



Notice of Convocation

The 121st 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.]

Notice of Convocation

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Notice of Convocation of the 121st 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 121st 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 reduce the risk of exposure to the novel coronavirus (COVID-19) and related impacts, 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:

Thursday, March 25, 2021 at **10:00 a.m.**

Place of the Meeting:

IMPERIAL Hotel, 2F, Kujyaku 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, 2020 (January 1, 2020 to December 31, 2020)

Matters for Resolution:

- First Item of Business: Dividends of Retained Earnings
- Second Item of Business: Election of Eight (8) Directors
- Third Item of Business: Election of One (1) Audit & Supervisory Board Member
- Fourth 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 111.

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, 2020 to December 31, 2020)

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 2020

In the fiscal year ended December 31, 2020, global economic conditions remained challenging, as economic activity stagnated due to the COVID-19 outbreak, and consumer sentiment declined due to worsening corporate earnings and employment. In the domestic cosmetics market, consumer traffic dropped as a result of temporary retail closures under a state of emergency, shortened operating hours following its lifting, and consumers staying at home. Other factors included restrictions on entry into Japan issued by the Japanese government, such as the cancellation of visas to citizens of approximately 150 countries and regions as well as reductions in international flights, all of which significantly decreased demand from inbound tourists. Overseas cosmetics markets decelerated sharply: from February, in Asia, and from March, in Europe and the United States. Although the number of new COVID-19 cases temporarily stabilized in summer, it resurged from September, mainly in Europe and the United States, and the situation remained challenging amid reinforced measures restricting economic activity. Meanwhile, in China, new infections slowed from late March, and stay-at-home restrictions were relaxed. As a result, the market began to recover from April.

In the fiscal year ended December 31, 2015, the Shiseido Group (hereinafter “the Group”) launched its medium-to-long-term strategy VISION 2020 in a bid to ensure that it remains vital for the next 100 years. In order to “Be a Global Winner with Our Heritage,” we are shifting all of our activities toward a consumer-oriented focus and working to globally enhance our brand value.

The fiscal year was the final year of VISION 2020, however, as outlined above, the business environment was extremely challenging. Despite such circumstances, we continued the selection and concentration of our businesses and brands, investing in targeted brands for sustainable growth, and reviewing expenses throughout the year on a zero basis, while formulating and taking measures to restore business performance.

Net sales for the fiscal year decreased 17.8% year on year on an FX-neutral basis, affected by the spread of COVID-19 across all regions. Like-for-like growth was a negative 18.8%, excluding such factors as business acquisitions. Based on reported figures, consolidated net sales decreased 18.6% year on year to ¥920.9 billion.

Operating profit declined 86.9% year on year due to a drop in margins resulting from weaker sales but remained positive at ¥15 billion, thanks to Group-wide thorough cost-management initiatives mainly for business expenses and other related costs in addition to flexible cost control linked with sales fluctuations, which offset one-time costs related to structural reforms aimed at strengthening our business foundation, continued and reinforced marketing investment in growth areas including China and e-commerce.

Net profit attributable to owners of parent posted a loss of ¥11.7 billion due to the operating loss and extraordinary losses related to COVID-19, such as compensation of employees on leave and maintenance costs for stores and production facilities.

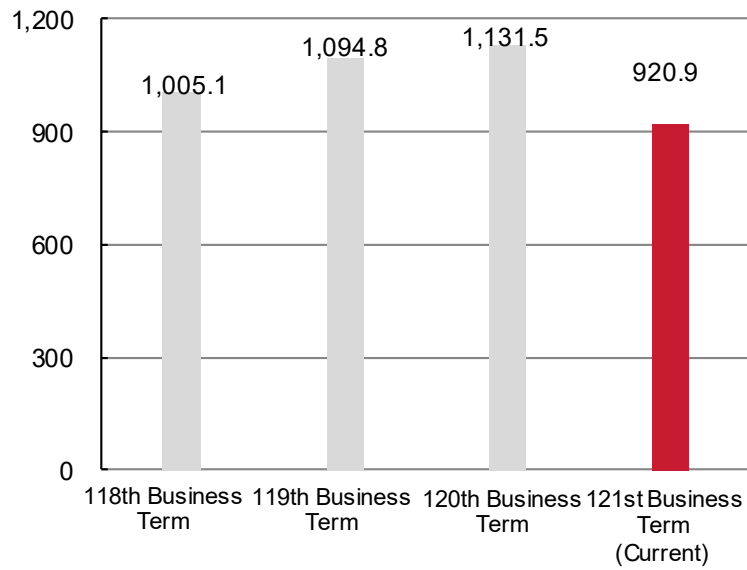
For the fiscal year, the consolidated operating profit margin was 1.6%. Consolidated ROE (return on equity) was negative 2.4%, and consolidated ROIC (return on invested capital) was 1.3%. The major foreign currency exchange rates applicable to income and expense accounting line items in the Company’s financial statements are US\$1: ¥106.8, €1: ¥121.8, and CNY1: ¥15.5 for the fiscal year.

■ Consolidated Results

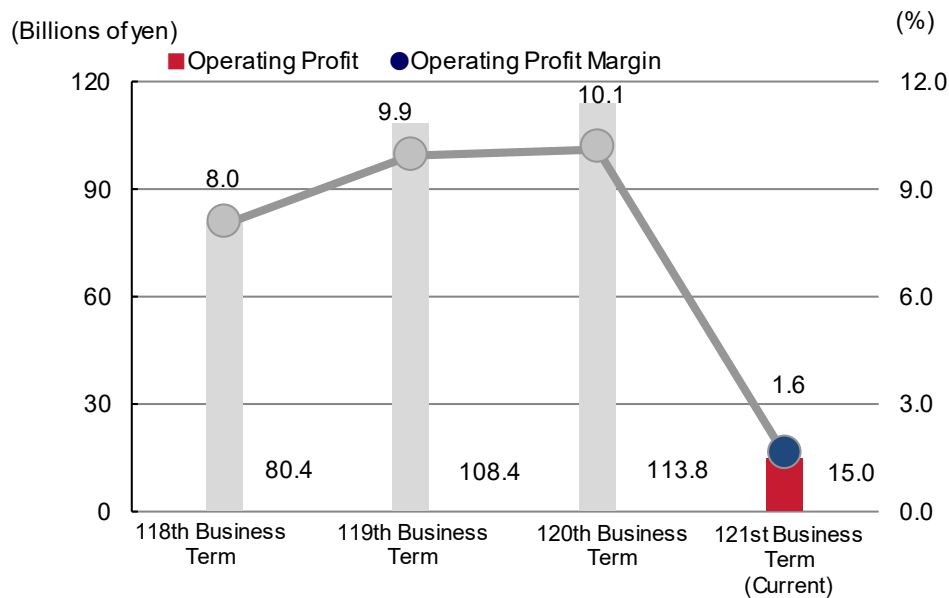
Net Sales

Fiscal 2020: **¥920.9 billion**
 Year-on-year change: -18.6%
 (FX-neutral basis: -17.8%)
 Like-for-like: -18.8%

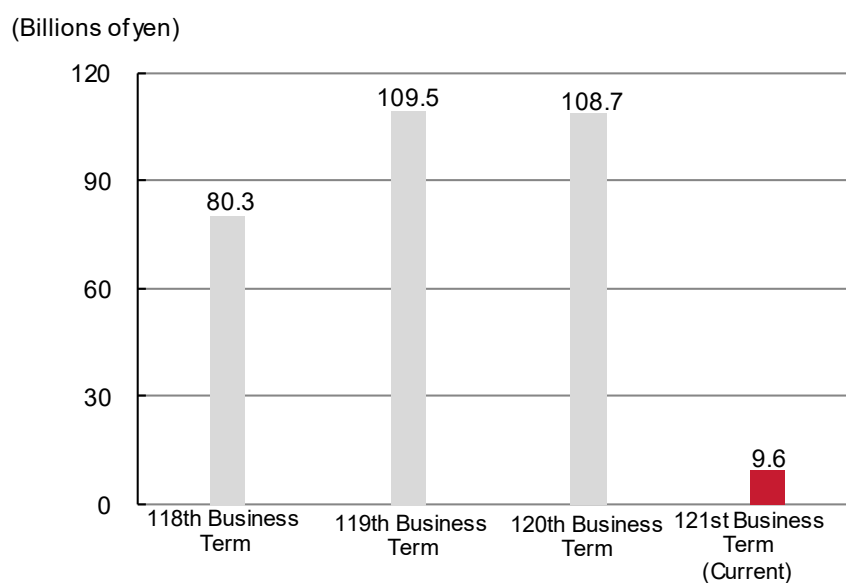
(Billions of yen)



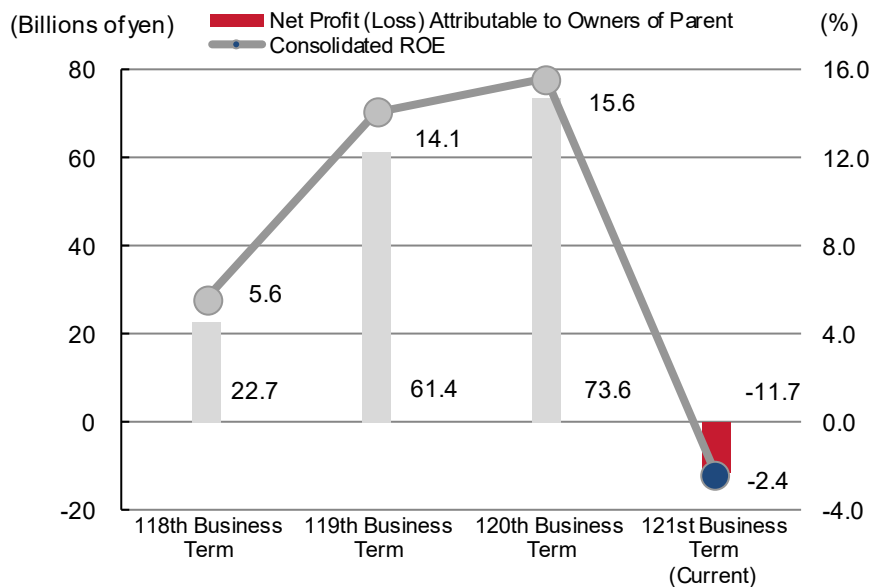
<p>Operating Profit</p> <p>Fiscal 2020: ¥15.0 billion Year-on-year change: -86.9%</p>	<p>Operating Profit Margin</p> <p>Fiscal 2020: 1.6% Year-on-year change: -8.5 points</p>
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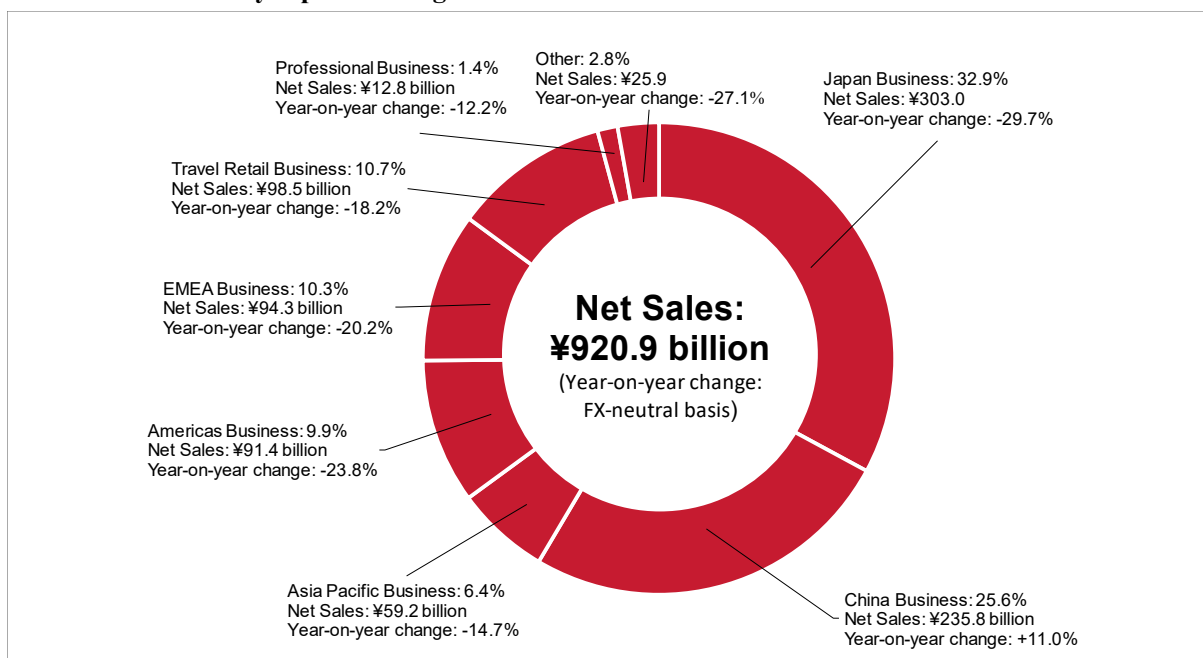
<p>Ordinary Profit</p> <p>Fiscal 2020: ¥9.6 billion Year-on-year change: -91.1%</p>



Net Profit (Loss) Attributable to Owners of Parent Fiscal 2020: ¥-11.7 billion Year-on-year change: –	Consolidated ROE Fiscal 2020: -2.4%
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■ Net sales by reportable segment



■ Operating profit (loss) by reportable segment

(Billions of yen)

	120th Business Term	Operating Profit Margin (%)	121st Business Term (Current)	Operating Profit Margin (%)	Increase/ decrease	Percentage increase/decrease (%)
Japan Business	76.5	16.7	10.5	3.2	-66.0	-86.3
China Business	29.2	13.5	18.4	7.8	-10.8	-37.1
Asia Pacific Business	7.4	10.2	3.2	5.3	-4.2	-56.3
Americas Business	(7.6)	(4.6)	(22.3)	(18.8)	-14.7	—
Profit Before Amortization of Goodwill, etc.	(1.9)	(1.2)	(17.2)	(14.5)	-15.3	—
EMEA Business	(2.2)	(1.7)	(13.2)	(12.9)	-11.0	—
Profit Before Amortization of Goodwill, etc.	(0.4)	(0.3)	(11.0)	(10.7)	-10.5	—
Travel Retail Business	31.3	25.4	14.6	14.8	-16.7	-53.2
Professional Business	0.3	2.2	(0.03)	(0.3)	-0.4	—
Other	(9.9)	(5.6)	3.5	2.0	+13.3	—
Adjustments	(11.3)	—	0.3	—	+11.6	—
Total	113.8	10.1	15.0	1.6	-98.9	-86.9

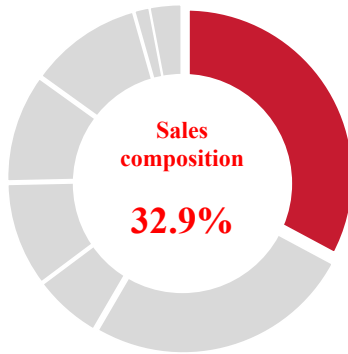
Notes:

1. The Group has revised its reportable segment classifications effective from the fiscal year. The business results of the airport duty-free business in Japan of The Ginza Co., Ltd., which were previously included in the Japan Business, are now included in the Travel Retail Business, and the business results related to the brand holder functions of *THE GINZA*, the same subsidiary's brand, are now included in the Other segment. In addition, the business results of Bare Escentuals K.K., which operates in Japan, and the business results of the Shiseido Technology Acceleration Hub, both previously included in the Americas Business, are now included in the Other segment. Furthermore, following the transfer of brand holder functions of the *ELIXIR* and *ANESSA* brands from Shiseido Japan Co., Ltd. to Shiseido Co., Ltd., the business results related to the brand holder functions of both brands, previously included in the Japan Business, are now included in the Other segment. The segment information for the previous fiscal year has been restated in line with the new method of classification.
2. The Other segment includes head office administration departments, IPSA Co., Ltd., Shiseido Beauty Salon Co., Ltd., manufacturing operations, the Frontier Science business and the Restaurant business, etc.
3. The ratio of operating profit (loss) to net sales shows operating profit as a percentage of total sales including intersegment sales, or sales including internal transfers between accounts.
4. The operating profit (loss) adjustment amount is mainly the elimination of transactions between segments.

2) Activities by Business Segment

Japan Business

Enhancing consumer-oriented activities in the challenging market environment



MAQuillage mask-proof Dramatic Nude Jerry BB

In the Japan Business, we focused on consumer-oriented activities to address changes in consumer values and purchasing behavior. These resulted in launches of new products in line with new consumer needs prompted by the COVID-19 pandemic, such as BB cream (daytime tinted serum) that stays put even under a mask, and hand creams, which are in high demand. Also, we focused on providing beauty information to consumers. At the same time, we steadily proceeded with business foundation restructuring, such as optimizing inventories. In addition, we worked on omni-channel initiatives and strengthened digital marketing, which drove double-digit growth of e-commerce sales. Meanwhile, amid the spread of COVID-19 infection, reduced consumer traffic from temporary retail closures under declared state of emergency and shortened operating hours continuing even after the lifting of that emergency, as well as consumer tendency to stay at home, negatively affected sales, mainly for prestige and premium brands. Furthermore, a significant decline in the number of tourists to Japan led to a sharp drop in inbound demand.

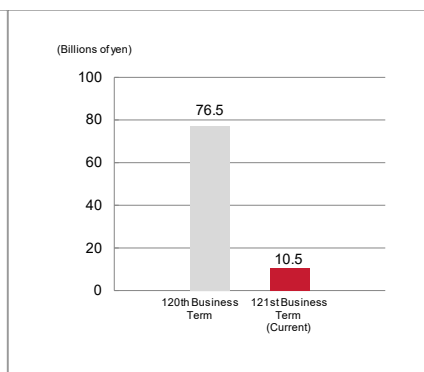
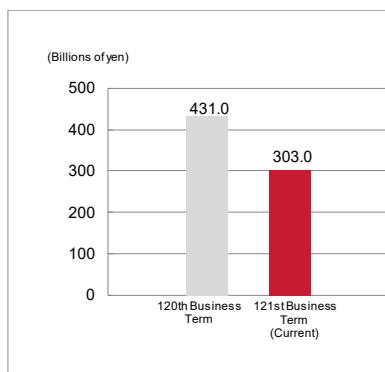
As a result, net sales decreased 29.7% year on year to ¥303.0 billion. Operating profit fell 86.3% year on year to ¥10.5 billion, mainly due to lower margins accompanying a decline in sales, unfavorable product mix, and revision in inventory provision in line with enhanced management of inventory optimization, which could not be offset despite relentless cost-reduction measures.

Net Sales: ¥303.0 billion

Year-on-year change: -29.7%

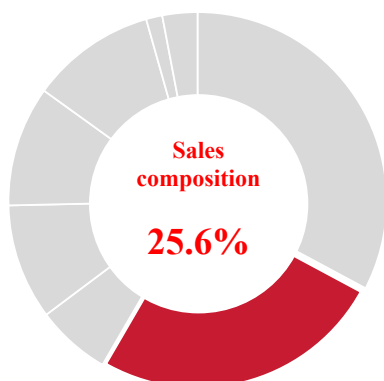
Operating Profit: ¥10.5 billion

Year-on-year change: -86.3%



China Business

Prestige brands driving growth



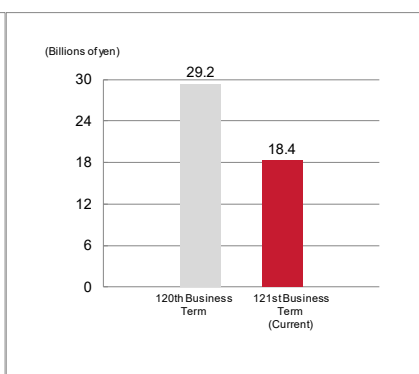
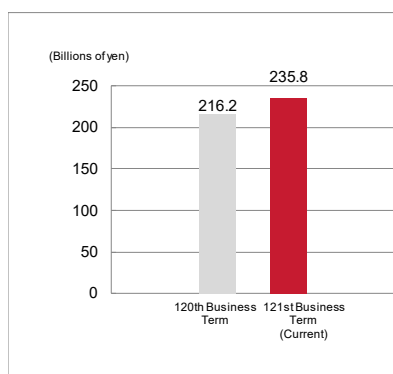
Promotion in Double Eleven

The China Business was largely affected by COVID-19 from the latter half of January. However, due to the decline in infections from late March, the market started to recover, particularly in mainland China. Prestige brands such as *SHISEIDO*, *Clé de Peau Beauté*, *IPSA* and *NARS* grew significantly and expanded their market shares on the back of new counter openings and strengthened investment in e-commerce. Sales from Singles' Day (or "Double 11"), China's largest e-commerce holiday promotion, more than doubled year on year. As a result, the ratio of e-commerce sales in China exceeded 40%.

Consequently, net sales grew 11.0% on an FX-neutral basis, or 9.0% year on year to ¥235.8 billion based on reported figures. Operating profit contracted 37.1% year on year to ¥18.4 billion, due to higher marketing expenses.

