR	45%	100%
	Consolidated operating profit CAGR	45%	
Social Value Indicators	Multiple internal and external indicators such as those related to ESG with focus on the area of “empowered beauty”	10%	
Economic Value Indicator	Consolidated ROE	If this ends up below the threshold, the Remuneration Advisory Committee will consider lowering the percentage amount of the payment attributable to the performance-linked portion.	

(3) Calculation method for the number of ordinary shares of the Company to be delivered and amount of cash to be paid to Eligible Officers

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

1) Number of ordinary shares of the Company to be delivered to each Eligible Officer^{*3}

Reference number of share units^{*1} × percentage amount of payment^{*2} × 50%

2) Amount of cash to be paid to each Eligible Officer^{*3, *4}

{(Reference number of share units^{*1} × percentage amount of payment^{*2}) – number of ordinary shares of the Company to be delivered to each Eligible Officer based on the formula in item 1)} × share price at time of delivery

Only ordinary shares of the Company shall be delivered to Eligible Officers residing outside of Japan when the share units are granted. The calculation is as follows.

Reference number of share units^{*1} × percentage amount of payment^{*2}

Notes:

- For each fiscal year during the evaluation period, the Company will grant to each Eligible Officer, 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 Officer’s role grade by an amount determined by the Board of Directors within a range that is not especially advantageous for each Eligible Officer, based on the closing price of the Company’s ordinary shares 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). Fractions of less than one unit arising as a result shall be rounded down.
- The percentage amount of payment will fluctuate within a certain predetermined range via a method determined by the Board of Directors of the Company, in accordance with the level of achievement of each performance indicator.
- In the event that the maximum number of shares to be delivered (20,500 shares) or the maximum payment amount will be exceeded by delivering the number of ordinary shares of the Company 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 Officer 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.
- Any fractions of less than one yen arising as a result of the above calculation will be rounded down.

(4) Conditions for payment of remuneration, etc. based on the LTI

The Company will pay remuneration, etc. based on the LTI to Eligible Officers who fulfill the following conditions at the end of the evaluation period. Delivery of the Company’s ordinary shares shall be conducted by issuing shares or disposing of treasury stock, and the Board of Directors shall determine the Eligible Officers to whom the Company’s ordinary shares 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) Eligible Officers must have served continuously in the position of director or corporate officer of the Company or a subsidiary of the Company or CEO of regional headquarters overseas during the evaluation period.
- 2) Eligible Officers must not have been involved in certain misconduct determined by the Board of Directors.
- 3) Any other conditions set forth by the Board of Directors as necessary to achieve the intent of the LTI must be fulfilled.

(5) Treatment when Eligible Officers retire

Even if an Eligible Officer loses his/her position as a director or corporate officer of the Company or any of its subsidiaries or CEO of regional headquarters overseas during the evaluation period, such Eligible Officer will be provided with the Company's ordinary shares 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 that the reason for loss of position is a specific reason determined by the Board of Directors in advance and the term of office prerequisites determined by the Board of Directors for his/her reason for loss of position for each specific reason are met (in principle such prerequisite is that during the entire period of the fiscal year that the payment relates to, he/she must have served in a position of director or corporate officer of the Company or any of its subsidiaries or CEO of regional headquarters overseas), and such delivery or payment shall be made at a timing determined by the Board of Directors.

4. Rationale for Calculating the Amount to be Paid and the Specific Contents Thereof

The Disposal is based on ¥5,377 per share, the closing price of the Company's ordinary shares on the Tokyo Stock Exchange on May 11, 2022 (the trading day preceding the date of the resolution by the Board of Directors), in order to exclude arbitrariness. This is the market share price immediately prior to the Board of Directors' resolution date, and in circumstances where there is no particular reason to indicate that the Company cannot rely on the most recent share price, the Company believes that it is reasonable, appropriately reflecting the corporate value of the Company, and that it does not fall into a value that is particularly advantageous for the Eligible Officers.

—End of News Release—