



(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, 2023 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	June 15, 2023
(2) Class and number of shares to be disposed of	44,134 ordinary shares of the Company
(3) Disposal price	¥ 6,515 per share
(4) Total disposal amount	¥ 287,533,010
(5) Allottees of shares and number thereof; number of shares to be allotted	<p>Directors (excluding external directors) or corporate officers*¹ of the Company to whom the performance-linked stock compensation as long-term incentive-type remuneration (“the LTI”) was applied as compensation for fiscal year 2020: 19 persons*², 15,325 shares</p> <p>Officers of the Company’s subsidiaries to whom the LTI was applied as compensation for fiscal year 2020: 5 persons*³, 2,603 shares</p> <p>Employees of the Company to whom the LTI was applied as of June 2021: 165 persons, 14,040 shares</p> <p>Employees of the Company’s subsidiaries to whom the LTI was applied as of June 2021: 30 persons, 12,166 shares</p> <p>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 2020. 2. Including 9 retired directors or corporate officers of the Company 3. Including 1 retired officer of the Company’s subsidiary</p>
(6) Other	The Disposal is subject to the effectuation of a Securities Registration Statement 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 LTI, a new long-term incentive-type remuneration policy 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 Company has submitted a related proposal of the details of the LTI for directors at the Annual General Meeting of Shareholders every fiscal year and obtained an approval by shareholders. The LTI for 2020 was approved at the 120th Ordinary General Meeting of Shareholders held on March 25, 2020.

The Company has decided to apply the LTI also to the corporate officers (The Company abolished the corporate officer system and completely shifted to a management system centering on executive officers in January 2022.) of the Company and directors and officers of the Company's subsidiaries, such as CEOs of regional headquarters overseas, as well as the employees of the Company and the Company's subsidiaries.

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 19 eligible directors or corporate officers of the Company, and five officers of the Company's subsidiaries to whom the LTI was applied as compensation for fiscal year 2020, as well as 165 employees of the Company and 30 employees of the Company's subsidiaries to whom the LTI was applied as of June 2021 (all of which include retired employees. Collectively, "Eligible Officers and Employees"), for the evaluation period covering the three fiscal years from January 1, 2020 to December 31, 2022 (the "Evaluation Period") in accordance with the level of achievement of performance indicators during the Evaluation Period.

Under the Disposal, the Eligible Officers and Employees shall be granted monetary remuneration claims by the Company, 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 has determined, following deliberation by the Nomination & Remuneration Advisory Committee chaired by an external director, that monetary remuneration claims totaling ¥287,533,010 shall be granted to the Eligible Officers and Employees by the Company, and they shall receive delivery of a total of 44,134 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 ¥169,682,190 to 188 persons who satisfy certain conditions among the Eligible Officers and Employees 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. 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 or Human Resources Division ("The Board of Directors, etc.") 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 or Employee, in accordance with the positions, etc. of the Eligible Officers and Employees. An overview of the performance indicators 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. 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 and Employees

The Company will calculate the number of shares of the Company’s stock to be delivered to each Eligible Officer or Employee 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 or Employee based on the formula in the below 2).

- 1) Number of ordinary shares of the Company to be delivered to each Eligible Officer or Employee^{*3}
 $\text{Reference number of share units}^{*1} \times \text{percentage amount of payment}^{*2} \times 50\%^{*4}$
- 2) Amount of cash to be paid to each Eligible Officer or Employee^{*3, *5}
 $\{(\text{Reference number of share units}^{*1} \times \text{percentage amount of payment}^{*2}) - \text{number of ordinary shares of the Company to be delivered to each Eligible Officer or Employee based on the formula in item 1)} \times \text{share price at time of delivery}$
 However, only ordinary shares of the Company shall be delivered to Eligible Officers and Employees residing outside of Japan or having an employment relationship with a Company’s subsidiary outside of Japan (excluding expatriates from Japan) when the share units are granted. The calculation is as follows.
 $\text{Reference number of share units}^{*1} \times \text{percentage amount of payment}^{*2}$

Notes:

- 1. The number of shares calculated based on the position and role of each Eligible Officer or Employee shall be granted to each Eligible Officer or Employee.
- 2. The percentage amount of payment will fluctuate within a certain predetermined range via a method determined by the Board of Directors, etc. in accordance with the level of achievement of each performance indicator.
- 3. In the event that the maximum number of shares to be delivered (33,000 shares) or the maximum payment amount to each Eligible Director 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 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. 60% will be applied for employees
5. Any fractions of less than one yen arising as a result of the above calculation will be rounded down.

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

The Company will pay monetary remuneration claims, etc. to deliver the Company's ordinary shares based on the LTI to Eligible Officers and Employees who fulfill the following conditions at the end of the evaluation period. The Eligible Officers and Employees who will be granted monetary remuneration claims to deliver the Company's ordinary shares shall be determined by the Board of Directors, etc., and the 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 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 Directors must have served continuously in the position of director or corporate officer of the Company or a subsidiary of the Company during the evaluation period. Eligible Officers and Employees other than Eligible Directors must have served a certain position as determined by the Board of Directors, etc., during a certain period as determined by the Board of Directors, etc.
- 2) Eligible Officers and Employees must not have been involved in certain misconduct determined by the Board of Directors, etc.
- 3) Any other conditions set forth by the Board of Directors, etc. as necessary to achieve the intent of the LTI must be fulfilled.

(5) Treatment when Eligible Directors, Officers, and Employees retire

Even if an Eligible Director loses his/her position as a director or corporate officer of the Company or any of its subsidiaries during the evaluation period, such Eligible Director 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, in case of the Eligible Director,) 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 requirement 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), and such delivery or payment shall be made at a timing determined by the Board of Directors.

In the event that an Eligible Officer or Employee other than Eligible Director loses his/her position as an Eligible Officer or Employee, if he/she satisfies the requirements in accordance with his/her position, determined by the Board of Directors, etc., the Company shall pay the number of Company's ordinary shares or cash, or both, as calculated based on a reasonable method determined by the Board of Directors, etc.

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

The disposal price of this Disposal is ¥6,515 per share, the closing price of the Company's ordinary shares on the Tokyo Stock Exchange on May 11, 2023 (the trading day preceding the date of the resolution by the Board of Directors), in order to exclude arbitrariness. This is the market 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 price that is particularly advantageous for the Eligible Officers and Employees.

—End of News Release—