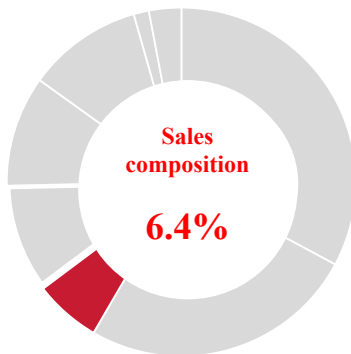
Net Sales: ¥235.8 billion
Year-on-year change: +9.0%
(FX-neutral basis: +11.0%)

Operating Profit: ¥18.4 billion
Year-on-year change: -37.1%



Asia Pacific Business

Further expansion of made-in-Japan brands and strengthening of e-commerce

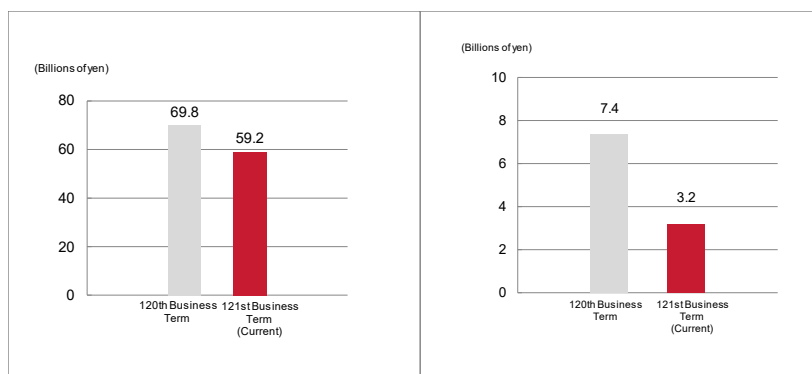


Skin care brand *SENKA*

In the Asia Pacific Business, we continued to expand our made-in-Japan brands and increase counters in South Asia. In addition, e-commerce sales grew significantly, driven by *SHISEIDO* and *SENKA*, thanks to strengthened collaboration with major e-commerce platforms in various regions. However, overall performance was hit by COVID-19, particularly in South Korea and Thailand. Vietnam saw relatively little impact, with sales outperforming year on year due to steady recovery.

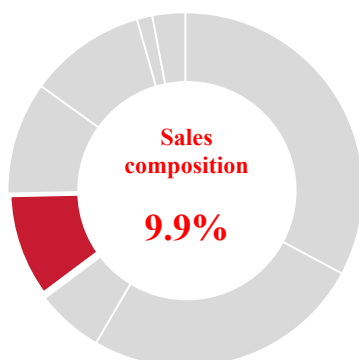
As a result, net sales decreased 14.7% on an FX-neutral basis, or 15.3% year on year to ¥59.2 billion based on reported figures. Operating profit declined 56.3% year on year to ¥3.2 billion, mainly due to lower margins accompanying a decline in sales.

<p>Net Sales: ¥59.2 billion</p> <p>Year-on-year change: -15.3% (FX-neutral basis: -14.7%)</p>	<p>Operating Profit: ¥3.2 billion</p> <p>Year-on-year change: -56.3%</p>
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Americas Business

Makeup struggled, while e-commerce grew significantly

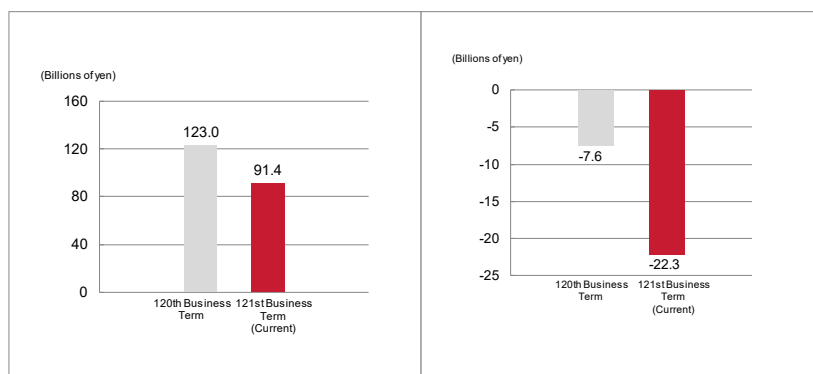


U.S. skincare brand *Drunk Elephant*

In the Americas Business, we took efforts to strengthen our earnings base by restructuring *bareMinerals* through closures of unprofitable boutiques and by strengthening marketing of the prestige skincare brand *Drunk Elephant*, which we acquired in the previous fiscal year. However, from March onward, performance, especially at physical stores, was significantly affected by measures to curb the spread of COVID-19 such as lockdowns and stay-at-home orders, and an increase in retailers filing for Chapter 11 (United States Bankruptcy Code). By category, makeup was particularly challenging. Meanwhile, e-commerce sales grew significantly, driven by *Drunk Elephant*.

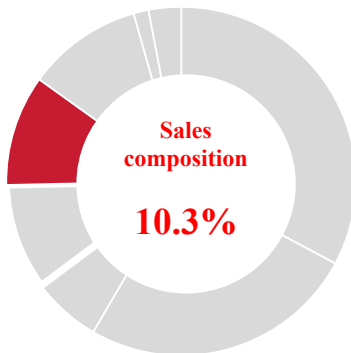
The above factors resulted in a net sales decrease of 23.8% on an FX-neutral basis, or 25.7% year on year to ¥91.4 billion based on reported figures. Net sales excluding the impact from the acquisition of *Drunk Elephant*, or like-for-like, declined 33.7%. Operating loss deteriorated by ¥14.7 billion from the previous fiscal year to ¥22.3 billion, mainly due to lower margins accompanying a decline in sales and an increase in expenses associated with goodwill amortization of *Drunk Elephant*.

<p>Net Sales: ¥91.4 billion</p> <p>Year-on-year change: -25.7% (FX-neutral basis: -23.8%) Like-for-like: -33.7%</p>	<p>Operating Loss: ¥22.3 billion</p> <p>Year-on-year change: -</p>
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EMEA Business

Growing e-commerce and strong skincare in the harsh environment



SHISEIDO skincare products

In EMEA, the number of new COVID-19 cases temporarily stabilized in summer but resurged from September onward, triggering a retightening of measures restricting economic activities, such as lockdowns and night-time curfews. Against this backdrop, the cosmetics market saw significant growth in e-commerce. Our e-commerce business outpaced the market, with SHISEIDO skincare performing particularly well. Launches of *Clé de Peau Beauté* in Italy and Spain, and of *Drunk Elephant* in Germany, also contributed to sales. Overall, however, performance was strongly affected by the COVID-19 outbreak.

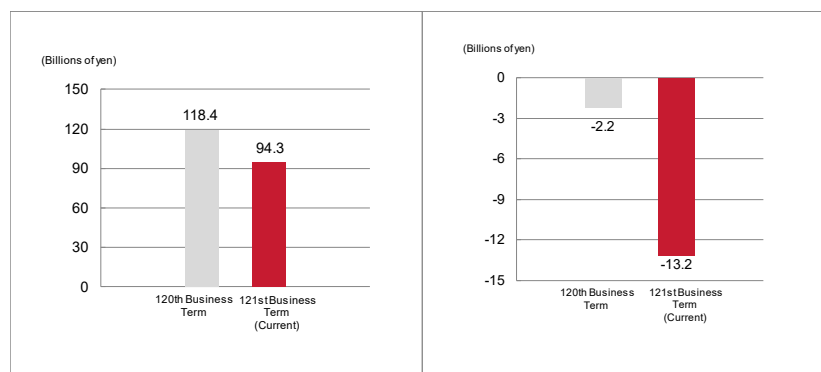
As a result, net sales decreased 20.2% on an FX-neutral basis, or 20.4% year on year to ¥94.3 billion based on reported figures. Operating loss deteriorated by ¥11.0 billion from the previous fiscal year to ¥13.2 billion, mainly due to a decline in margins accompanying lower sales.

Net Sales: ¥94.3 billion

Year-on-year change: -20.4%
(FX-neutral basis: -20.2%)

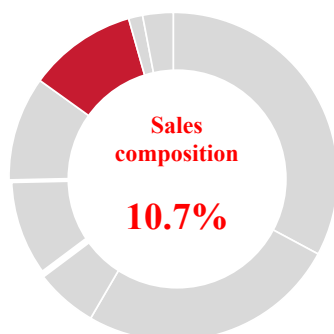
Operating Loss: ¥13.2 billion

Year-on-year change: –



Travel Retail Business

Growing in Asia, particularly in Hainan Island in China, despite the impacts of the decline in the number of travelers



SHISEIDO duty-free store counter in Hainan Island in China

From the fiscal year, the Travel Retail Business (sales of cosmetics and fragrances mainly through airport and downtown duty-free stores) includes duty-free sales in Japan's airports, consolidating Travel Retail sales around the world. However, it was severely hit by a considerable reduction of international flights due to the spread of COVID-19 and the resulting decline in the number of travelers worldwide. Meanwhile, consumer purchases in Asia grew year on year, as the number of domestic tourists to Hainan Island in China and demand at South Korean downtown duty-free stores and in e-commerce remained high. Another positive factor was new counter openings, mainly for *IPSA* and *ELIXIR*.

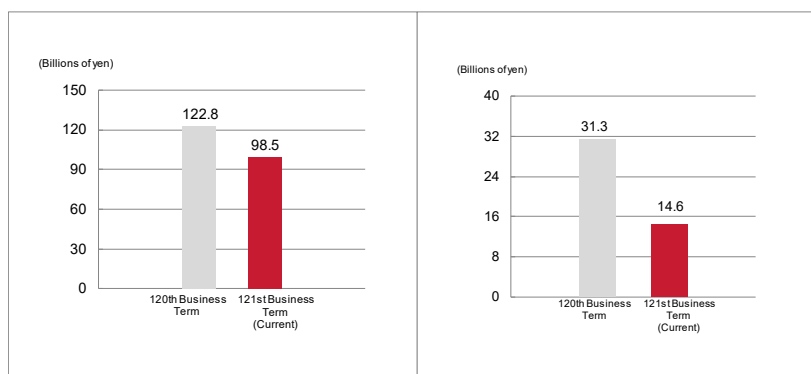
These factors resulted in a net sales decrease of 18.2% on an FX-neutral basis. Based on reported figures, net sales declined 19.8% year on year to ¥98.5 billion. Operating profit contracted 53.2% year on year to ¥14.6 billion, mainly due to lower margins accompanying weaker sales and higher inventory write-off expenses.

Net Sales: ¥98.5 billion

Year-on-year change: -19.8%
(FX-neutral basis: -18.2%)

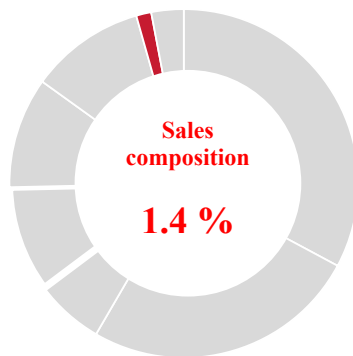
Operating Profit: ¥14.6 billion

Year-on-year change: -53.2%



Professional Business

Further growth in China

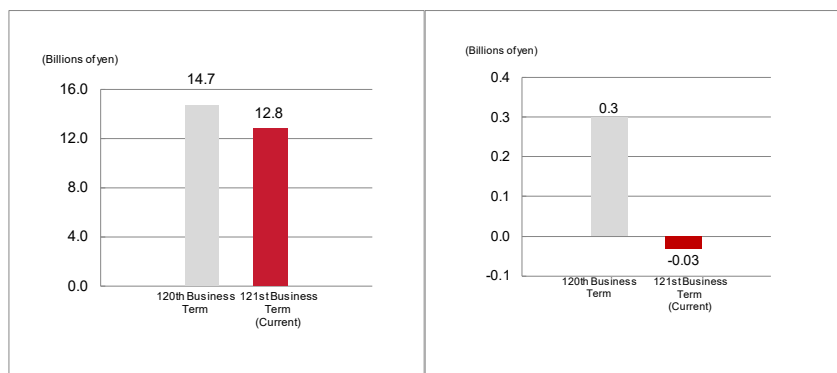


Shiseido Professional's *SUBLIMIC* brand for hair and scalp care

The Professional Business was affected by stay-at-home policies and closures of hair salons in Japan, China, and Asia Pacific, to which we deliver professional products such as hair care, styling, color and perm products. Among these, the China market saw positive sales trends mainly due to strengthening of the online channel.

As a result, net sales were down 12.2% on an FX-neutral basis, or 13.1% year on year to ¥12.8 billion based on reported figures. The segment posted an operating loss of ¥34 million, mainly due to lower margins accompanying a decline in sales.

<p>Net Sales: ¥12.8 billion</p> <p>Year-on-year change: -13.1% (FX-neutral basis: -12.2%)</p>	<p>Operating Loss: ¥0.03 billion</p> <p>Year-on-year change: –</p>
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(2) Capital Expenditures

	Investment (Millions of yen)	Purpose of Investment
Property, Plant and Equipment	71,754	Renovation and renewal of production facilities Completion of Osaka Ibaraki Factory Construction of Fukuoka Kurume Factory
Intangible Assets	19,988	Global expansion of core IT system
Long-Term Prepaid Expenses	6,137	Installations of sales counters and fixtures
Total	97,879	

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 arranged financing via issuance of bonds of ¥50 billion and bank loans of approximately ¥140 billion during the fiscal year to repay the bridge loans for the above capital expenditures and for the acquisition of Drunk Elephant Holdings, LLC, the owner of the *Drunk Elephant* brand.

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

(Millions of yen, unless otherwise noted)

	118th Business Term (1/1/2017 - 12/31/2017)	119th Business Term (1/1/2018 - 12/31/2018)	120th Business Term (1/1/2019 - 12/31/2019)	121st Business Term (Current term) (1/1/2020 - 12/31/2020)
Net Sales	1,005,062	1,094,825	1,131,547	920,888
Operating Profit	80,437	108,350	113,831	14,963
Operating Profit Margin (%)	8.0	9.9	10.1	1.6
Ordinary Profit	80,327	109,489	108,739	9,638
Net Profit (Loss) Attributable to Owners of Parent	22,749	61,403	73,562	(11,660)
Net Earnings (Loss) per Share (Yen)	56.95	153.74	184.18	(29.19)
Return on Equity (%)	5.6	14.1	15.6	(2.4)
Comprehensive Income	42,456	43,775	72,653	10,431
Total Assets	949,425	1,009,618	1,218,795	1,204,229
Net Assets	445,872	468,462	517,857	506,593
Net Assets per Share (Yen)	1,059.84	1,123.19	1,242.85	1,212.34
Equity Ratio (%)	44.6	44.4	40.7	40.2
Price/Earnings Ratio (Times)	95.6	44.8	42.3	-
Cash Flows from Operating Activities	95,392	92,577	75,562	64,045
Cash Flows from Investing Activities	(1,061)	(103,112)	(202,823)	(70,084)
Cash Flows from Financing Activities	(53,117)	(29,722)	113,678	46,880
Cash and Cash Equivalents at End of Year/Period	156,834	111,767	97,466	136,347

Note: Summary of Non-Consolidated Profit and Assets

(Millions of yen)

	118th Business Term (1/1/2017 - 12/31/2017)	119th Business Term (1/1/2018 - 12/31/2018)	120th Business Term (1/1/2019 - 12/31/2019)	121st Business Term (Current term) (1/1/2020 - 12/31/2020)
Net Sales	220,407	270,789	303,663	249,335
Operating Profit (Loss)	7,883	19,930	22,002	(1,015)
Ordinary Profit	23,778	42,163	51,816	31,917
Net Profit (Loss)	(55,232)	37,613	98,506	33,867
Total Assets	582,589	674,102	790,009	819,138
Net Assets	334,665	352,688	427,838	441,770

(5) Capital Policy

1) Fundamental Approach to Capital Policy (As of December 31, 2020)

The Company endeavors to maintain its shareholders' equity at a certain level in order to invest promptly and decisively when considered necessary in order to ensure sustainable growth. In addition, the Company regards free cash flow and the cash conversion cycle as important, and practices management focused on ensuring capital efficiency by 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 a debt-to-equity ratio of 0.3 and an interest-bearing debt to EBITDA ratio of 1.0 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

	118th Business Term (1/1/2017 - 12/31/2017)	119th Business Term (1/1/2018 - 12/31/2018)	120th Business Term (1/1/2019 - 12/31/2019)	121st Business Term (Current term) (1/1/2020 - 12/31/2020)
Annual cash dividends per share (Yen)	27.50	45	60	40 (Plan)
Annual dividends (Millions of yen)	10,986	17,970	23,965	15,978 (Plan)
Consolidated payout ratio (%)	48.3	29.3	32.6	– (Plan)
DOE (%)	2.7	4.1	5.1	3.3 (Plan)

Notes:

1. Figures of each item for the 121st Business Term (current term) are predicated on the approval of this Item of Business as originally proposed at this general meeting of shareholders.
2. Consolidated payout ratio for the 121st Business Term (current 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 and Medium-to-Long-Term Strategy WIN 2023 and Beyond

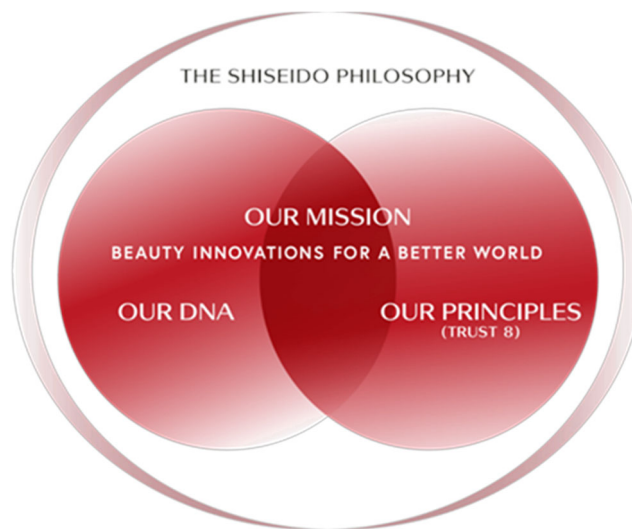
THE SHISEIDO PHILOSOPHY (Corporate Philosophy)

In our quest to become the most trusted beauty company in the world and remain vital for the next 100 years and beyond, THE SHISEIDO PHILOSOPHY is our guiding light. 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/>).

Medium-to-Long-Term Strategy WIN 2023 and Beyond

We will carry out a fundamental business transformation with skin beauty as our core business, and aim to become the world's No. 1 company in this field by 2030. In the midst of a rapidly changing external environment, we will shift our focus from business growth via sales expansion to profitability and cash flow and solidify our foundation as a "Skin Beauty Company" during the three-year period from 2021 to 2023. To this end, we will take the following initiatives.

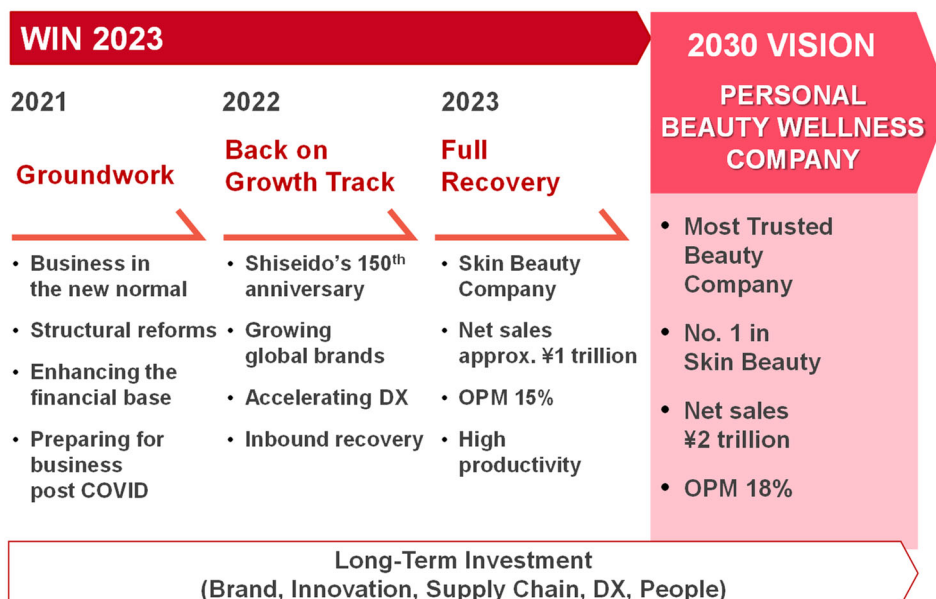
First of all, we will designate 2021 as a period of "Groundwork," focusing on structural reforms centered on reviewing our business portfolio and strengthening our financial base, while responding to and preparing for current and post-COVID-19 markets. The year 2022, which marks the 150th anniversary of the company's founding, will be positioned as the "Back on Growth Track" year accelerating further growth of our global brands and digital transformation (DX) initiatives. The year 2023, the final year of the WIN 2023 strategy, will be a year of "Full Recovery" as we aim to achieve net sales of approximately ¥1 trillion and operating profit margin of 15% as a Skin Beauty Company. Furthermore, we will continue and strengthen our active investment in brands, innovation, supply chain, DX, and talent and organization for the three years.

For the full-year outlook for the year 2021 (announced in February 2021), please refer to the following website (Presentation Materials).

<https://bit.ly/3sk11xB> (short URL)



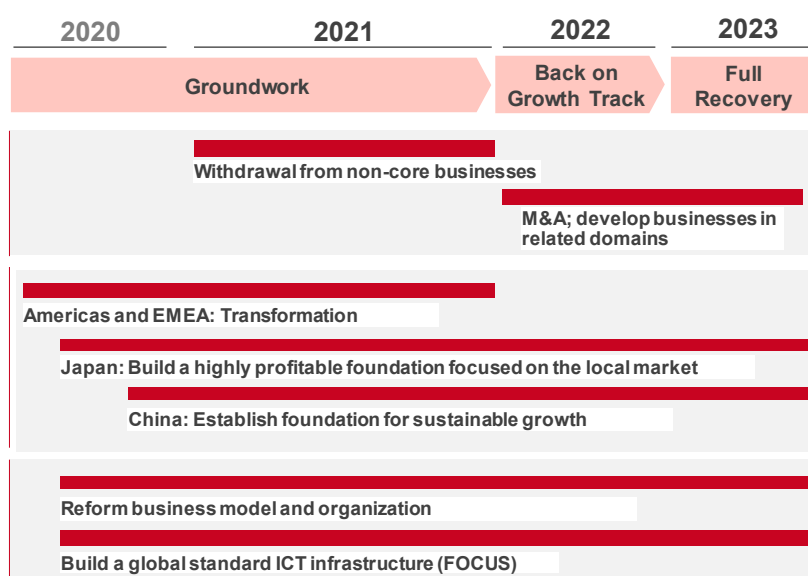
Our Targets: WIN 2023 and Beyond, Toward 2030



[WIN 2023 Key Strategies]

Improve Profitability	<ol style="list-style-type: none"> 1. Rebuild profit structure through fundamental reforms 2. Increase cost competitiveness and improve factory productivity 3. Accelerate growth in Asia, especially China
Focus on Skin Beauty	<ol style="list-style-type: none"> 4. Build a powerful portfolio centered on skin beauty brands 5. Accelerate innovation through external collaborations 6. Develop inner beauty category
Rebuild Business Foundation	<ol style="list-style-type: none"> 7. Become a truly sustainability-focused company 8. Strengthen brands through innovate marketing and robust organization 9. Build a digitally driven business model and organization 10. Enhance talent and organization through diversity and upskilling

[Global Transformation Roadmap]



* FOCUS: First One Connected and Unified Shiseido

2) Joint venture in Personal Care business

We have positioned skin beauty as our core business category and continued discussions regarding rebuilding the business portfolio as part of this initiative. In February 2021, we determined that the establishment of a new business model, which enables us to strengthen our marketing investments, would be necessary in the Personal Care business, comprising such global brands as *TSUBAKI* and *SENKA*, so as to maximize its potential and make further growth in the future. We then decided that this business would be transferred to CVC Capital Partners, which is one of the world’s largest private equity funds with extensive experience in business growth and enhancement of corporate value of investees, and that the Company would participate in this business as a shareholder of the operating company. This joint venture will develop the business environment that can bolster investment in its growth, leading to further growth and development of its business, brands and employees, and benefits for consumers and business partners.

For details on the joint venture in the Personal Care business, please refer to the news release posted on the Company’s corporate information website and the CEO message on this subject.

<https://bit.ly/2NwoflR> (short URL)



3) Expansion of premium skin beauty business

Strengthening existing brands

The premium skin beauty area, which is our strength, focuses on the realization of beauty from the approach of not only skin but also the inner body. By strengthening such “inner beauty,” we will further expand this business category, with the aim of increasing the Group sales ratio of the premium skin beauty business from 60% in 2019 to 80% in 2023.

SHISEIDO will continue to create high value-added innovations with the power of science, and realize diverse beauty through the application of innovative Second Skin technology and the launch of new products that meet the growing need for men’s cosmetics. Meanwhile, we will strengthen sustainability strategies through such measures as global dissemination of refill culture and visualization of the production areas of raw materials, and continue to evolve the holistic beauty brand.

In addition, we expect further global growth of *Clé de Peau Beauté*, a brand combining cutting-edge science and luxury; *IPSA*, a brand pursuing beauty through ultimate customization; and *Drunk Elephant*, which will see accelerated introduction in Europe and Asia. Also, we will further accelerate growth of *ELIXIR* and *ANESSA*, made-in-Japan brands gaining high reputation for years, in Japan, China and other Asian countries.



Innovative “Second Skin” technology
to improve sagging under the eyes with artificial skin
*After application (image)

Expansion in new growth areas

We are also focusing on new growth areas that will support future growth. Based on the theme of “The Power of Trees,” prestige skincare brand *BAUM* was launched in June 2020. More than 90% of its cosmetic formulas are natural in origin and wood waste generated in furniture manufacturing is recycled as a material for product packaging. Having been well received by consumers who are highly concerned about nature and the environment, the products are presently performing favorably and will be launched in China in September 2021. In 2020, we also established *EFFECTIM* Co., Ltd. a joint venture with YA-MAN LTD., which possesses knowledge and technology in the beauty device business. In spring of 2021, the JV company will release in Japan and China, the new and revolutionary aging care brand* *EFFECTIM*, which is created by combining YA-MAN’s highly advanced beauty device technology and Shiseido’s cutting-edge skin science technology.

* Age-based expertise in moisturizing care through compatible beauty devices and cosmetics



Skincare brand *BAUM* based on the theme of “The Power of Trees”



EFFECTIM, revolutionary aging care expert from Japan

4) Accelerate DX initiatives globally

We will rebuild our business, build a foundation for transforming our business model to digitally driven approach, and strengthen our organizational structure. We will appoint a professional who possesses extensive DX experience at other global companies as Chief Digital Officer, and carry out diverse initiatives on a global scale, such as the acceleration of omni-channel*¹ experience and digital marketing, consumer experience using skin data analysis, and strengthening of customer relationship management (CRM). Our aim is to raise the global e-commerce sales ratio to 35%*² in 2023.

*1: Enhance consumer convenience and satisfaction by linking and integrating various channels such as the Internet and physical stores

*2: Include sales through retail e-commerce, e-commerce specialized websites, and the Company’s websites

5) Future strategies in key regions

<Japan Business>

In order to rebuild our highly profitable business foundation, we will thoroughly manage businesses by local and inbound market, and intensively strengthen cosmetics brands and core products centered on skincare by establishing an R&D department specializing in Japanese brands. We will also focus on collaboration with key business partners, expanding e-commerce, and collaboration with cosmetics specialty stores, including the introduction of Omise Plus*¹. Furthermore, in addition to developing digital specialists, we will build a business model based on the experience of merging online and offline, and make proposals that help enhance consumers’ lifetime value*², thereby leading to the expansion of long-term users.

In addition, we will enter into a strategic partnership with Accenture to strengthen our organizational capabilities, such as accelerating the acquisition and development of digital professionals, in order to innovate the business model through DX.

*1: E-commerce platform for cosmetics specialty stores

*2: Value provided to each consumer throughout their life

<China Business, Asia Pacific Business, and Travel Retail Business>

In China, which has shown the earliest growth recovery from the COVID-19 pandemic, we will strengthen the introduction and development of made-in-Japan brands. We will reinforce our strategic alliance with Alibaba Group, which has one of the world’s largest e-commerce platforms, aiming to exceed an e-commerce sales ratio of 50%.

Also, in February 2020, we launched the “Relay of Love Project” and have been engaged in activities to deliver vitality and smiles with the power of beauty by offering donations and products to a number of groups facing various challenges due to COVID-19, including medical workers.

Going forward, we will continue to build a strong growth foundation by building close relationships of mutual trust with Chinese consumers as a corporate citizen through our products, services, and social contribution activities.

In the Asia Pacific Business, we will focus on skin beauty brands and strengthen our efforts with e-commerce platformers. In addition, considering the Japan, China, and Travel Retail Business (airport and downtown duty-free stores, etc.) as a single market, we will evolve cross-border marketing, mainly targeting Chinese consumers to achieve growth through establishment and utilization of CRM, with active initiatives for cross-border e-commerce and other measures.

<Americas Business and EMEA Business>

In the Americas and EMEA, we will intensively strengthen skin beauty brands. In addition to made-in-Japan brands, we will expand sales of *Drunk Elephant* to more than 35 countries and regions in 2023 to achieve dramatic growth; the brand was available in 11 countries and regions as of the end of 2020. While enhancing digital marketing and e-commerce, we will increase profitability of our fragrance and makeup business through organization-wide structural reforms and fixed cost reduction.

6) Innovation and supply network to support growth

We will increase investment in and expand resources for promotion of innovations that support future growth. In January 2021, we established MIRAI Technology Institute which will take charge of medium-to-long-term seed development as well as new business value development, and Brand Value R&D Institute which will oversee product development as part of reorganization of the R&D framework so as to strengthen our unique approach that fuses knowledge that we have gained in various fields. At the same time, we will cultivate “WELLNESS” such as inner beauty as a new domain. In 2021, we will establish a new research center in China, which is positioned as a base for technological innovation engaged in advanced research and development and development of cosmetic prototypes.

With regard to the supply chain, we will launch new factories (Nasu, Osaka Ibaraki, and Fukuoka Kurume) to improve supply and increase in-house manufacturing and productivity. We will increase demand and supply forecasting accuracy with FOCUS, which is the Group-wide business transformation project to standardize our systems and data, while optimizing processes globally. Our aim is to improve the COG ratio by 2% in 2023 compared to 2019.



Osaka Ibaraki Factory

7) Foster talent to drive innovation and transformation

We will perform such diverse activities as talent development and acquisition, the establishment of a globally unified HR system, and the introduction of a job grade system under the policy of “PEOPLE FIRST.” In addition, we will enhance productivity through such measures as reorganization, stronger performance management and the introduction of Shiseido Work Style 2.0. Those initiatives will enable us to maximize individual potential of diverse professionals to foster an organization that continues to innovate.

8) Financial strategies in WIN 2023

Financial KPIs

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

Cash flow structural reforms and strategic investment allocation

We will generate cash inflow of more than ¥500 billion over the next three years by (i) Improving the underlying profitability through focus on skincare and structural reforms; (ii) Cash flow reforms such as increased inventory efficiency and reduced supply chain lead time; and (iii) Reviewing our portfolio. To maximize corporate value, we will allocate this cash for structural reforms to rebuild the business foundation, for talent development, for marketing in our core skin beauty field, for growth investment in areas such as digital, IT, and factories, and for debt reduction, as well as to strengthen shareholder returns.

Return to shareholders

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. With WIN 2023, we aim to achieve a stable dividend increase at DOE of 2.5% or higher regardless of business environment. Thereafter, over the medium- and long-term, we will pay dividends in line with EPS growth on the basis of the earning power of the business itself.

9) VISION toward 2030

By 2030, the Company aims to be a “PERSONAL BEAUTY WELLNESS COMPANY” that supports people in realizing unique beauty and wellness throughout their lives. At the same time, we aim to become the world’s No.1 Skin Beauty Company toward the realization of a sustainable society, as we provide opportunities to 200 million people around the world to experience happiness through our core beauty business, and set a target of ¥2 trillion in net sales and an operating profit margin of 18%. Through these achievements we will realize our corporate mission, “BEAUTY INNOVATIONS FOR A BETTER WORLD.”

[Initiatives to create social value]

Sustainable actions and KPIs toward 2030

We have determined sustainable actions and KPIs toward 2030 with the aim of achieving a sustainable society where everyone can enjoy a lifetime of happiness.

For People	Support people through healthy beauty for a unique lifetime	<ul style="list-style-type: none"> • Increase loyal users of Shiseido Group products • Empower older adults and people with cancer through beauty: 500,000 people
For Society	Realize a society filled with respect and empowerment (Be a leader in diversity and inclusion in Japan)	<ul style="list-style-type: none"> • Empower 1 million women through collaborations with international organizations • 30% Club Japan: Boost female executives in major companies [Shiseido] • Gender equality at every level (50%) • Diverse talent
For the Planet	Contribute to the environment where people can live in harmony and enjoy sustainable beauty	<ul style="list-style-type: none"> • Sustainable packaging for all products • Carbon neutrality • Sustainable procurement, environment-friendly formulas and ingredients

Promote sustainability

We are promoting sustainability across the Company through our brand/regional businesses. In 2020, we launched the Sustainability Committee, a dedicated meeting aimed at ensuring timely management decisions and a stronger recognition of this theme. The committee meets on a regular basis to discuss Group-wide sustainability initiatives, to decide strategies, policies, and activity plans, and to monitor progress of medium- and long-term goals. The committee consists of the Representative Director and executive officers in charge of Corporate Strategy, R&D, Supply Network, Public Relations, Social Value Creation, and Brand Holder, as well as audit & supervisory board members, and has a structure that enables prompt decision-making. Other corporate officers can be involved according to the matter at hand.

In 2020, we published our first global Sustainability Report, which shows our commitment to accelerate the activities to create social value through our business to internal and external stakeholders. In this report, we share our medium- to long-term commitments and activity progress for E (environment), S (society) and C (culture), clarifying how they relate to SDGs.

[Medium-term goals related to environment] (As of February 2020)

Item	Target	Achievement period
CO ₂ emissions	Carbon-neutral* ¹	2026
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%* ²	2023
Water	Water consumption reduced by 40% (compared to 2014)* ³	2026
Waste	Zero landfill* ⁴	2022
Packaging	100% sustainable packaging* ⁵	2025

- *1: At all business facilities of Shiseido
- *2: In products
- *3: At all business facilities of Shiseido, on usage intensity by net sales
- *4: Limited to factories owned by Shiseido
- *5: For selling products with plastics packaging

Disclosed results of scenario analysis on the basis of recommendations of the Task Force on Climate-related Financial Disclosures (“TCFD”)

The Company announced its support for TCFD, recognizing that the mitigation of climate-related risks is critical to our continued sustainable growth, and thereafter developed a methodology to analyze impacts of climate change on businesses.

We 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 in the Sustainability Report. In order to mitigate climate-related risks, we have disclosed our targets of carbon neutral operations by 2026. In this manner, we will actively seek out ways to create opportunities for reducing CO² emissions and innovations across our value chain.



Promote development of environmentally-friendly packages

Plastics are convenient but are contributing to marine waste, which is one of the major global environmental issues. We support the concept of a circular economy and have defined Shiseido’s 5Rs (Respect, Reduce, Reuse, Recycle, Replace) to reduce our environmental footprint. Based on the policy, we aim to achieve 100% sustainable packaging*¹ by 2025 with the efforts to reduce environmental impacts throughout the product lifecycle.

For example, environmentally friendly containers and packaging measures include: promotion of reuse of regular packaging by launching refills; participation in the LOOP package reuse program (service scheduled to commence in Tokyo by the end of 2021); use of mono material containers suitable for recycling; and use of recycled PET containers. In addition, joint development with KANEKA CORPORATION allowed for the application of Kaneka Biodegradable Polymer PHBHTM*², a material expected to have excellent biodegradability, to cosmetic containers. In this manner, we aim to develop containers that realize not only good usability and beautiful design, but also environmental friendliness through our unique technologies and innovations through collaborations outside the company.

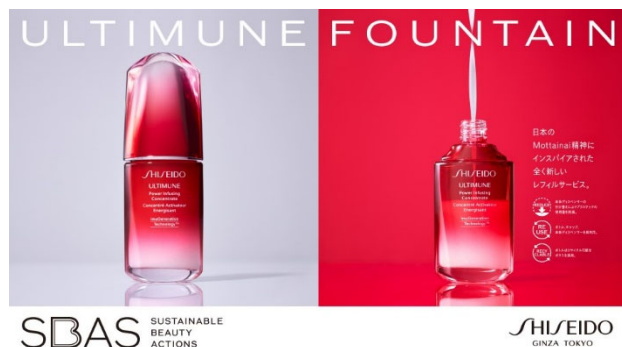
*1: For selling products with plastics packaging

*2: Kaneka Biodegradable Polymer PHBHTM:

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.



World’s first PHBHTM cosmetics container:
SHISEIDO AquaGel Lip Palette



New in-store refill service of SHISEIDO ULTIMUNE serum
(available only in SHISEIDO GLOBAL FLAGSHIP STORE in Ginza)

Received Nikkei SDGs “Social Value Award” for social contribution activities through makeup

The Company received the Social Value Award, which is a category award of The Second Nikkei SDGs Management Grand Prix in 2020. This award is granted to companies that address societal, economic and environmental challenges through business by integrating SDGs in their management, thereby leading to an increase in corporate value. Our efforts to promote the empowerment of women and our social contribution activities through key business were highly recognized.

Through makeup, which is our key business, we provide support for those who suffer from cancer and have deep concerns about their skin. Today, due to advancements in treatment technology and early detection, cancer patients live longer, and the number of patients who continue to work while receiving medical treatment is increasing. To respond to such trend, we started the LAVENDER RING MAKEUP & PHOTOS WITH SMILES project in 2017 to support the rehabilitation of cancer patients with the power of makeup and creativity. Together with volunteers among Shiseido’s employees, in cooperation with companies and organizations from diverse sectors and medical institutions that agreed with the purpose of this activity, we aim to realize a society where people with cancer can continue living with a smile. On World Cancer Day, February 4, the project published a book of photos and interviews with cancer survivors who participated in the project.

Going forward, we will continue to form business partnership with organizations (NPOs, medical institutions, etc.) that agree with the purpose of our activities, in order to develop activities to increase contact points with more patients.



Book of LAVENDER RING MAKEUP & PHOTOS WITH SMILES project



Consultation of life quality makeup

Strengthen heritage activities for employees using digital technology

The Company celebrates the 150th anniversary of its founding next year and is strengthening its digital heritage activities for employees to create further innovation. Newly created video contents are now available for Group employees all over the world through virtual visits on the Intranet to the Shiseido Corporate Museum in Kakegawa, Shizuoka. In addition, employees periodically share ancestor’s episodes as short stories so that employees can obtain activity tips through heritage. At the same time, we actively hold lectures regarding heritage directly with employees in various areas including marketing and research. We will increase opportunities for employees from diverse backgrounds to be exposed to Shiseido’s heritage and gain new awareness and discovery, contributing to increasing their motivation and accelerating the creation of future value.

In addition, as part of the global expansion of corporate culture activities, we published the first Chinese version of Shiseido’s cultural magazine *Hanatsubaki* (2020 summer & autumn edition) and started distribution in 15 cities in China. Our aim is to familiarize not only Shiseido’s consumers in China, but also the younger generation with Shiseido’s aesthetics and Japanese beauty and culture from the perspective of *Hanatsubaki*, and further stimulate interest and empathy for Shiseido. Publication events took place in various Chinese regions in July to September, and the

magazine was also distributed at The Third China International Import Expo held in Shanghai in November, raising recognition and reaching a number of consumers



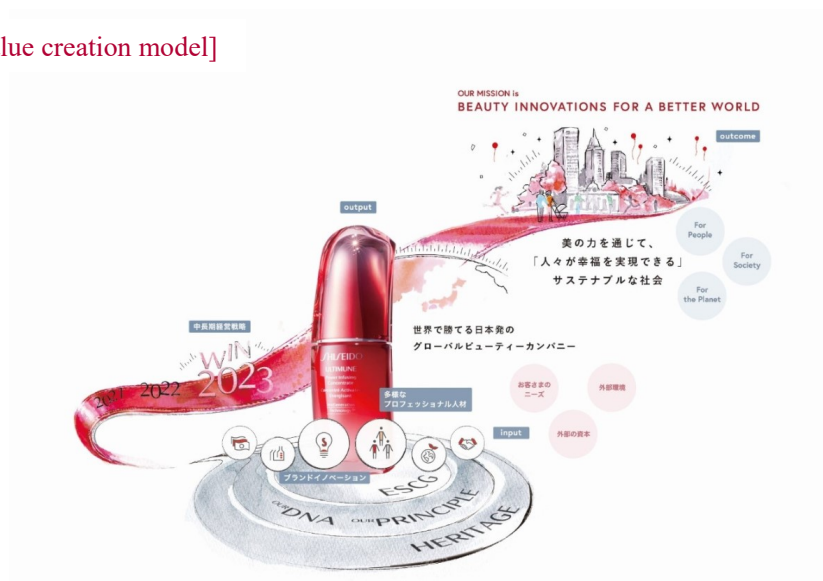
Shiseido Corporate Museum
(Kakegawa-shi, Shizuoka Pref.)



Hanatsubaki, Chinese version

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.

[Shiseido’s value creation model]



1.2 Outline of the Shiseido Group (As of December 31, 2020)

(1) Principal Businesses of the Shiseido Group

Segment	Principal Business
Japan Business	Cosmetics business in Japan (sale of cosmetics, cosmetic accessories, and personal care products, 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, cosmetic accessories, and personal care products), etc.
Asia Pacific Business	Cosmetics business in Asia and Oceania excluding Japan and China (production and sale of cosmetics, cosmetic accessories, and personal care products), 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, Frontier Science 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 Citic Cosmetics 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 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
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	Marketing of cosmetics and professional products and support for operating activities 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.
Drunk Elephant Holdings, LLC	Delaware, U.S.A.	(USD) —	— (100.0)	Holding company of the Drunk Elephant Group
Drunk Elephant, LLC	Delaware, U.S.A.	(USD) —	— (100.0)	Sale of cosmetics, etc.
Beauté Prestige International S.A.	Paris, France	(thousand EUR) 32,937	— (100.0)	Sale of cosmetics, etc.

Company Name	Location	Paid-in Capital	Ownership Percentage of Voting Rights	Principal Business
Shiseido Italy S.p.A.	Milan, Italy	(thousand EUR) 5,036	— (100.0)	Sale of cosmetics, etc.
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 Citic Cosmetics 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.

Note: 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.

(4) Matters Concerning Employees of the Group

Business Segment	Number of Employees		Comparison with the Corresponding Period of the Previous Fiscal Year	
Japan Business	11,823	[4,249]	+160	[-494]
China Business	8,330	[102]	-405	[-49]
Asia Pacific Business	3,234	[353]	-60	[-94]
Americas Business	3,114	[39]	-543	[-3]
EMEA Business	3,659	[405]	-418	[-86]
Travel Retail Business	630	[12]	+53	[+3]
Professional Business	646	[29]	+19	[-4]
Corporate staff	7,599	[2,327]	+229	[+113]
Total	39,035	[7,516]	-965	[-614]

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 refers 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, 2020, and corresponding period of the previous fiscal year.
3. The ratio of female employees in the Shiseido Group worldwide is 83.1%, while in Japan the ratio is 82.0%.

(5) Main Suppliers of Loans to the Group

Lender	Outstanding Balance
Mizuho Bank, Ltd.	93,031 million JPY 565 million USD 75 million EUR

2. Matters Concerning Shares Issued by the Company (As of December 31, 2020)

(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 534,198 shares of treasury stock)

(3) Number of Shareholders:

63,503

(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) 54,054	% 13.53 <13.51>
Custody Bank of Japan, Ltd. (Trust Account)	24,066	6.02 <6.01>
BNYM TREATY DTT 15	11,486	2.87 <2.87>
Mizuho Trust & Banking Co., Ltd. re-trusted to Custody Bank of Japan, Ltd. Employees Pension Trust for Mizuho Bank	10,000	2.50 <2.50>
JP MORGAN CHASE BANK 385632	8,871	2.22 <2.21>
Custody Bank of Japan, Ltd. (Trust Account 7)	8,606	2.15 <2.15>
THE BANK OF NEW YORK 134104	7,355	1.84 <1.83>
SSBTC CLIENT OMNIBUS ACCOUNT	6,395	1.60 <1.59>
Custody Bank of Japan, Ltd. (Trust Account 5)	6,307	1.57 <1.57>
STATE STREET BANK WEST CLIENT-TREATY 505234	5,983	1.49 <1.49>

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, Trust Account 5, and Trust Account 7) are in connection with the respective bank's trust business.
- A merger of Japan Trustee Services Bank, Ltd. and Trust & Custody Services Bank, Ltd. (absorption-type merger) took effect on July 27, 2020, with Japan Trustee Services Bank, Ltd. as the surviving entity and Trust & Custody Services Bank, Ltd. and JTC Holdings, Ltd. as disappearing entities. Japan Trustee Services Bank, Ltd. was renamed as Custody Bank of Japan, Ltd. as of July 27, 2020.
- A report of amendment to large shareholdings from BlackRock Japan Co., Ltd., that on November 21, 2018, it held 24,051 thousand shares through joint holdings (Percentage of shareholding: 6.02%), of which 8,130 thousand shares (2.03%) are held by BlackRock Japan Co., Ltd., has been filed with the Director-General of the Kanto Finance Bureau.
However, BlackRock Japan Co., Ltd. has been excluded from the above principal shareholders, as the actual number of shares held by said company has not been confirmed by the Company as of the end of the fiscal year.
- A report of amendment to large shareholdings from Mitsubishi UFJ Financial Group, Inc., that on October 19, 2020, it held 32,327 thousand shares through joint holdings (Percentage of shareholding: 8.09%), of which 21,536 thousand shares (5.39%) are held by Mitsubishi UFJ Trust and Banking Corporation, has been filed with the Director-General of the Kanto Finance Bureau.
However, Mitsubishi UFJ Financial Group, Inc. has been excluded from the above principal shareholders, as the actual number of shares held by said company has not been confirmed by the Company as of the end of the fiscal year.
- A report of amendment to large shareholdings from Sumitomo Mitsui Trust Bank, Limited, that on October 21, 2020, it held 25,651 thousand shares through joint holdings (Percentage of shareholding: 6.42%), of which 14,823 thousand shares (3.71%) and 10,828 thousand shares (2.71%) 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 has not been confirmed by the Company as of the end of the fiscal year.

In addition, a report of amendment to large shareholdings from Sumitomo Mitsui Trust Bank, Limited, that on January 21, 2021, it held 27,673 thousand shares through joint holdings (Percentage of shareholding: 6.92%), of which 16,744 thousand shares (4.19%) and 10,929 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.

7. 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 has not been confirmed by the Company as of the end of the fiscal year.

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

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

3. Matters Concerning Shares Held by the Company (As of December 31, 2020)

(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 the fiscal year 2020, of shares of strategic shareholdings (listed companies' stock), the Company sold all of its holdings in three stocks including two stocks listed during said year and part of its holdings in three stocks, consequently holding five stocks as of December 31, 2020. The Company also holds unlisted companies' shares of strategic shareholdings, including 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.

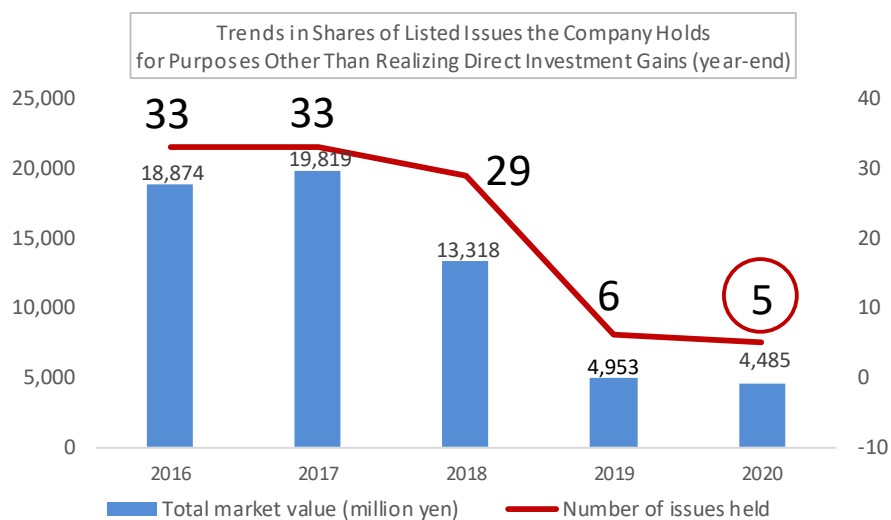
(2) The Company's Criteria for Exercising Voting Rights with Regard to Strategic Shareholdings:

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
47 (of which 5 are listed issues)	(million yen) 4,973 (of which 4,485 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	FY2020		FY2019		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)																					
PALTAC CORPORATION	450		550		The Company makes transactions of product sales 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																			
	2,524		2,882				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	688		458		NIPPON FINE CHEMICAL CO., LTD.	466		670		The Company makes such transactions as purchase of raw materials 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	664
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																			
	688		458				NIPPON FINE CHEMICAL CO., LTD.	466		670		The Company makes such transactions as purchase of raw materials 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	664		866									
NIPPON FINE CHEMICAL CO., LTD.	466		670		The Company makes such transactions as purchase of raw materials 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																			
	664		866																						

Company	FY2020		FY2019		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)	Number of Shares (thousand shares)	Number of Shares (thousand shares)	Number of Shares (thousand shares)										
	Amount on Balance Sheet (million yen)	Amount on Balance Sheet (million yen)	Amount on Balance Sheet (million yen)	Amount on Balance Sheet (million yen)										
PLANET, INC.	300		300		The Company makes such transactions as outsourcing development of product distribution systems 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.	No								
	437		468				Zeria Pharmaceutical Co., Ltd.	90		126		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	171
Zeria Pharmaceutical Co., Ltd.	90		126		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								
	171		266											

Notes:

1. The Company does not hold shares for the purpose of realizing direct investment gains.
2. For the top 3 companies 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, 2020)

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 incentive.

Total number of shares that are the object of all stock acquisition rights issued as of December 31, 2020 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	%
392,000	0.09

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).

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, 2020

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, 2020	
					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	Director of the Company (excluding external director) 1 person 53 rights	Common stock of the Company 5,300 shares
					Others 2 persons 110 rights	11,000 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	Director of the Company (excluding external director) 1 person 68 rights	Common stock of the Company 6,800 shares
					Others 6 persons 320 rights	32,000 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	Director of the Company (excluding external director) 1 person 38 rights	Common stock of the Company 3,800 shares
					Others 7 persons 306 rights	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	Director of the Company (excluding external director) 1 person 45 rights	Common stock of the Company 4,500 shares
					Others 8 persons 374 rights	37,400 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) 2 persons 186 rights	Common stock of the Company 18,600 shares
					Corporate officers who do not serve as director of the Company 1 person 47 rights	4,700 shares
					Others 6 persons 202 rights	20,200 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, 2020	
					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) 2 persons 307 rights	Common stock of the Company 30,700 shares
					Corporate officers who do not serve as director of the Company 4 persons 139 rights	13,900 shares
					Directors and corporate officers of wholly-owned subsidiaries of the Company (excluding directors and corporate officers of the Company) 1 person 31 rights	3,100 shares
					Others 14 persons 458 rights	45,800 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) 3 persons 326 rights	Common stock of the Company 32,600 shares
					Corporate officers who do not serve as director of the Company 4 persons 78 rights	7,800 shares
					Directors and corporate officers of wholly-owned subsidiaries of the Company (excluding directors and corporate officers of the Company) 1 person 18 rights	1,800 shares
					Others 12 persons 223 rights	22,300 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, 2020	
					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) 4 persons 293 rights	Common stock of the Company 29,300 shares
					Corporate officers who do not serve as director of the Company 5 persons 108 rights	10,800 shares
					Directors and corporate officers of wholly-owned subsidiaries of the Company (excluding directors and corporate officers of the Company) 2 person 41 rights	4,100 shares
					Others 7 persons 149 rights	14,900 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, 2020.

There are no stock acquisition rights issued during fiscal 2020.

5. Matters Concerning Status of Corporate Governance and Directors, Audit & Supervisory Board Members and Corporate Officers of the Company (As of December 31, 2020)

(1) Corporate Governance Policy

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

The Company is committed to maintaining and improving management transparency, fairness and speed, by putting into practice and reinforcing corporate governance, and strives to maximize medium- and long-term corporate and shareholder value through dialogues with all stakeholders, including “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.

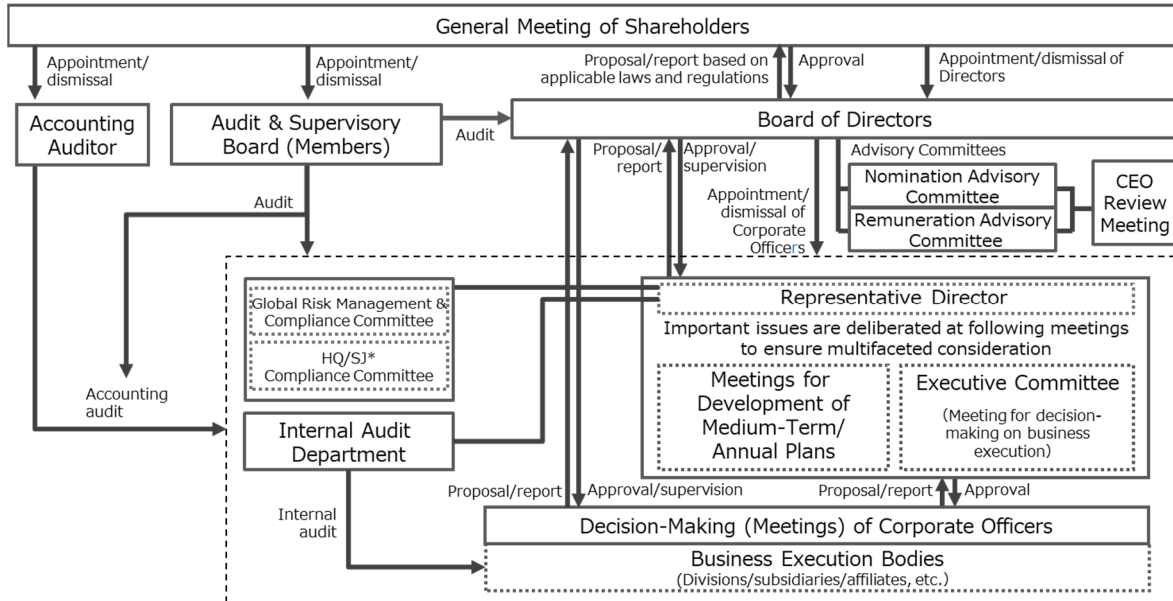
■ Progress of Shiseido’s Corporate Governance Policy

Clarifying the allocation of responsibility	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	Enhancing management transparency and soundness	2001 Established the Remuneration Advisory Committee 2005 Established the Nomination Advisory Committee
Reinforcing supervisory and auditing functions	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	Strengthening decision-making function	2001 Established Corporate Executive Officer Committee (currently Executive Committee) and Policy Meeting of Corporate Officers 2002 Reduced number of directors

(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, 2020 is as follows.



* For definitions of HQ and SJ, please refer to the description of the activities of the HQ/SJ Compliance Committee on page 49.

<Structure of Organizations Relating to the Execution of Business and Corporate Governance>

Position	Name	Board of Directors	Nomination Advisory Committee	Remuneration Advisory Committee	CEO Review Meeting	Audit & Supervisory Board	Executive Committee	Meetings for Development of Medium-Term/Annual Plans	Global Risk Management & Compliance Committee	HQ/SJ Compliance Committee
Representative Director	Masahiko Uotani	◎	○	○			◎	◎	◎	
	Yoichi Shimatani	○					○	○	○	○
Director	Yukari Suzuki	○					○	○	○	○
	Norio Tadakawa	○					○	○	○	○
External Director	Yoshiaki Fujimori	○	○	○	○					
	Yoko Ishikura	○	◎	○	○					
	Shinsaku Iwahara	○	○	○	○					
	Kanoko Oishi	○	○	◎	○					
Audit & Supervisory Board Member (Full-time)	Takeshi Yoshida	○				◎	△	△	△	△
	Akiko Uno	○				○	△	△	△	△
External Audit & Supervisory Board Member	Yasuko Gotoh	○			○	○				
	Ritsuko Nonomiya	○			○	○				
	Hiroshi Ozu	○			○	○				
Corporate Officers Executive Corporate Officer	Jun Aoki						○	△	○	
	Kentaro Fujiwara								○	
Corporate Officer	Hiromi Anno						○		○	
	Michael Coombs	△					○	○	○	
	Kiyomi Horii									○
	Mika Inoue									
	Akihiro Miura									
	Minoru Nakamura						○	○	○	○
	Yoshiaki Okabe							○		
	Yoshihiro Shiojima									
	Atsunori Takano									
	Toshinobu Umetsu						○	○	○	
	Naomi Yamamoto									
	Terufumi Yorita	△					○		○	◎
	Katsunori Yoshida									

Notes:

1. The above table lists those who are legally mandated to attend meetings of each organization and those who are required to attend every meeting. Of those organizations, the Executive Committee, Meetings for Development of Medium-Term/Annual Plans, Global Risk Management & Compliance and HQ/SJ Compliance Committee consist of the Company's employees, as well as directors, corporate officers and employees of the Company's domestic and overseas subsidiaries, etc. Nevertheless, the above table lists the Company's directors, audit & supervisory board members and corporate officers only.
2. In the above table, a double circle (◎) is shown for a Chair and those who serve in a position equivalent thereto, while a single circle (○) is shown for other members. In addition, a triangle (△) is shown for attendees and observers.
3. External director Ms. Yoko Ishikura's name as recorded on the official family register is Yoko Kurita (the same applies hereinafter).

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

Nomination Advisory Committee:

Makes reports to the Board of Directors on matters including the selection of candidates for directors and corporate officers and their promotions and demotions. In fiscal 2020, four meetings were held. The committee discussed and reported on the selections of candidates for directors and audit & supervisory board members, appointments of corporate officers and executive officers, etc.

Remuneration Advisory Committee:

Makes reports to the Board of Directors regarding the remuneration policy for directors, audit & supervisory board members and corporate officers as well as the details of remuneration payment based on the evaluation of their performance. In fiscal 2020, four meetings were held. The committee discussed bonuses for directors and corporate officers for fiscal 2019, as well as the remuneration policy for directors and corporate offers, and remuneration for said individuals for fiscal 2020.

In January, 2021, the Nomination Advisory Committee and the Remuneration Advisory Committee were integrated into "the Nomination & Remuneration Advisory Committee" for more effective implementation and operation. The committee is chaired by external director Yoko Ishikura and consists of four external directors and Masahiko Uotani, President and CEO, which is the same as the membership of the predecessor committees, the Nomination Advisory Committee, and the Remuneration Advisory Committee.

CEO Review Meeting:

Established as a deliberation body common to the Nomination Advisory Committee and the 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 74 in "Framework to ensure objectivity, fairness and transparency of evaluation that serves as a basis of calculation for remuneration." In fiscal 2020, 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 2020.

Meetings for Development of Medium-Term/Annual Plans:

A meeting body that is responsible for developing and resolving business plans and brand strategies. The meeting body met six times in fiscal 2020.

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.

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 2020, 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 five brand business categories and six regions combined, which was launched by the Shiseido Group in January 2016, the Company as the global headquarters is responsible for supervising the overall group and providing necessary support, while promoting localization of responsibility and authority by delegating many of the authorities that used to be retained by the Company to respective regional headquarters of Japan, China, Asia, the Americas, EMEA, and Travel Retail. Under the management structure, the Board of Directors held repeated discussions with regard to an ideal state of the Company's corporate governance system that includes composition and operation of the Board of Directors. As a result, the Board of Directors concluded adopting the "monitoring board-type" would be appropriate to ensure sufficiently effective supervisory functions over the Shiseido Group overall, and has implemented the "monitoring board-type corporate governance" while leveraging advantages of the company with the audit & supervisory board system.

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 transition.

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 or not 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 eight directors who are currently in office as of December 31, 2020, four directors (50.0%) are highly independent external directors who meet the “Criteria for Independence of External Directors and Audit & Supervisory Board Members” of the Company. The other four directors who serve concurrently as corporate officers include one with career background in management outside the Shiseido Group, and three with career background in the Shiseido Group. The directors include three females (37.5%).

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

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

7) Succession for President and CEO

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

In the event that there are problems when the Company’s President and CEO selects the successor candidate, the Nomination Advisory Committee may take the leading role in the selection.

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

8) Succession and Training for Directors, Audit & Supervisory Board Members and Corporate 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 Advisory Committee.

The Company also believes that in addition to appointing personnel having credentials required to serve as directors, audit & supervisory board members and corporate officers, it is also important to provide them with necessary training and information. The Company provides candidates for new directors and candidates for new audit & supervisory board members with training with regard

to 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 corporate 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 2020, 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 corporate officers, who are responsible for business execution.

A representative director shall coordinate and supervise the Group’s overall execution of business operations that are directed towards achieving given corporate targets. 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 corporate 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 2020 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

- The Risk Management Department checked the status of training in various regions around the world regarding the “Compliance Rules Regarding Prevention of Bribery” (established in November 2014 and revised in January 2018) and the “Compliance Rules Regarding Prevention of Cartels” (established in April 2011) in March 2020.
- Consideration on revisions to the “Shiseido Group Standards of Business Conduct and Ethics” based on the corporate philosophy “THE SHISEIDO PHILOSOPHY” was begun.
- In 2020, the secretariat for the Global Risk Management & Compliance Committee conducted exchanges of opinions individually with each member of the Committee, and discussed the material risks of the Shiseido Group and the promotion of Entire-group Risk Management (ERM). In addition, reports were given at the Board of Directors meetings held in March, April, and July, mainly on responses to the spread of COVID-19.
- The HQ/SJ Compliance Committee, convened in September and December, discussed issues on disciplinary cases and the Consultation Office cases in Japan.
- The “Shiseido Group Standards of Business Conduct and Ethics” has been instilled in training at the time of joining the Company and e-learning sessions for all employees.
- The hotline in the Japan region has three contact points, the Compliance Committee Hotline, the Consultation Office, and the Shiseido External Hotline, thereby establishing 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>

In Japan, the expense settlement system introduced in 2020 is linked with the preliminary screening of suppliers with new transactions in order to conduct thorough screening. In addition, among suppliers with which the Company has had transactions prior to 2016, in which the preliminary screening system for suppliers was introduced, the Company conducted screenings of unscreened suppliers with transaction records above a prescribed amount. Since December 2017, the Company has introduced a preliminary screening system for new customers, and it continues to promote the system. The Company also conducted information gathering through seminars and so forth, and strives 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

- On January 1, 2020, the Company appointed 20 corporate officers (including two who serve concurrently as representative directors) and six presidents of regional headquarters (including two who serve concurrently as corporate officers of the Company) and clarified the areas of responsibility for their respective execution of duties. Furthermore, to enhance the appropriateness and properness of final resolutions to be made by the Representative Director, President and CEO over important business execution following multifaceted reviews by relevant corporate officers, presidents of regional headquarters and others, the Company has established the Executive Committee as a decision-making body and Corporate Executive Officer Committee (including Global Leadership Committee, Innovation Committee, and Sustainability Committee) as a forum for discussion and decision-making on other important management issues. In addition, management and respective corporate officers have established their decision-making process within their respective area in charge, and they regularly report to the Corporate Executive Officer Committee on the status of progress towards annual plans.

(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 of the Executive Committee, etc. related to the execution of business 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 System Controlling 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 (Internal Regulations for Directors, Audit & Supervisory Board Members, Corporate 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 matters relating to every group company, the Company has arranged that corporate 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.

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

- In major regions around the world, including Japan, a risk assessment for RMOs (Risk Management Officers) was conducted in the third quarter of 2020. The RMOs located at regional headquarters and the BEOs (Business Ethics Officers) of the group companies under the Company were in charge of risk management and compliance in the respective region and worked to grasp group-wide risks.
- In January 2020, an HQ emergency taskforce was established at the Company as a response to the spread of COVID-19. In coordination with taskforces at each regional headquarters, ordinary meetings were held twice a week through May 2020 and once a week after June, sharing the latest situation and making decisions on responses (held 55 times).
- In Japan, for the purpose of enhancing the support system for response operations to assist with incident control conducted by divisions and business sites where incidents occur, appointment of risk managers has been expanded to 38 divisions of the Company and Shiseido Japan Co., Ltd. and at 14 domestic affiliate companies in July 2020, and training for all risk managers were conducted 6 times. In December 2020, drills for the HQ emergency taskforce were conducted in anticipation of an earthquake centered directly under Tokyo, and 40 people participated.

(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 independence of the employees from the directors, etc. and to secure 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.
- The Company has established the Audit & Supervisory Board Member Hotline as a point of contact for in-house reporting, such that enables audit & supervisory board members to directly receive reports regarding incidents that could pose a threat of damaging people's trust in the Shiseido Group. In Japan, the Company also works to disseminate contents including the Audit & Supervisory Board Member Hotline to be ingrained through training offered at the time of joining the Company and training for all employees on harassment.

(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 expenses based on the annual activity plan at the beginning of every business year. The Company has also 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 semi-annually from the Quality Management Department, the Information Security Department, the Risk Management Department, and the Audit Group of the Business Management Department of Shiseido Japan Co., Ltd.
- 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, 2020)

Position	Name	Responsibilities at the Company
Representative Director President and CEO	Masahiko Uotani	Chair of the Board Member of Nomination Advisory Committee Member of Remuneration Advisory Committee CEO, Japan Region Representative Director, Chair and CEO of Shiseido Japan Co., Ltd. Chair of Global Risk Management & Compliance Committee
Representative Director Executive Vice President	Yoichi Shimatani	Chief Innovation Officer Member of Global Risk Management & Compliance Committee Member of HQ/SJ Compliance Committee
Director Executive Corporate 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 Member of HQ/SJ Compliance Committee
Director Executive Corporate Officer	Norio Tadakawa	Chief Operating Officer (COO), Japan Region Representative Director, President and COO, Shiseido Japan Co., Ltd. Member of Global Risk Management & Compliance Committee Member of HQ/SJ Compliance Committee
External Director <Independent>	Yoshiaki Fujimori	Member of Nomination Advisory Committee Member of Remuneration Advisory Committee
External Director <Independent>	Yoko Ishikura	Chair of Nomination Advisory Committee Member of Remuneration Advisory Committee
External Director <Independent>	Shinsaku Iwahara	Member of Nomination Advisory Committee Member of Remuneration Advisory Committee
External Director <Independent>	Kanoko Oishi	Chair of Remuneration Advisory Committee Member of Nomination 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

(As of January 1, 2021)

Position	Name	Responsibilities at the Company
Representative Director Executive Officer *1 President and CEO	Masahiko Uotani	Chair of the Board Member of Nomination & Remuneration Advisory Committee*2 CEO, Japan Region Representative Director, Chair and CEO of Shiseido Japan Co., Ltd. Chair of Global Risk Management & Compliance Committee
Representative Director Executive Officer *1 Executive Corporate 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 Executive Corporate Officer	Norio Tadakawa	Chief Operating Officer (COO), Japan Region Representative Director, President and COO, Shiseido Japan Co., Ltd. Member of Global Risk Management & Compliance Committee Member of HQ/SJ Compliance Committee
Director	Yoichi Shimatani	—
External Director <Independent>	Yoshiaki Fujimori	Member of Nomination & Remuneration Advisory Committee*2
External Director <Independent>	Yoko Ishikura	Chair of Nomination & Remuneration Advisory Committee*2
External Director <Independent>	Shinsaku Iwahara	Member of Nomination & Remuneration Advisory Committee*2
External Director <Independent>	Kanoko Oishi	Member of Nomination & Remuneration Advisory Committee*2
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

Position	Name	Responsibilities at the Company	Position	Name	Responsibilities at the Company
External Audit & Supervisory Board Member <Independent>	Yasuko Gotoh	—	External Audit & Supervisory Board Member <Independent>	Yasuko Gotoh	—
External Audit & Supervisory Board Member <Independent>	Ritsuko Nonomiya	—	External Audit & Supervisory Board Member <Independent>	Ritsuko Nonomiya	—
External Audit & Supervisory Board Member <Independent>	Hiroshi Ozu	—	External Audit & Supervisory Board Member <Independent>	Hiroshi Ozu	—

*1 From January 2021, the Company has introduced new management system of executive officers, in which officers bear responsibility for the company-wide business execution.

These executive officers concurrently serve as corporate officers.

*2 From January 2021, the Nomination Advisory Committee and the Remuneration Advisory Committee were integrated into the Nomination & Remuneration Advisory Committee.

Notes:

- There are eight directors and five audit & supervisory board members, totaling 13 officers who are directors or audit & supervisory board members, as of December 31, 2020, of which seven are male and six are female.
- Mr. Yoshiaki Fujimori, Ms. Yoko Ishikura, Mr. Shinsaku Iwahara and Ms. Kanoko Oishi are external directors as provided in Article 2, item (xv) of the Companies Act of Japan.
- 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.
- The Company has designated Mr. Yoshiaki Fujimori, Ms. Yoko Ishikura, 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.
- Directors Ms. Yukari Suzuki and Mr. Norio Tadakawa and external director Mr. Yoshiaki Fujimori and external audit & supervisory board member Ms. Ritsuko Nonomiya were newly elected at the 120th ordinary general meeting of shareholders of the Company held on March 25, 2020, and assumed office on the same date.
- 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 Position at Other Organizations Concurrently Assumed by Directors and Audit & Supervisory Board Members

Position	Name	Important Position 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
External Director	Yoko Ishikura	Outside Director of SEKISUI CHEMICAL CO., LTD. Outside Director of TSI HOLDINGS CO., LTD.
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)

Note: 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 of the seven external directors and audit & supervisory board members under which his/her liability for compensation of damages shall be limited to the minimum limited liability 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. In the event of a claim for damages submitted by a shareholder or a third party, etc., 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 corporate officers, of the Company, its subsidiaries, and their subsidiaries.

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

	Concurrent Position 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	Outsourcing business, etc.	Takeda Pharmaceutical 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, 2020
					Less than 1%	Consolidated revenue of Takeda Pharmaceutical for the fiscal year ended March 31, 2020
	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, 2020
					Less than 1%	Revenue of Oracle Corporation Japan for the fiscal year ended May 31, 2020
Outside Director of Toshiba Corporation	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, 2020	
				Less than 1%	Consolidated net sales of Toshiba Corporation for the fiscal year ended March 31, 2020	
External Director Yoko Ishikura	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, 2020
					Less than 1%	Consolidated net sales of SEKISUI CHEMICAL CO., LTD. for the fiscal year ended March 31, 2020
	Outside Director of TSI HOLDINGS CO., LTD.	The Company has no special relationships of interest with TSI HOLDINGS CO., LTD.				

	Concurrent Position 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 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.				
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, 2020
					Less than 1%	Net sales of MEDIVA Inc. for the fiscal year ended December 31, 2020
	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, 2020
					Less than 1%	Consolidated net sales of Ezaki Glico Co., Ltd. for the fiscal year ended December 31, 2020
	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	The Company has no special relationships of interest with DENSO CORPORATION.				
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, 2020
					Less than 1%	Consolidated net sales of NAGASE & CO., LTD. for the fiscal year ended March 31, 2020

	Concurrent Position 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 is 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, 2020
					Less than 1%	Consolidated revenue of MITSUI & CO., LTD. for the fiscal year ended March 31, 2020
	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, 2020
					Less than 1%	Total net revenues of TOYOTA MOTOR CORPORATION on a consolidated basis for the fiscal year ended March 31, 2020
	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	Major Activities
External Director	Yoshiaki Fujimori	Since assuming the office of external director in March 2020, 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 made remarks as necessary and fulfilled a supervisory function in regard to the management. Also, he served as a member of the Nomination Advisory Committee and a member of the Remuneration Advisory Committee.
External Director	Yoko Ishikura	Ms. Ishikura attended 16 out of 16 Board of Directors meetings (Attendance rate: 100%). She made remarks from a broad standpoint of international corporate strategies and diversity as necessary and fulfilled a supervisory function in regard to the management. She also served as Chair of the Nomination Advisory Committee and a member of the Remuneration Advisory Committee.
External Director	Shinsaku Iwahara	Mr. Iwahara attended 16 out of 16 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 made remarks as necessary and fulfilled a supervisory function in regard to the management. Also, he served as a member of the Nomination Advisory Committee and a member of the Remuneration Advisory Committee.
External Director	Kanoko Oishi	Ms. Oishi attended 16 out of 16 Board of Directors meetings (Attendance rate: 100%). She made remarks as necessary based on her experiences and knowledge gained through her career in the 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, and fulfilled a supervisory function in regard to the management. She also served as Chair of the Remuneration Advisory Committee and a member of the Nomination Advisory Committee.
External Audit & Supervisory Board Member	Yasuko Gotoh	Ms. Gotoh attended 16 out of 16 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	Since assuming the office of external audit & supervisory board member in March 2020, Ms. Nonomiya attended 13 out of 13 Board of Directors meetings (Attendance rate: 100%) and 10 out of 10 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.
External Audit & Supervisory Board Member	Hiroshi Ozu	Mr. Ozu attended 15 out of 16 Board of Directors meetings (Attendance rate: 93.7%) 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.

Note: 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 four external audit & supervisory board members, that of the two full-time audit & supervisory board members, and that of all six audit & supervisory board members at the Board of Directors meetings is 97.9%, 100%, and 98.7%, respectively. The average attendance rate of all directors and audit & supervisory board members at the Board of Directors meetings is 99.5%. The attendance rate of directors and audit & supervisory board members noted herein is calculated, including those who retired at the conclusion of the General Meeting of Shareholders held in March 2020.

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

Position	Name	Responsibilities	
		As of December 31, 2020	As of January 1, 2021
Executive Officer* Executive Corporate Officer	Jun Aoki	Chief Social Value Creation Officer Member of Global Risk Management & Compliance Committee	Chief Social Value Creation Officer
Executive Officer* Executive Corporate 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*	Hiroimi 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*	Kiyomi Horii	Chief Beauty Strategy Officer Member of HQ/SJ Compliance Committee	Chief Beauty Strategy Officer Member of HQ/SJ Compliance Committee
Executive Officer*	Akihiro Miura	Deputy Chief Supply Network Officer	Deputy Chief Supply Network Officer
Executive Officer*	Minoru Nakamura	Chief People Officer Chief Wellness Officer Member of Global Risk Management & Compliance Committee Member of HQ/SJ Compliance Committee	Chief People Officer Chief Wellness Officer Member of Global Risk Management & Compliance Committee Member of HQ/SJ Compliance Committee
Executive Officer*	Yoshiaki Okabe	Chief Brand Officer, brand <i>SHISEIDO</i>	Chief Brand Innovation Officer Member of Global Risk Management & Compliance Committee
Executive Officer*	Atsunori Takano	Chief Information Technology Officer	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*	Katsunori Yoshida	Chief Product Innovation Officer	Chief Quality Officer Chief Technology Officer Member of Global Risk Management & Compliance Committee

* From January 2021, the Company has introduced new management system of executive officers, in which officers bear responsibility for the company-wide business execution. These executive officers concurrently serve as corporate officers.

Notes:

1. Corporate officers who retired during the fiscal year ended December 31, 2020 and on December 31, 2020 are as follows:

Position	Name	Date of Retirement
Executive Corporate Officer	Shigekazu Sugiyama	June 30, 2020
Corporate Officer	Michael Coombs	December 31, 2020
Corporate Officer	Mika Inoue	December 31, 2020
Corporate Officer	Yoshihiro Shiojima	December 31, 2020
Corporate Officer	Terufumi Yorita	December 31, 2020

2. Mr. Yoshiaki Okabe was promoted to executive corporate officer on January 1, 2021.

3. Executive officers who were newly appointed on January 1, 2021 are as follows:

Position	Name	Responsibilities
Executive Officer	Maria Chiclana	Chief Legal Officer Global General Counsel Member of Global Risk Management & Compliance Committee
Executive Officer	Angelica Munson	Chief Digital Officer
Executive Officer	Antonios Spiliotopoulos	Chief Supply Network Officer Member of Global Risk Management & Compliance Committee
Executive Officer*	Takayuki Yokota	Chief Financial Officer (CFO) CFO, Japan Region Vice President, Financial Accounting Member of Global Risk Management & Compliance Committee Member of HQ/SJ Compliance Committee
Executive Officer*	Ryota Yukisada	Chief Brand Officer, brand <i>SHISEIDO</i>

* These executive officers concurrently serve as corporate officers.

(11) Remuneration, etc. to Directors and Audit & Supervisory Board Members**1) Basic Philosophy of the Remuneration, etc. to Directors and Corporate Officers of the Company**

The Company regards the directors and corporate officers remuneration policy (remuneration policy for the directors who concurrently serve as the corporate officers, as well as the corporate officers) as an important matter for corporate governance. For this reason, in accordance with the following basic philosophy, the directors and corporate officers remuneration policy of the Company is deliberated in the Remuneration Advisory Committee (currently Nomination & Remuneration Advisory Committee, the same shall apply hereinafter in the “(11) Remuneration, etc. to Directors and Audit & Supervisory Board Members”) chaired by external directors by incorporating objective points of view, and the outcome is reported to the Board of Directors for the resolution.

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

The remuneration policy to directors and corporate 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 corporate 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 Corporate Officers Remuneration Policy

Based on the above basic philosophy, the Company determines its policy on decisions regarding matters including remuneration of individual directors at the Board of Directors meetings. The contents of the Company’s directors and corporate officers remuneration policy based on this policy is described below in detail.

■ Overall picture

The remuneration of the directors and corporate 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.

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 Corporate Officer**

Rank as Corporate Officer	Composition of Remuneration for Directors and Corporate 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%	
Executive Corporate Officer	54%–60%	20%–23%	20%–23%	
Corporate 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 corporate officers, proportions of remuneration by remuneration type will vary even within a same rank.
4. A fixed amount of remuneration separately provided in accordance with roles such as Chair of the Board is not included in the table.

■ **Basic remuneration**

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

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

For external directors and audit & supervisory board members, the Company shall not pay basic remuneration that has a certain allowance for increase, but 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 corporate officers to manage business operations while being more conscious about the Company's performance and share price from the perspectives of not only a single year but also over the medium to long term.

Given that new long-term goals have been set, the Company introduced a long-term incentive-type remuneration (LTI) in fiscal 2019 to replace the stock compensation-type stock options that the Company had provided up to and through fiscal 2018.

■ Annual bonus

Of the performance-linked remuneration, the Company has set evaluation items for the annual bonus in accordance with the scope that respective directors and corporate officers are in charge of as described in the table below, in addition to the achievement rate of target consolidated net sales and consolidated operating profit as common performance indicators across directors and corporate officers, and the range of changes in the percentage amount of payment is set between 0% and 200%. Although it is essential that the entire management team remain aware of matters involving net profit attributable to owners of parent, it is crucial that management not let the benchmark weigh too heavily on proactive efforts particularly involving future growth-oriented investment and resolving challenges with our sights set on achieving long-term growth. As such, upon the 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 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 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 corporate officers in order to add the level of achievement regarding strategic goals that cannot be measured by the financial performance figures alone, such as efforts for restructuring of the business platform to realize sustainable growth, to evaluation criteria.

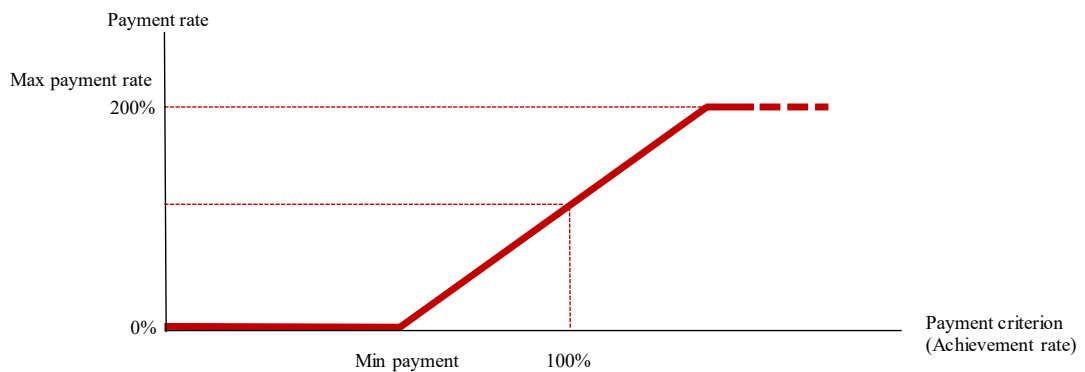
Annual bonus is paid once a year.

■ Performance indicators and evaluation weights for annual bonus

Evaluation Item	Performance Indicators	Evaluation Weight								
		President and CEO		Corporate Officers in Charge of Businesses				Corporate 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 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

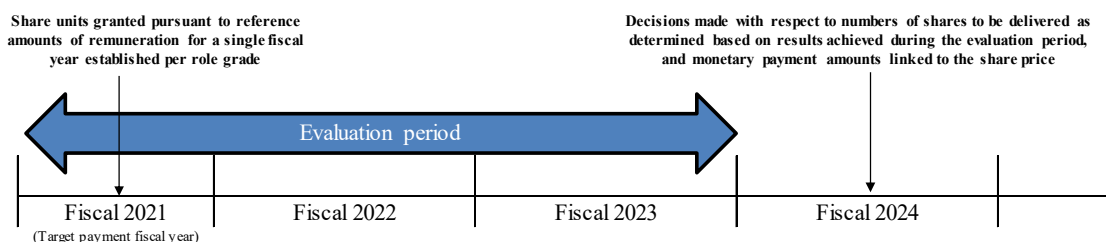
maintaining substantial corporate value over the long term, and helping to attract and retain competent talent.

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 set the maximum percentage amount of payment attributable to each of the benchmarks in the event that the targets have been achieved, and will not make payment of the performance-linked portion with respect to each of the benchmarks in the event that the targets have not been achieved. In terms of consolidated return on equity (ROE), as 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 addition, the Company is gradually extending payment of LTI to principals global executive persons, with the aim of realizing a “Global One Team” by fostering a sense of solidarity among management teams around the world and instilling the consciousness of participating in the running of the Company.

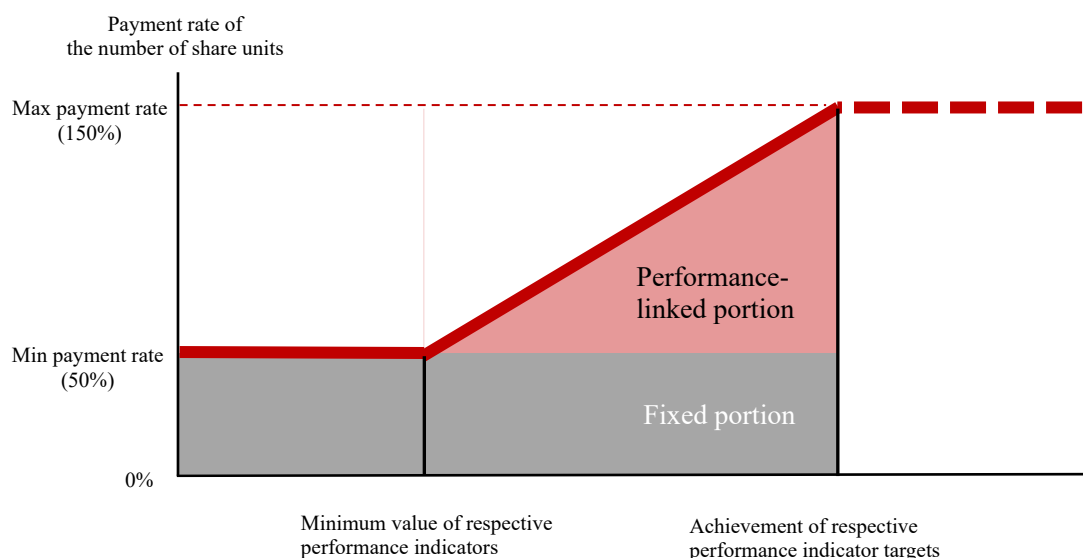
■ LTI schedule



■ **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 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 corporate officers remuneration policy, personal evaluation of each director and corporate 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 corporate 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 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, 2020

(Millions of yen)

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

*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. Basic remuneration for audit & supervisory board members has a ceiling of ¥10 million per month as per the resolution of the 105th ordinary general meeting of shareholders held on June 29, 2005.
- Regarding the above basic remuneration for fiscal 2020, the Company has received a proposal from its CEO and corporate officers to decline a part of their remuneration for five months from August to December 2020 as a step for improving profitability in response to the deteriorating market environment. Following discussions by the Remuneration Advisory Committee, the Board of Directors has resolved the said proposal. The above amounts of basic remuneration have been already adjusted based on the reduced amounts.
(Personnel subject to reductions and details of decline to receive partial amounts of remuneration)
President and CEO: decline 30% of monthly base salary
Executive Vice President and executive corporate officers: decline 15% of monthly base salary
Corporate officers, etc.: decline 10% of monthly base salary
- The bonuses of directors for fiscal 2020 indicated above represent the amounts that will be paid upon the resolution of the Board of Directors based on the resolution of the ordinary general meeting of shareholders, as stated in note 1. Regarding the calculation of those amounts, please refer to the following 5) Performance-linked targets, actual performance and payment percentage, etc. of annual bonuses paid to directors excluding external directors. The Company has received a proposal from Representative Director, Masahiko Uotani to decline 50% of the annual bonus proposed by the Nomination & Remuneration Advisory Committee, taking into account the reduction of dividends to shareholders and the status of bonuses paid to principal executive persons of the Group's overseas subsidiaries and managers and regular employees of Group companies in Japan. Following discussions by the said Committee, the Board of Directors has resolved the said proposal. The above amounts of bonuses have been already adjusted based on the reduced amounts.
- The amount of former long-term incentive-type remuneration (stock options) for directors indicated above represents the total amount of expenses associated with the stock options (stock acquisition rights) recorded for the fiscal year ended December 31, 2020, upon the approval of the ordinary general meeting of shareholders, in consideration of duties executed by directors.
- The amount of long-term incentive-type remuneration (stock compensation) indicated above represents the total amount of the expenses recognized for the fiscal year ended December 31, 2020, on the performance-linked stock compensation (performance share units), upon the approval of the ordinary general meeting of shareholders, in consideration of duties executed by directors. (The said amount of the expenses reflects the business results and other associated costs for the fiscal year ended December 31, 2020 and is calculated by reducing the payment percentage by 45% for the fiscal year ended December 31, 2020).
- In addition to the above payments, other remuneration of ¥24 million was recorded for the fiscal year ended December 31, 2020 as expenses associated with stock options granted to three directors of the Company, at the time the directors served as corporate officers not holding the office of directors.

7. None of the directors or the audit & supervisory board members was paid remuneration other than described above (including that described in notes 1. through 6.).

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, 2020

(Millions of yen)

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

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

Notes:

- Regarding the basic remuneration for fiscal 2020 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, 2020.
- The bonuses of directors for fiscal 2020 indicated above represent the amounts that will be paid upon the resolution of the Board of Directors based on the resolution of the ordinary general meeting of shareholders, as stated in note 1. of 3) Amount of Remuneration, etc. to Directors and Audit & Supervisory Board Members for the Fiscal Year Ended December 31, 2020. The Company has received a proposal from Representative Director Masahiko Uotani to decline 50% of the annual bonus proposed by the Nomination & Remuneration Advisory Committee, taking into account the reduction of dividends to shareholders and the status of bonuses paid to principal executive persons of the Group's overseas subsidiaries and managers and regular employees of Group companies in Japan. Following discussions by the Nomination & Remuneration Advisory Committee, the Board of Directors has resolved the said proposal. The above amounts of bonuses have been already adjusted based on the reduced amounts.
- The amount of former long-term incentive-type remuneration (stock options) for directors indicated above represents the total amount of expenses associated with the stock options (stock acquisition rights) recorded for the fiscal year ended December 31, 2020, upon the approval of the ordinary general meeting of shareholders, in consideration of duties executed by directors.
- The amount of long-term incentive-type remuneration (stock compensation) indicated above represents the total amount of the expenses recognized for the fiscal year ended December 31, 2020, on the performance-linked stock compensation (performance share units), upon the approval of the ordinary general meeting of shareholders, in consideration of duties executed by directors. (The said amount of the expenses reflects the business results and other associated costs for the fiscal year ended December 31, 2020 and is calculated by reducing the payment percentage by 45% for the fiscal year ended December 31, 2020).
- In addition to the above payments, other remuneration of ¥1 million was recorded for the fiscal year ended December 31, 2020 as expenses associated with stock options granted to Representative Director Yoichi Shimatani at the time he served as corporate officer not holding the office of director.
- Neither of the two directors above was paid remuneration other than described above (including that described in notes 1. through 5.).

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%	1,220.0	920.9	75.5%	0% (Note 3.)
Consolidated Operating Profit		117.0	14.9	12.7%	0% (Note 3.)
Net Profit Attributable to Owners of Parent	–		(11.7)	–	Not subject to lowering of the payment amount percentage by thresholds
Performance of Business in Charge	0%–200%	(Note 1.)			
Personal Performance Evaluation		(Note 2.)	–	–	(Note 2.) 62.0% (Average)

Total payment rate	(Note 4.) 44.4%
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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. In the fiscal year ended December 31, 2020, we received a proposal from the Nomination & Remuneration Advisory Committee to make a partial adjustment of the payment percentage based on the assessment at the personal performance evaluation in response to a significant decrease in the overall payment percentage due to the impact of COVID-19, and made a decision through sufficient deliberation of the Board of Directors. In this deliberation, consideration was given on the balance between the status of bonuses paid to principal executive persons of the Group's overseas subsidiaries and managers and regular employees of Group companies in Japan.
- With regard to consolidated net sales and consolidated operating profit, in the calculation of the payment factor, adjustments are made to exclude effects such as currencies, in order to compare targets set at the beginning of the period and actual performance for the fiscal year in the practically same situation. The payment factors are as shown in the above result in any indicators.
- In terms of annual bonus for Representative Director, Masahiko Uotani, for fiscal 2020, the amount was reduced in response to his decline to receive a part of bonus through the procedure described in note 3. of "3) Amount of Remuneration, etc. to Directors and Audit & Supervisory Board Members for the Fiscal Year Ended December 31, 2020." The above total payment rate has been already adjusted based on the reduction amounts.

(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, 2020	186
Total cash and other remuneration to be paid by the Company and its subsidiaries to the accounting auditor	412

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, 2020” above.

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” and the “services to prepare ‘a comfort letter from the accounting auditor to the managing underwriter’ pertaining to the issuance of bonds,” 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 ¥185 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, 2021

Masahiko Uotani
Representative Director,
President and CEO

Consolidated Balance Sheet

(As of December 31, 2020)

(Millions of yen)

	December 31, 2020	December 31, 2019 (Reference)		December 31, 2020	December 31, 2019 (Reference)
ASSETS			LIABILITIES		
Current Assets:	514,763	532,623	Current Liabilities:	352,977	464,273
Cash and Time Deposits	130,013	110,342	Notes and Accounts Payable	21,187	31,336
Notes and Accounts Receivable	144,728	172,905	Electronically Recorded Obligations-Operating	55,740	65,601
Short-term Investments in Securities	21,000	—	Short-Term Debt	56,491	120,496
Inventories	170,031	181,104	Current Portion of Long-Term Debt	10,730	730
Other Current Assets	52,634	71,012	Current Portion of Corporate Bonds Scheduled for Redemption	—	15,000
Less: Allowance for Doubtful Accounts	(3,644)	(2,741)	Lease Obligations	8,344	8,722
Fixed Assets:	689,466	686,172	Other Payables	75,695	89,124
Property, Plant and Equipment:	341,044	314,757	Accrued Income Taxes	7,374	11,951
Buildings and Structures	147,931	121,875	Provision for Sales Returns	6,227	5,333
Machinery, Equipment and Vehicles	55,538	44,281	Refund Liabilities	10,518	9,899
Tools, Furniture and Fixtures	41,976	41,099	Accrued Bonuses for Employees	15,024	25,132
Land	44,605	45,040	Accrued Bonuses for Directors	165	101
Leased Assets	5,420	5,248	Provision for Liabilities and Charges	545	341
Right-of-Use Assets	18,262	19,693	Provision for Loss on Business Withdrawal	725	117
Construction in Progress	27,308	37,518	Other Current Liabilities	84,208	80,383
Intangible Assets:	241,392	249,209	Long-Term Liabilities:	344,658	236,665
Goodwill	54,429	64,499	Bonds	65,000	15,000
Leased Assets	403	536	Long-Term Debt	167,861	70,791
Trademark Rights	131,636	135,209	Lease Obligations	15,872	17,368
Other Intangible Assets	54,922	48,963	Long-Term Payables	52,968	49,153
Investments and Other Assets:	107,029	122,205	Liabilities for Retirement Benefits	27,189	69,804
Investments in Securities	13,527	13,915	Allowance for Losses on Guarantees	350	350
Long-Term Prepaid Expenses	14,125	16,690	Deferred Tax Liabilities	2,944	2,712
Deferred Tax Assets	42,501	55,313	Other Long-Term Liabilities	12,472	11,485
Other Investments	37,015	36,317	Total Liabilities	697,635	700,938
Less: Allowance for Doubtful Accounts	(140)	(31)	NET ASSETS		
TOTAL ASSETS	1,204,229	1,218,795	Shareholders' Equity:	472,610	504,092
			Common Stock	64,506	64,506
			Capital Surplus	70,741	70,741
			Retained Earnings	339,817	371,435
			Less: Treasury Stock, at Cost	(2,455)	(2,591)
			Accumulated Other Comprehensive Income:	11,678	(7,654)
			Unrealized Gains (Losses) on Available-for-Sale Securities	3,054	3,106
			Foreign Currency Translation Adjustments	5,257	10,839
			Accumulated Adjustments for Retirement Benefits	3,366	(21,600)
			Stock Acquisition Rights	1,399	1,263
			Non-Controlling Interests in Consolidated Subsidiaries	20,905	20,156
			Total Net Assets	506,593	517,857
			TOTAL LIABILITIES AND NET ASSETS	1,204,229	1,218,795

Consolidated Statement of Income
(Fiscal Year from January 1, 2020 to December 31, 2020)

(Millions of yen)

	Fiscal Year	Previous Fiscal Year (Reference)
Net Sales	920,888	1,131,547
Cost of Sales	238,401	254,844
Gross Profit	682,487	876,703
Selling, General and Administrative Expenses	667,523	762,871
Operating Profit	14,963	113,831
Other Income	6,054	5,674
Interest Income	762	1,243
Dividend Income	153	333
Equity in Earnings of Affiliates	269	330
Rental Income	638	625
Subsidy Income	2,776	1,056
Other	1,453	2,086
Other Expenses	11,379	10,766
Interest Expense	2,226	2,292
Foreign Exchange Loss	3,088	5,375
Other Interest on Debt	1,332	1,266
Other	4,732	1,831
Ordinary Profit	9,638	108,739
Extraordinary Gains	16,554	4,103
Gain on Sales of Property, Plant and Equipment	9,716	654
Grant Income	6,018	—
Gain on Sales of Investments in Securities	819	3,449
Extraordinary Losses	28,234	5,465
Loss on Disposal of Property, Plant and Equipment	3,665	1,683
Impairment Loss	944	—
Loss on COVID-19	18,696	—
Structural Reform Expenses	3,196	1,483
Loss on Business Withdrawal	1,226	—
Loss on Valuation of Investment Securities	499	27
Loss on Sales of Investment Securities	4	165
Business Structure Improvement Expenses	—	1,637
Loss on Liquidation of Subsidiaries and Affiliates	—	466
Profit (Loss) before Income Taxes	(2,040)	107,378
Income Taxes – Current	6,199	22,538
Income Taxes for Prior Years	—	4,504
Income Taxes – Deferred	880	3,033
Net Profit (Loss)	(9,120)	77,301
Net Profit Attributable to Non-Controlling Interests	2,540	3,739
Net Profit (Loss) Attributable to Owners of Parent	(11,660)	73,562

Reference: Consolidated Statement of Comprehensive Income

(Fiscal Year from January 1, 2020 to December 31, 2020)

(Millions of yen)

	Fiscal Year	Previous Fiscal Year (Reference)
Net Profit (Loss)	(9,120)	77,301
Other Comprehensive Income:		
Unrealized Gains (Losses) on Available-for-Sale Securities	40	(1,756)
Foreign Currency Translation Adjustments	(5,562)	(4,801)
Adjustment for Retirement Benefits	25,039	1,904
Share of Other Comprehensive Income of Associates Accounted for Under the Equity Method	34	4
Total Other Comprehensive Income (Loss)	19,551	(4,648)
Comprehensive Income	10,431	72,653
(Breakdown)		
Comprehensive Income Attributable to Owners of Parent	7,672	68,754
Comprehensive Income Attributable to Non-Controlling Interests	2,759	3,898

Consolidated Statement of Changes in Net Assets
(Fiscal Year from January 1, 2020 to December 31, 2020)

(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	371,435	(2,591)	504,092
Changes during Period					
Dividends from Retained Earnings			(19,972)		(19,972)
Net Profit (Loss) Attributable to Owners of Parent			(11,660)		(11,660)
Acquisition of Treasury Stock				(12)	(12)
Disposal of Treasury Stock			(76)	148	71
Non-Controlling Interests, Capital Transactions and Others			92		92
Net Changes of Items Other than Shareholders' Equity					—
Total Changes during Period	—	—	(31,617)	135	(31,481)
Balance at End of Period	64,506	70,741	339,817	(2,455)	472,610

(Millions of yen)

	Accumulated Other Comprehensive Income				Stock Acquisition Rights	Non-Controlling Interests	Total Net Assets
	Unrealized Gains (Losses) on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Accumulated Adjustment for Retirement Benefits	Total Accumulated Other Comprehensive Income			
Balance at Beginning of Period	3,106	10,839	(21,600)	(7,654)	1,263	20,156	517,857
Changes during Period							
Dividends from Retained Earnings							(19,972)
Net Profit (Loss) Attributable to Owners of Parent							(11,660)
Acquisition of Treasury Stock							(12)
Disposal of Treasury Stock							71
Non-Controlling Interests, Capital Transactions and Others							92
Net Changes of Items Other than Shareholders' Equity	(52)	(5,581)	24,967	19,333	136	748	20,218
Total Changes during Period	(52)	(5,581)	24,967	19,333	136	748	(11,263)
Balance at End of Period	3,054	5,257	3,366	11,678	1,399	20,905	506,593

Notes to Consolidated Financial Statements

Basis of Presenting Consolidated Financial Statements

1. Scope of Consolidation

(1) Number of consolidated subsidiaries: 72

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

[Addition: 1 company]

EFFECTIM Co., Ltd. has been included in the scope of consolidation effective from the fiscal year following its establishment.

[Exclusions: 2 companies]

Shiseido Amenity Goods Co., Ltd. and d'icilà Co., Ltd. were excluded from the scope of consolidation effective from the fiscal year as their liquidation was completed.

(2) Unconsolidated subsidiaries

Major company name: 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: 3

Major company name: Pierre Fabre Japon Co., Ltd.

(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 investments in 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 5–10 years
Trademarks:	mainly 9–15 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) Provision 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) Provision for Bonuses

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 provision for directors' bonuses.

4) Provision for Directors' Bonuses

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

5) Provision for Risk and Liabilities

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.

(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

“Allowance for environmental measures” under “long-term liabilities,” which was presented separately for the previous fiscal year, is included in “other long-term liabilities” from the fiscal year ended December 31, 2020, due to a decline 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, ¥54 million that was presented as “allowance for environmental measures” under “long-term liabilities” in the consolidated balance sheet for the previous fiscal year has been reclassified as “other long-term liabilities.”

Additional Information

The Group reflects accounting estimates such as fixed asset impairment and recoverability of deferred tax assets based on information available at the time that the consolidated financial statements are prepared. Accounting estimates assume the impact of COVID-19 subsiding within the period between the second half of fiscal 2021 and the first half of fiscal 2022, and a full-scale recovery within fiscal 2023 in terms of the Group’s performance, where impact varies by region and business.

However, due to uncertainties in the application of such assumption to the estimates above, unexpected changes in the recovery time for COVID-19 or its impact on the economic environment may affect the financial position and operating results of the Group in the future.

Notes to Consolidated Balance Sheet

(1) Inventories

Merchandise and products	¥113,810 million
Work in process	¥6,490 million
Raw materials and supplies	¥49,730 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	¥1,834 million
Buildings and structures	¥11,724 million
Machinery, equipment and vehicles, and tools, furniture and fixtures	¥1 million
Investments in securities	¥1,155 million
Other investments (Guarantee deposit paid)	¥15,200 million
Total	¥29,915 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	¥16,645 million

(3) Accumulated depreciation of property, plant and equipment ¥243,978 million

Notes to Consolidated Statement of Income

(1) 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.

(2) Impairment loss

The Company recognized impairment losses on the fixed assets of domestic subsidiaries.

Use	Type	Location
Assets for business use	Buildings, leased assets, etc.	Tokyo, Kanagawa and others

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

As a result, the book values of stores with continuously negative loss from operating activities and with the decision to be closed are reduced to the recoverable amount at the domestic subsidiaries, and the amount of the reduction is recorded as an extraordinary loss. The breakdown is shown below. The recoverable amount is measured at its net realizable value. Due to the difficulty of sales of the assets, the recoverable amount is recognized as zero.

Buildings and structures	¥575 million
Leased assets	¥199 million
Others	¥168 million
Total	¥944 million

(3) Loss on COVID-19

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

Salaries and allowances for employees	¥11,781 million
Fixed costs for factories and stores	¥5,016 million
Cancellation costs, penalties, and others	¥1,898 million
Total	¥18,696 million

(4) Structural reform expenses

Structural reform expenses mainly reflect the closure of offices and early retirement premiums included in temporary expenses incurred as a result of organizational reforms.

(5) Loss on business withdrawal

Expenses for discontinuation of some brands.

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, 2020

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, 2020	Common stock	11,983	30.00	December 31, 2019	March 26, 2020
Board of Directors Meeting on August 6, 2020	Common stock	7,989	20.00	June 30, 2020	September 2, 2020
Total		19,972			

- 2) Resolution at the Ordinary General Meeting of Shareholders to be held on March 25, 2021 concerning dividends on shares of common stock with the record date in the fiscal year ended December 31, 2020 but for which the effective date is after the end of the fiscal year

Cash dividends to be paid:	¥7,989 million
Cash dividends per share:	¥20.00
Record date:	December 31, 2020
Effective date:	March 26, 2021
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	332 thousand shares
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Financial Instruments

1. Financial Instruments

(1) Policy for financial instruments

The Shiseido Group limits fund management to short-term deposits, investments in 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.

Short-term investments in securities are short-term negotiable certificates of deposit, which have high stability and liquidity, and are held for the purpose of temporarily managing surplus funds. Investments in 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.

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

Interest-bearing debt includes short-term debt, which is primarily used to procure funds for operating transactions, as well as long-term debt, bonds and lease obligations, which the Shiseido Group primarily uses 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, 2020 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	130,013	130,013	—
(2)	Notes and accounts receivable (before deducting allowance for doubtful accounts)	144,728	144,728	—
(3)	Short-term investments in securities and investments in securities			
	Available-for-sale securities	29,739	29,739	—
(4)	Notes payable, electronically recorded obligations-operating, accounts payable and other payables	(152,622)	(152,622)	—
(5)	Short-term debt	(56,491)	(56,491)	—
(6)	Bonds	(65,000)	(64,980)	20
(7)	Long-term debt	(178,591)	(178,591)	-0
(8)	Lease obligations	(24,216)	(24,944)	-727
(9)	Derivative instruments			
1)	Hedge accounting not applied	291	291	—
2)	Hedge accounting applied	—	(344)	-344
(10)	Long-term payables	(52,968)	(52,968)	—

* 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 investments in 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 investments in securities and investments in securities

Short-term investments in 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 negotiable certificates of deposit included in available-for-sale securities, because these are instruments with short-term maturities and these amounts are approximately the same.

(4) Notes payable, electronically recorded obligations-operating, accounts payable and other payables; (5) Short-term debt

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	¥1,212.34
Net loss per share	¥29.19

Business Combinations

Regarding the business combination with Drunk Elephant Holdings, LLC, which was implemented on November 7, 2019, a provisional accounting treatment had been conducted for the previous fiscal year. However, it has been finalized in the fiscal year 2020.

Following the finalization of the provisional accounting treatment, a review of the acquisition cost that was initially allocated was conducted at the beginning of the fiscal year. As a result, there is no impact on the consolidated financial statements.

Significant Subsequent Events

Company splits and other changes accompanying the transfer of the Personal Care business

The Company has determined to transfer the Personal Care business (the "Business") and participate in its operation as a shareholder of the holding company of the company operating the Business (the "Transaction"). As part of the Transaction the Business will be transferred from the Company and its subsidiaries, through absorption-type corporate splits, to be succeeded by a newly established company (the "New Company"), whose shares will be subsequently transferred to Oriental Beauty Holding Company, Limited ("OBH"), financed by funds advised by CVC Capital Partners ("CVC"). The Company has executed a legally binding agreement pertaining to the above on February 3, 2021.

1. Objectives of the Transaction

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

2. Details of the Transaction Procedure

The part of the Business operating in Japan will be transferred from the Company and its wholly owned subsidiaries Shiseido Japan Company, Limited and FT Shiseido Company, Limited to the New

Company with an effective date of July 1, 2021 (planned) through absorption-type corporate splits, followed by a transfer of all outstanding shares of the New Company to OBH on the same date (planned; the “Share Transfer”). The overseas parts of the Business will be transferred from the Company’s subsidiaries operating in 10 countries and regions to OBH subsidiaries through asset transfers in accordance with local laws.

Following the Share Transfer, on the same date (planned) the Company will acquire 35% of the shares of K.K. Asian Personal Care Holding, the wholly owning parent company of OBH, and will cooperate with CVC to operate the Business. After the Share Transfer, the Business will be excluded from the scope of consolidation of the Company. 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 to be split and transferred

Business related to sale of personal care products

(2) Reportable segments containing the business to be split and transferred

Japan Business, China Business, and Asia Pacific Business

4. Transfer Price and the Impact of the Transaction on the Company’s Consolidated Performance

The transfer price of all shares of the New Company and related business assets is ¥160,000 million. The Company is currently analyzing the impact of the Transaction on its consolidated performance.

Other

The amounts presented have been rounded down to the nearest million yen.

Non-Consolidated Balance Sheet

(As of December 31, 2020)

(Millions of yen)

	December 31, 2020	December 31, 2019 (Reference)		December 31, 2020	December 31, 2019 (Reference)
ASSETS			LIABILITIES		
Current Assets:	218,974	314,878	Current Liabilities:	188,079	317,570
Cash and Time Deposits	26,185	14,947	Notes Payable	—	439
Notes Receivable	126	147	Electronically Recorded Obligations-Operating	50,575	55,548
Accounts Receivable	46,489	70,193	Accounts Payable	10,701	15,639
Short-term Investments in Securities	21,000	—	Short-Term Debt	30,000	108,000
Merchandise and Products	22,211	23,083	Current Portion of Long-Term Debt	10,000	—
Work in Process	4,900	5,079	Current Portion of Corporate Bonds Scheduled for Redemption	—	15,000
Raw Materials and Supplies	25,503	20,881	Lease Obligations	1,760	1,703
Prepaid Expenses	4,440	3,826	Other Payable	42,582	32,995
Short-Term Loans Receivable	2,576	95,991	Accrued Expenses	3,712	1,985
Other Accounts Receivable	23,054	51,577	Accrued Income Taxes	—	2,027
Other Current Assets	42,567	29,149	Deposits Received	1,301	1,774
Less: Allowance for Doubtful Accounts	(81)	—	Deposits Received from Subsidiaries and Affiliates	25,316	73,243
Fixed Assets:	600,163	475,131	Reserve for Sales Returns	8,892	3,995
Property, Plant and Equipment:	229,351	196,821	Accrued Bonuses for Employees	2,778	4,149
Buildings	103,539	75,694	Accrued Bonuses for Directors	162	101
Structures	3,497	2,876	Other Current Liabilities	293	967
Machinery and Equipment	45,208	34,646	Long-term Liabilities:	189,288	44,601
Vehicles	128	100	Bonds	65,000	15,000
Tools, Furniture and Fixtures	12,641	12,057	Long-Term Debt	110,000	10,000
Land	36,839	36,831	Lease Obligations	1,578	1,699
Leased Assets	3,205	3,241	Provision for Retirement Benefits	7,902	15,919
Construction in Progress	24,291	31,372	Allowance for Losses on Guarantees	350	350
Intangible Assets:	31,237	23,892	Other Long-Term Liabilities	4,457	1,632
Patent Rights	22	19	Total Liabilities	377,368	362,171
Telephone Rights	123	123	NET ASSETS		
Software	21,344	18,850	Shareholders' Equity:	437,919	423,965
Software in Progress	8,465	3,301	Common Stock	64,506	64,506
Leased Assets	84	113	Capital Surplus	70,258	70,258
Other Intangible Assets	1,196	1,483	Additional Paid-In Capital	70,258	70,258
Investments and Other Assets:	339,574	254,417	Retained Earnings	305,610	291,792
Investments in Securities	5,076	6,051	Legal Reserve	16,230	16,230
Investments in Shares of Subsidiaries and Affiliates	276,175	186,188	Other Retained Earnings	289,380	275,562
Other Investment Securities of Subsidiaries and Affiliates	17,631	17,631	Reserve for Advanced Depreciation of Fixed Assets	4,490	4,490
Capital Investments	368	483	Retained Earnings Carried Forward	284,890	271,072
Capital Investments in Subsidiaries and Affiliates	11,816	11,816	Less: Treasury Stock	(2,455)	(2,591)
Long-Term Loans Receivable	1,030	1,601	Valuation, Translation Adjustments and Others:	2,451	2,609
Prepaid Pension Expenses	—	6,007	Unrealized Gains (Losses) on Available-for-Sale Securities	2,451	2,609
Long-Term Prepaid Expenses	578	580	Stock Acquisition Rights	1,399	1,263
Deferred Tax Assets	14,883	11,510	Total Net Assets	441,770	427,838
Other Investments	12,226	12,748	TOTAL LIABILITIES AND NET ASSETS	819,138	790,009
Less: Allowance for Doubtful Accounts	(213)	(201)			
TOTAL ASSETS	819,138	790,009			

Non-Consolidated Statement of Income

(Fiscal Year from January 1, 2020 to December 31, 2020)

(Millions of yen)

	Fiscal Year	Previous Fiscal Year (Reference)
Net Sales	249,335	303,663
Cost of Sales	154,872	175,727
Gross Profit	94,463	127,936
Selling, General and Administrative Expenses	95,478	105,934
Operating Profit (Loss)	(1,015)	22,002
Other Income	36,588	34,503
Interest Income	701	466
Dividend Income	31,559	29,094
Gain on Investment in Limited Partnerships	1,456	1,494
Royalty Income	1,375	1,661
Other	1,495	1,786
Other Expenses	3,655	4,689
Interest Expense	356	358
Provision of Allowance for Doubtful Accounts	134	41
Loss on Investment in Limited Partnerships	0	2
Foreign Exchange Loss	1,394	3,230
Other	1,770	1,057
Ordinary Profit	31,917	51,816
Extraordinary Gains	5,099	47,722
Gain on Sales of Property, Plant and Equipment	488	640
Gain on Liquidation of Subsidiaries and Affiliates	3,556	—
Gain on Sales of Investments in Securities	819	47,082
Grant Income	184	—
Gain on Extinguishment of Tie-in Shares	51	—
Extraordinary Losses	6,599	3,927
Loss on Disposal of Property, Plant and Equipment	2,434	1,183
Structural Reform Expenses	1,963	—
Loss on COVID-19	1,621	—
Loss on Valuation of Investments in Securities	499	27
Loss on Revaluation of Shares in Subsidiaries and Affiliates	78	—
Loss on Sales of Investments in Securities	1	656
Transfer Pricing Taxation Adjustment	—	2,060
Profit before Income Taxes	30,417	95,611
Income Taxes – Current	(301)	(4,226)
Income Taxes for Prior Years	—	4,347
Income Taxes – Deferred	(3,148)	(3,016)
Net Profit	33,867	98,506

Non-Consolidated Statement of Changes in Net Assets
(Fiscal Year from January 1, 2020 to December 31, 2020)

(Millions of yen)

	Shareholders' Equity			
	Common Stock	Capital Surplus		
		Additional Paid-In Capital	Other Capital Surplus	Total Capital Surplus
Balance at Beginning of Period	64,506	70,258	—	70,258
Changes during Period				
Dividends from Retained Earnings				
Net Profit				
Reversal of Reserve for Special Account for Advanced Depreciation of Fixed Assets				
Provision of Reserve for 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					Treasury Stock, at Cost	Total Shareholders' Equity
	Legal Reserve	Other Retained Earnings		Total Retained Earnings			
		Reserve for Advanced Depreciation of Fixed Assets	Retained Earnings Carried Forward				
Balance at Beginning of Period	16,230	4,490	271,072	291,792	(2,591)	423,965	
Changes during Period							
Dividends from Retained Earnings			(19,972)	(19,972)		(19,972)	
Net Profit			33,867	33,867		33,867	
Reversal of Reserve for Special Account for Advanced Depreciation of Fixed Assets				—		—	
Provision of Reserve for Reduction Entry				—		—	
Acquisition of Treasury Stock					(12)	(12)	
Disposal of Treasury Stock			(76)	(76)	148	71	
Net Changes of Items Other than Shareholders' Equity						—	
Total Changes during Period	—	—	13,818	13,818	135	13,953	
Balance at End of Period	16,230	4,490	284,890	305,610	(2,455)	437,919	

(Millions of yen)

	Valuation, Translation Adjustments and Others		Stock Acquisition Rights	Total Net Assets
	Unrealized Gains (Losses) on Available-for-Sale Securities, Net of Taxes	Total Valuation, Translation Adjustments and Others		
Balance at Beginning of Period	2,609	2,609	1,263	427,838
Changes during Period				
Dividends from Retained Earnings				(19,972)
Net Profit				33,867
Reversal of Reserve for Special Account for Advanced Depreciation of Fixed Assets				—
Provision of Reserve for Reduction Entry				—
Acquisition of Treasury Stock				(12)
Disposal of Treasury Stock				71
Net Changes of Items Other than Shareholders' Equity	(158)	(158)	136	(21)
Total Changes during Period	(158)	(158)	136	13,931
Balance at End of Period	2,451	2,451	1,399	441,770

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 investments in 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) Provision for Sales Returns

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

3) Provision for Bonuses

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 provision for directors' bonuses.

4) Provision for Directors' Bonuses

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

5) 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.

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.

(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

“Allowance for environmental measures” under “long-term liabilities,” which was presented separately for the previous fiscal year, is included in “other long-term liabilities” from the fiscal year 2020 due to a decline in financial materiality.

Reclassifications of the non-consolidated financial statements for the previous fiscal year have been made to reflect this change in presentation. As a result, ¥38 million that was presented as “allowance for environmental measures” under “long-term liabilities” in the non-consolidated balance sheet for the previous fiscal year has been reclassified as “other long-term liabilities.”

Additional Information

The Company reflects accounting estimates such as fixed asset impairment and recoverability of deferred tax assets based on information available at the time that the non-consolidated financial statements are prepared. Accounting estimates assume the impact of COVID-19 subsiding within the period between the second half of fiscal 2021 and the first half of fiscal 2022, and a full-scale recovery within fiscal 2023 in terms of the Company’s performance, where impact varies by region and business.

However, due to uncertainties in the application of such assumption to the estimates above, unexpected changes in the recovery time for COVID-19 or its impact on the economic environment may affect the financial position and operating results of the Company in the future.

Notes to Non-Consolidated Balance Sheet

(1) Accumulated depreciation of property, plant and equipment: ¥100,673 million

(2) Guarantees

(Millions of yen)

Guarantee	Guaranteed Amount	Liability Guaranteed
Shiseido Americas Corporation	58,217	Loans
Total	58,217	

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

Short-term receivables	¥98,285 million
Long-term receivables	¥1,030 million
Short-term payables	¥25,670 million

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

Notes to Non-Consolidated Statement of Income

Transactions with subsidiaries and affiliates

Net sales	¥244,628 million
Purchases	¥18,049 million
Other operating transactions	¥22,030 million
Non-operating transactions	¥42,761 million

Notes to Non-Consolidated Statement of Changes in Net Assets

Treasury stock

(Thousand shares)

	Number of shares at January 1, 2020	Increase in shares in the year ended December 31, 2020	Decrease in shares in the year ended December 31, 2020	Number of shares at December 31, 2020
Common stock	564	1	32	534

Note 1: Shares of common stock held as treasury stock increased due to the purchase of 1 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 31 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	
Loss on revaluation of shares in subsidiaries and affiliates	22,341
Provision for retirement benefits	2,449
Inventories	5,990
Depreciation	4,948
Provision for bonuses	1,147
Write-down of investments in securities and other investments	375
Provision for sales returns	360
Other	3,520
Subtotal	41,133
Less: Valuation allowance	(22,858)
Total	18,275
Deferred tax liabilities	
Reserve for reduction entry of replaced property	(2,017)
Unrealized losses on available-for-sale securities	(1,041)
Unrealized losses on property, plant and equipment due to company split	(322)
Asset retirement obligation	(11)
Total	(3,391)
Net deferred tax assets	14,883

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, 2020 (Millions of yen)
Subsidiary	Shiseido Japan Co., Ltd.	Direct, 100%	Product sales Concurrent directors	Sales of cosmetics (Note 1)	30,195	Accounts receivable	11,235
				Rendering of services (Note 1)	7,169	Other payables	14,581
				Royalty income and payments (Note 1)	352		
				Deposit of funds (Note 2)	–	Deposits paid to subsidiaries and affiliates	15,964
Subsidiary	Shiseido Americas Corporation	Direct, 100%	Product sales Concurrent directors Debt guarantee	Loan guarantees (Note 3)	58,217	–	–
				Underwriting of capital increase (Note 4)	91,961	–	–
Subsidiary	Shiseido China Co., Ltd.	Direct, 100%	Product sales Concurrent directors	Sales of cosmetics (Note 1)	56,931	Accounts receivable	8,695
Subsidiary	Shiseido Travel Retail Asia Pacific Pte. Ltd.	Indirect, 100%	Product sales	Sales of cosmetics (Note 1)	48,777	Accounts receivable	362
						Other accounts receivable	7,203

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

Note 3: The loan guarantees have been provided for external loans outstanding of Shiseido Americas Corporation.

Note 4: The underwriting has been performed through execution of debt equity swap on loans to subsidiaries.

Amounts stated in the “Amount of Transactions” column above do not include consumption tax, while balances stated in the “Balance as of December 31, 2020” column above include consumption tax (except for deposits paid to subsidiaries and affiliates, and receivables from overseas subsidiaries).

Per-Share Information

Net assets per share ¥1,102.40

Net profit per share ¥84.78

Significant Subsequent Events

Company splits and other changes accompanying the transfer of the Personal Care business

This note has been omitted because the same details are stated in “Significant Subsequent Events” in the Notes to Consolidated Financial Statements. The Company is currently analyzing the impact of the Transaction on its performance.

Other

The amounts presented have been rounded down to the nearest million yen.

Copy of the Accounting Auditor's Report (Consolidated)

Independent Auditor's Report

February 19, 2021

The Board of Directors
Shiseido Company, Limited

KPMG AZSA LLC

Tokyo Office

Koichi Kohori (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Masakazu Hattori (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Kentaro Hayashi (Seal)
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, 2020 and for the year from January 1, 2020 to December 31, 2020 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.

Emphasis of Matter

We draw attention to the note regarding Significant Subsequent Events in the notes to the consolidated financial statements. On February 3, 2021, the Company entered into an agreement to transfer its Personal Care business through company splits and asset transfers. Following the transfer of shares of the Company which is subject to company split, the Company will newly acquire shares of the parent company of transferee and plan to include as associated company.

Our opinion is not modified in respect of this matter.

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 19, 2021

The Board of Directors
Shiseido Company, Limited

KPMG AZSA LLC

Tokyo Office

Koichi Kohori (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Masakazu Hattori (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Kentaro Hayashi (Seal)
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, 2020 and for the year from January 1, 2020 to December 31, 2020 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.

Emphasis of Matter

We draw attention to the note regarding Significant Subsequent Events in the notes to the financial statements. On February 3, 2021, the Company entered into an agreement to transfer its Personal Care business through company splits and asset transfers. Following the transfer of shares of the Company which is subject to company split, the Company will newly acquire shares of the parent company of transferee and plan to include as associated company.

Our opinion is not modified in respect of this matter.

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 121st business period (from January 1, 2020 to December 31, 2020), 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 121st 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 19, 2021

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: 3,991,165

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, 2020 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 2020 including the interim dividend will be ¥40, a decrease of ¥20 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: ¥20.00
The total amount thereof: ¥7,989,316,040

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

March 26, 2021

Basic Policy for Shareholder Returns (As of December 31, 2020)

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.

	118th Business Term (1/1/2017 - 12/31/2017)	119th Business Term (1/1/2018 - 12/31/2018)	120th Business Term (1/1/2019 - 12/31/2019)	121st Business Term (Current term) (1/1/2020 - 12/31/2020)
Annual cash dividends per share (Yen)	27.50	45	60	40 (Plan)
Annual dividends (Millions of yen)	10,986	17,970	23,965	15,978 (Plan)
Consolidated payout ratio (%)	48.3	29.3	32.6	– (Plan)
DOE (%)	2.7	4.1	5.1	3.3 (Plan)

Notes:

- Figures of each item for the 121st 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 (current term) is not shown because the amount of net profit attributable to owners of parent is negative.

Second 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 eight (8) directors will expire at the conclusion of this general meeting of shareholders. 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 Advisory Committee (currently 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 page 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* ² Japan Region CEO Representative Director, Chair and CEO, Shiseido Japan Co., Ltd. Chair of Global Risk Management & Compliance Committee		
2	Yukari Suzuki	Representative Director Executive Officer* ¹ Executive Corporate Officer Chief Brand Officer, <i>Clé de Peau Beauté, IPSA, THE GINZA, BAUM</i> Member of Global Risk Management & Compliance Committee Chair of HQ/SJ Compliance Committee* ³		
3	Norio Tadakawa	Director Executive Officer* ¹ Executive Corporate Officer Japan Region Chief Operating Officer (COO) Representative Director, President and COO, Shiseido Japan Co., Ltd. Member of Global Risk Management & Compliance Committee Member of HQ/SJ Compliance Committee* ³		
4	Takayuki Yokota	Executive Officer* ¹ Chief Financial Officer (CFO) Japan Region CFO Vice President, Financial Accounting Member of Global Risk Management & Compliance Committee Member of HQ/SJ Compliance Committee* ³	Candidate for New Director	
5	Yoshiaki Fujimori	External Director Member of Nomination & Remuneration Advisory Committee* ²	Candidate for External Director	Candidate for Independent Director
6	Yoko Ishikura	External Director Chair of Nomination & Remuneration Advisory Committee* ²	Candidate for External Director	Candidate for Independent Director
7	Shinsaku Iwahara	External Director Member of Nomination & Remuneration Advisory Committee* ²	Candidate for External Director	Candidate for Independent Director
8	Kanoko Oishi	External Director Member of Nomination & Remuneration Advisory Committee* ²	Candidate for External Director	Candidate for Independent Director

*1 From January 2021, the Company has introduced new management system of executive officers, in which officers bear responsibility for the company-wide business execution. These executive officers concurrently serve as corporate officers.

*2 From January 2021, the Nomination Advisory Committee and the Remuneration Advisory Committee have been integrated.

*3 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).

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 [incumbent]
Representative Director, Chair and President, Shiseido Japan Co., Ltd.
- Oct. 2020: Representative Director, Chair and CEO, Shiseido Japan Co., Ltd. [incumbent]
- Jan. 2021: Executive Officer of the Company [incumbent]

- Number of shares of the Company owned
17,300 Shares
- Number of years in office of the Company as Director
6 Years and 9 Months
- Number of attendance at the Board of Directors meetings of the Company for the fiscal year ended December 31, 2020
16 out of 16 Board of Directors meetings (100%)

- Number of attendance at the Nomination Advisory Committee meetings of the Company for the fiscal year ended December 31, 2020
4 out of 4 Nomination Advisory Committee meetings (100%)

- Number of attendance at the Remuneration Advisory Committee meetings of the Company for the fiscal year ended December 31, 2020
4 out of 4 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.

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

Due to these results and the leadership that enables him to promote reforms, 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, knowledge and professional information as follows:

- Experience and knowledge to a competent extent in overall management
- Experience and knowledge to a competent extent in sales and marketing
- Experience and knowledge to a competent extent in international business
- Experience and knowledge to a competent extent in marketing and product development
- Experience and knowledge to a competent extent in the general consumer product industry
- Experience and knowledge to a competent extent in corporate governance

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

- 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: Executive Corporate Officer of the Company [incumbent]
Chief Brand Officer, *Clé de Peau Beauté*, *IPSA*, *THE GINZA*, *BAUM* of the Company [incumbent]
- Mar. 2020: Director of the Company
- Jan. 2021: Representative Director of the Company [incumbent]
Executive Officer of the Company [incumbent]

- Number of shares of the Company owned
1,200 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, 2020
13 out of 13 Board of Directors meetings (100%)

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. Furthermore, she led the global growth of *Clé de Peau Beauté*, a representative prestige brand of the Company, in the Company's Global Prestige Brands division. Since January 2021, she has assumed office of Representative Director of the Company, and has assisted the CEO in general corporate management of the Company.

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

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

- Experience and knowledge to a competent extent in marketing and product development
- Experience and knowledge to a competent extent in international business

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
12,100 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, 2020
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: Executive Corporate 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) [incumbent]
Representative Director, President and COO, Shiseido Japan Co., Ltd. [incumbent]
 - Jan. 2021: Executive 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, Mr. Norio Tadakawa has handled work related to 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. He has also assumed the post of Chief Financial Officer, and thus possesses the experience and knowledge in finance and accounting. Based on those extensive experiences, until 2019, he played a leadership role in the reform of the supply network in which the supply shortage had been a serious issue, and actively contributed to solving management issues. In addition, since October 2020, he has assumed the office of Japan Region COO, and is promoting a reform of the Japan business, which is under a harsh environment due to the COVID-19 pandemic, overhauling strategies and taking charge of specific actions.

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

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

- Experience and knowledge in finance and accounting
- Experience and knowledge in marketing and product development
- Experience and knowledge in international business
- Experience and knowledge in supply network, including production and logistics

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)

Candidate for New Director

- Number of shares of the Company owned
0 Shares
- Number of years in office of the Company as Director
—
- Number of attendance at the Board of Directors meetings of the Company for the fiscal year ended December 31, 2020
—

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 [incumbent]
- Apr. 2020: Director and CFO, Shiseido Japan Co., Ltd.
- Jan. 2021: Executive Officer of the Company [incumbent]
Corporate Officer, Chief Financial Officer (CFO) of the Company [incumbent]
Japan Region CFO [incumbent]
Executive Officer and CFO, Shiseido Japan Co., Ltd. [incumbent]

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. He joined the Company as Vice President of Global Headquarters Finance in November 2019. Since January 2020, he has been efficiently identifying and resolving business challenges as Vice President of the Financial Accounting Department and promoting the globalization of the Company's finance function, a crucial element in its aim to "Be a Global Winner with Our Heritage."

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

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

- Experience and knowledge to a competent extent in finance and accounting
- Experience and knowledge to a competent extent in international business
- Experience and knowledge to a competent extent 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. Yoshiaki Fujimori (Date of birth: July 3, 1951)

Career Summary, and Position and Responsibilities at the Company

- Number of shares of the Company owned
200 Shares
 - Number of years in office of the Company as External Director
1 Year
 - Number of attendance at the Board of Directors meetings of the Company for the fiscal year ended December 31, 2020
13 out of 13 Board of Directors meetings (100%)
 - Number of attendance at the Nomination Advisory Committee meetings of the Company for the fiscal year ended December 31, 2020
4 out of 4 Nomination Advisory Committee meetings (100%)
 - Number of attendance at the Remuneration Advisory Committee meetings of the Company for the fiscal year ended December 31, 2020
3 out of 3 Remuneration Advisory Committee meetings (100%)
- Apr. 1975: Joined Nissho Iwai Corporation (currently Sojitz Corporation)
- Oct. 1986: Joined General Electric Japan, Ltd.
- Sep. 1997: Company Officer, General Electric Company
- May 2001: Senior Vice President, General Electric Company
- Oct. 2008: Representative Director, Chair, President and CEO, General Electric Japan, Ltd.
- Mar. 2011: Representative Director and Chair, General Electric Japan, Ltd. (currently GE Japan Inc.)
- Jun. 2011: Director, LIXIL Corporation (company disappearing in an absorption-type merger)
Director, JS Group Corporation (currently LIXIL Corporation)
- Aug. 2011: Representative Director, President and CEO, LIXIL Corporation (company disappearing in an absorption-type merger)
Director, Executive Officer, President and CEO, LIXIL Group Corporation (currently LIXIL Corporation)
- Jun. 2012: Outside Director, Tokyo Electric Power Company (currently Tokyo Electric Power Company Holdings, Inc.)
- Jan. 2016: Representative Director, Chair and CEO, LIXIL Corporation (company disappearing in an absorption-type merger)
- Jun. 2016: External Director, Takeda Pharmaceutical Company Limited [incumbent]
- Jul. 2016: External Director, Boston Scientific Corporation [incumbent]
- Feb. 2017: Senior Executive Advisor, CVC Asia Pacific (Japan) Kabushiki Kaisha [incumbent]
- Aug. 2018: External Director and Chair, Oracle Corporation Japan [incumbent]
- Jun. 2019: Outside Director, Toshiba Corporation [incumbent]
- Mar. 2020: External Director of the Company [incumbent]

Important Positions at Other Organizations Concurrently Held

- External Director, Takeda Pharmaceutical Company Limited*
 - External Director, Boston Scientific Corporation**
 - Senior Executive Advisor, CVC Asia Pacific (Japan) Kabushiki Kaisha
 - External Director and Chair, Oracle Corporation Japan*
 - Outside Director, Toshiba Corporation*
- (* indicates a listed company in Japan; ** indicates a listed company in the U.S.)

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

Mr. Yoshiaki Fujimori 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 was the first Asian who assumed the post of Senior Vice President of GENERAL ELECTRIC COMPANY in the U.S. He has also promoted the globalization of JS Group Corporation (currently LIXIL Corporation) and its group, and thus has a wealth of experience and a proven track record as a global leader. Mr. Fujimori has practical knowledge of the globalization of Japanese companies, based on which he has actively expressed opinions at meetings of the Board of Directors regarding the Company's medium-to-long-term strategy. He has achieved an adequate role on supervising the execution of business as external director of the Company.

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

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

- Experience and knowledge to a competent extent in overall management
- Experience and knowledge to a competent extent in international business
- Experience and knowledge to a competent extent in corporate governance
- Experience and knowledge to a competent extent in the general consumer product industry

Special Interest between the Candidate and the Company

Mr. Yoshiaki Fujimori concurrently holds the office of External Director of Takeda Pharmaceutical Company Limited (“Takeda Pharmaceutical”), External Director and Chair, Oracle Corporation Japan (“Oracle Japan”) and Outside Director of Toshiba Corporation (“Toshiba”), with which the Company has the following transactions. In addition, in February 2021, the Company has concluded a legally binding agreement pertaining to the transfer of the Company’s Personal Care business to an entity financed by funds advised by CVC Asia Pacific Limited, which is a group company of CVC Asia Pacific (Japan) Kabushiki Kaisha (“CVC”), at which he serves as a Senior Executive Advisor, and its affiliates. The agreement stipulates that the Company will provide cooperation aimed at further growth and development of the business as a shareholder of the company which will operate the said business after the transfer. While Mr. Fujimori is not involved in the business execution of CVC, to ensure fairness of the said transaction, he did not participate in any determinations of the Board of Directors of the Company related to the transaction, nor did he participate in any information sharing and discussions, consultations or negotiations with CVC held by the Company pertaining to the said transaction.

<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
Takeda Pharmaceutical Company Limited	Outsourcing business, etc.	Takeda Pharmaceutical 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, 2020
				Less than 1%	Consolidated revenue of Takeda Pharmaceutical for the fiscal year ended March 31, 2020
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, 2020
				Less than 1%	Net sales of Oracle Japan for the fiscal year ended May 31, 2020
Toshiba Corporation	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, 2020
				Less than 1%	Consolidated net sales of Toshiba for the fiscal year ended March 31, 2020



6. Yoko Ishikura (Date of birth: March 19, 1949)

Career Summary, and Position and Responsibilities at the Company

- Number of shares of the Company owned
1,400 Shares
 - Number of years in office of the Company as External Director
5 Years and 9 Months
 - Number of attendance at the Board of Directors meetings of the Company for the fiscal year ended December 31, 2020
16 out of 16 Board of Directors meetings (100%)
 - Number of attendance at the Nomination Advisory Committee meetings of the Company for the fiscal year ended December 31, 2020
4 out of 4 Nomination Advisory Committee meetings (100%)
 - Number of attendance at the Remuneration Advisory Committee meetings of the Company for the fiscal year ended December 31, 2020
4 out of 4 Remuneration Advisory Committee meetings (100%)
- Jul. 1985: Joined McKinsey & Company Inc. Japan Office
 - Apr. 1992: Professor, School of International Politics, Economics and Communication, Aoyama Gakuin University
 - Mar. 1996: Director (part-time), Avon Products Inc. (currently FMG & MISSION CO., LTD.)
 - Apr. 2000: Professor, Graduate School of International Corporate Strategy, Hitotsubashi University
 - Feb. 2001: Member, the Central Education Council
 - Apr. 2004: Director (part-time), Vodafone Holdings K.K. (previously) Outside Director (part-time), Japan Post (previously)
 - Oct. 2005: Vice President, Science Council of Japan
 - Jun. 2006: Outside Director, Mitsui O.S.K. Lines, Ltd.
 - Jan. 2008: Member (part-time), Council for Science and Technology Policy
 - Jun. 2010: Outside Director, NISSIN FOODS HOLDINGS CO., LTD. Outside Director, Fujitsu Limited
 - Apr. 2011: Professor, Graduate School of Media Design, Keio University
 - Apr. 2012: Professor Emeritus, Hitotsubashi University [incumbent]
 - Jun. 2012: Outside Director, Lifenet Insurance Company
 - Jun. 2014: Outside Director, Sojitz Corporation
 - Jun. 2015: External Director of the Company [incumbent]
 - Apr. 2018: Chair of Nomination Advisory Committee of the Company
 - Jun. 2019: Outside Director, SEKISUI CHEMICAL CO., LTD. [incumbent]
 - May 2020: Outside Director, TSI HOLDINGS CO., LTD. [incumbent]
 - Jan. 2021: Chair of Nomination & Remuneration Advisory Committee of the Company [incumbent]

Important Positions at Other Organizations Concurrently Held

- Outside Director, SEKISUI CHEMICAL CO., LTD.*
 - Outside Director, TSI HOLDINGS CO., LTD.*
- (* indicates a listed company)

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

Ms. Yoko Ishikura 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 a high level of knowledge in international corporate strategy, based on which she has actively made statements at meetings of the Company's Board of Directors. She has achieved an adequate role on supervising the execution of business as external director of the Company.

Also, as a Chair of the Company's Nomination Advisory Committee and a member of Remuneration Advisory Committee, she attended the meetings of these Committees and actively expressed opinions.

She has not participated in management of companies other than as external director and audit & supervisory board member. For the reasons stated above, however, the Company is of an opinion that she would be able to fulfill adequately the role of external director. Accordingly, the Board of Directors has decided to continuously select her as a candidate for external director. After election, she is expected to continue fulfilling the abovementioned roles.

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

- Professional knowledge in international politics and economics
- Professional knowledge in international corporate strategy
- Experience and knowledge to a competent extent in corporate governance

Special Interest between the Candidate and the Company

Ms. Yoko Ishikura concurrently holds the office of Outside Director of SEKISUI CHEMICAL CO., LTD. (“SEKISUI CHEMICAL”), 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
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, 2020
				Less than 1%	Consolidated net sales of SEKISUI CHEMICAL for the fiscal year ended March 31, 2020



7. 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

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

- Number of shares of the Company owned
400 Shares
- Number of years in office of the Company as External Director
3 Years
- Number of attendance at the Board of Directors meetings of the Company for the fiscal year ended December 31, 2020
16 out of 16 Board of Directors meetings (100%)
- Number of attendance at the Nomination Advisory Committee meetings of the Company for the fiscal year ended December 31, 2020
4 out of 4 Nomination Advisory Committee meetings (100%)
- Number of attendance at the Remuneration Advisory Committee meetings of the Company for the fiscal year ended December 31, 2020
4 out of 4 Remuneration Advisory Committee meetings (100%)

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. He thus possesses a wealth of experience. Based on such knowledge and experience, he has been contributing toward improving the effectiveness of the Board of Directors of the Company by actively making statements at meetings of the Board of Directors.

Also, as a member of the Company's Nomination Advisory Committee and Remuneration Advisory Committee, he attended the meetings of these Committees and actively expressed opinions.

He has not participated in management of companies other than as external director and audit & supervisory board member. For the reasons stated above, however, the Company is of 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, knowledge and professional information as follows:

- Professional knowledge in legal matters
- Professional knowledge in corporate governance
- Professional knowledge in finance and accounting

Special Interest between the Candidate and the Company

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



8. 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
1,900 Shares
- Number of years in office of the Company as External Director
5 Years
- Number of attendance at the Board of Directors meetings of the Company for the fiscal year ended December 31, 2020
16 out of 16 Board of Directors meetings (100%)
- Number of attendance at the Nomination Advisory Committee meetings of the Company for the fiscal year ended December 31, 2020
4 out of 4 Nomination Advisory Committee meetings (100%)
- Number of attendance at the Remuneration Advisory Committee meetings of the Company for the fiscal year ended December 31, 2020
3 out of 4 Remuneration Advisory Committee meetings (75%)

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 which she has actively made statements at meetings of the Company's Board of Directors. She has achieved an adequate role on supervising the execution of business as external director of the Company.

Also, as a Chair of the Company's Remuneration Advisory Committee and a member of Nomination Advisory Committee, she attended the meetings of these Committees and actively expressed opinions.

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, knowledge and professional information as follows:

- Experience and knowledge to a competent extent in overall management
- Experience and knowledge to a competent extent in the medical industry
- Experience and knowledge to a competent extent in corporate governance

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, 2020
				Less than 1%	Net sales of MEDIVA for the fiscal year ended December 31, 2020

<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, 2020
				Less than 1%	Consolidated net sales of Ezaki Glico for the fiscal year ended December 31, 2020

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. Yoshiaki Fujimori, Ms. Yoko Ishikura, 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.

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. In the event of a claim for damages submitted by a shareholder or a third party, etc., 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. Yoshiaki Fujimori, Ms. Yoko Ishikura, 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. Yoshiaki Fujimori, Ms. Yoko Ishikura, Mr. Shinsaku Iwahara and Ms. Kanoko Oishi as Independent Directors.

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.

5. Presentation of name

Ms. Yoko Ishikura's name as recorded on the official family register is Yoko Kurita.

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

The term of office of external audit & supervisory board member, Mr. Hiroshi Ozu 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 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.

Furthermore, the Company sets forth the Criteria for Independence of External Directors and Audit & Supervisory Board Members. The candidate for external audit & supervisory board member has fulfilled the Criteria in full. Overview of the criteria is stated on page 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/>).

Candidate for Audit & Supervisory Board Member



Hiroshi Ozu (Date of birth: July 21, 1949)

Candidate for External Audit & Supervisory Board Member

Candidate for Independent Audit & Supervisory Board Member

Career Summary and Position at the Company

- Number of shares of the Company owned
300 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, 2020
15 out of 16 Board of Directors meetings (93.7%)
 - Number of attendance at the Audit & Supervisory Board Members meetings of the Company for the fiscal year ended December 31, 2020
13 out of 13 Audit & Supervisory Board Members meetings (100%)
- Apr. 1974: Public Prosecutor, Tokyo District Public Prosecutors Office
 - Jun. 2001: Chief Prosecutor, Saga Public Prosecutors Office
 - Aug. 2002: Public Prosecutor, Supreme Public Prosecutors Office
 - Jun. 2004: Deputy Vice-Minister, Ministry of Justice
 - Jun. 2006: Director-General, Criminal Affairs Bureau, Ministry of Justice
 - Jul. 2007: Vice-Minister, Ministry of Justice
 - Jul. 2009: Superintendent Public Prosecutor, Sapporo High Public Prosecutors Office
 - Dec. 2010: Deputy Prosecutor-General, Supreme Public Prosecutors Office
 - Aug. 2011: Superintendent Public Prosecutor, Tokyo High Public Prosecutors Office
 - Jul. 2012: Prosecutor-General, Supreme Public Prosecutors Office
 - Sep. 2014: Registered as Attorney
 - Jun. 2015: External Audit & Supervisory Board Member, MITSUI & CO., LTD. [incumbent]
Outside Audit & Supervisory Board Member, TOYOTA MOTOR CORPORATION [incumbent]
 - Mar. 2016: Representative Director, Shimizu Scholarship Foundation, general incorporated foundation [incumbent]
 - Nov. 2016: President, Criminal Justice Welfare Forum Oasis, general incorporated association [incumbent]
 - Mar. 2017: External Audit & Supervisory Board Member of the Company [incumbent]
 - May 2017: President, Japan Criminal Policy Society [incumbent]

Important Positions at Other Organizations Concurrently Held

- Attorney
 - External Audit & Supervisory Board Member, MITSUI & CO., LTD.*
 - Outside Audit & Supervisory Board Member, TOYOTA MOTOR CORPORATION*
 - Representative Director, Shimizu Scholarship Foundation, general incorporated foundation
 - President, Criminal Justice Welfare Forum Oasis, general incorporated association
 - President, Japan Criminal Policy Society
- (* indicates a listed company)

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

Mr. Hiroshi Ozu is a candidate for external audit & supervisory board member fulfilling the requirements provided in Article 2, paragraph (3), item (viii) of the Regulation for Enforcement of the Companies Act.

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

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

- Professional knowledge on legal matters
- Experience and knowledge on corporate governance

Special Interest between the Candidate and the Company

Mr. Hiroshi Ozu concurrently holds the office of External Audit & Supervisory Board Member of MITSUI & CO., LTD. (“MITSUI & CO.”), and Outside Audit & Supervisory Board Member of TOYOTA MOTOR CORPORATION (“TOYOTA MOTOR”), with which the Company has the following transactions:

<Organization at Which the Candidate Concurrently Assumes the Post of External Audit & Supervisory Board Member>

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
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, 2020
				Less than 1%	Consolidated revenue of MITSUI & CO. for the fiscal year ended March 31, 2020
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, 2020
				Less than 1%	Total consolidated net sales of TOYOTA MOTOR for the fiscal year ended March 31, 2020

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 audit & supervisory board members 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 audit & supervisory board members 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 Mr. Hiroshi Ozu, under which his 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 Mr. Hiroshi Ozu is reappointed, the Company plans to renew the agreement with the same details.

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. In the event of a claim for damages submitted by a shareholder or a third party, etc., 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 Officers

The Company has designated Mr. Hiroshi Ozu as Independent Audit & Supervisory Board Member 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. Hiroshi Ozu as Independent Audit & Supervisory Board Member.

Fourth 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.

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 2021 to Eligible Directors as remuneration, etc. for fiscal 2021 under the LTI, the Company cordially requests shareholders to approve the following:

- 1) a total maximum payment amount (the “maximum payment amount”) of 78,000 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 corporate 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 39,000 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.

Currently, the number of directors of the Company is eight directors (including four external directors). If the Second Item of Business gets 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 2020 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 69 through 77.

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 2021 as the fiscal year that the payment relates to covers the three fiscal years from January 1, 2021 through December 31, 2023, and delivery of monetary remuneration claims for the delivery of the Company's common stock and payment of cash 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 (78,000 shares) used as the basis for the calculation of the above maximum payment amount and the maximum number of shares to be delivered (39,000 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. In light of the trends in the economic environment and the cosmetics market that have drastically changed due to the global spread of COVID-19, the Company will shift its strategic focus from the net sales to profitability and cash flow under the medium-to-long-term strategy WIN 2023 and Beyond. Through reforms of cost of sales and selling, general and administrative expenses, the Company will aim to achieve operating profit margin of 15%. In light of this three-year plan, the Company shall revise indicators related to profits, among performance indicators related to economic value to be used in the calculation of remuneration, etc. for fiscal 2021. The Company has replaced the consolidated operating profit compound average growth rate (CAGR), which had been set through the previous fiscal year, with the consolidated operating profit margin (absolute indicator) for the final fiscal year of the evaluation period, and increased its evaluation weight from 45% to 60%.
- 3) The overall picture of the performance indicators and their weights under the LTI is shown in the table below. The targets for indicators related to economic value, consolidated net sales

CAGR for the evaluation period and consolidated operating profit margin for the final fiscal year of the evaluation period, are 7% and 15%, 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 margin for the final fiscal year are 4% and 10%, respectively, and in the event that performance falls below these values, the performance-linked portion for each of these indicators will not be paid. The CAGR of consolidated net sales will be calculated based on performance in fiscal 2019 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 will also be similarly established for multiple internal and external indicators related to environment, society, and corporate governance (ESG), 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 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 net sales compound average growth rate (CAGR)	30%	100%
	Consolidated operating profit margin for the final fiscal year of the evaluation period	60%	
Social Value Indicators	Multiple internal and external indicators such as those related to environment, society, and governance (ESG) with focus on the area of “empowered beauty”	10%	
Economic Value Indicator	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.	

- 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 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 described in the above "Structure of the LTI."
- *3 In the event that the maximum number of shares to be delivered (39,000 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 at the end of the evaluation period. 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) 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.
- 2) Certain illegal activities determined by the Board of Directors must not have occurred.
- 3) Any other conditions set forth by the Board of Directors as necessary to achieve the intent of the LTI must be fulfilled.

Treatment when Eligible Directors 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 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 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), and such delivery or payment shall be 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).

Note: 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.

- 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"
 - "Long-Term Incentive-Type Remuneration by Fiscal 2018"
 - "Determination of the Exercisable Percentage of Long-Term Incentive-Type Remuneration for Fiscal 2017"

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/>)