(Translation)

March 13, 2018

Dear Sirs and Madams,

Name of Company:	Shiseido Company, Limited
Name of Representative:	Masahiko Uotani President and CEO (Representative Director)

(Code No. 4911; The First Section of the Tokyo Stock Exchange)

Contact:	Harumoto Kitagawa Department Director Investor Relations Department (Tel: +81 3 3572 5111)

View of the Company on ISS report

The Company has received the following view for the opposition by Institutional Shareholder Services, Inc. (hereinafter, “ISS”) to the fourth item of business (revision of the amount of compensation payable to members of the board of directors) at the 118th Ordinary General Meeting of Shareholders of the Company from the Nomination Advisory Committee and Remuneration Advisory Committee of the Company*.
The Company agrees entirely with the view of the Nomination Advisory Committee and Remuneration Advisory Committee.

※ Although the Company has adopted the framework of a company with an Audit & Supervisory Board, it has established a Nomination Advisory Committee and a Remuneration Advisory Committee as voluntary committees. The Nomination Advisory Committee consists of a total of five members: Tatsuo Uemura (external director) as chairperson, and Yoko Ishikura (external director), Shoichiro Iwata (external director), Kanoko Oishi (external director), and Masahiko Uotani Representative Director, President & CEO (hereinafter “CEO Uotani”). The Remuneration Advisory Committee consists of a total of six members: Shoichiro Iwata (external director) as chairperson, and Yoko Ishikura (external director), Kanoko Oishi (external director), Tatsuo Uemura (external director), an external committee member (invited from Pay Governance Japan Corporation as external remuneration consultant), and CEO Uotani.

1. View of ISS

ISS is opposed to the fourth item of business mainly for the following reasons based on its "2018 Japan Proxy Voting Guidelines."

(1) About setting of an upper limit of an amount of remuneration

There is a concern that the upper limit of annual remuneration of two (2) billion yen or less (including two hundred (200) million yen or less for external directors) is far beyond the standard remuneration limit of Japanese companies, and is the level of major companies in the USA.
ISS thinks that there is a problem in a case where the upper limit of remuneration in cash reaches six hundred (600) million yen for one director in charge of businesses execution (hereinafter, "managing director(s)") and the approval process at a meeting of shareholders is omitted, but the transparency that is strongly required in a remuneration system for managing directors, information disclosure, etc. is lacking.

(2) About the transparency of the remuneration system for managing directors and accountability through information disclosure to shareholders

ISS thinks that in a case where shareholders miss the opportunity at a meeting of shareholders to approve bonus amounts paid, the remuneration system for managing directors and operation of the system must be highly transparent and it is essential for the Company to achieve accountability to shareholders through detailed information disclosure.
From this perspective, the concerns are as follows.

(i) Of the performance indicators for annual bonus, indicators such as "consolidated net sales" and "consolidated operating income," which are not necessarily linked directly to the interest of shareholders, are used as the indicator for "Group-wide performance."
(ii) With regard to "Level of achievement of strategic goals set individually," one of the performance indicators for annual bonuses for managing directors, there remains a possibility of arbitrary management including the absence of a clear specific target. In addition, there is also a concern about the performance indicator of "Performance of business unit in charge" set for corporate officers in charge of businesses.
(iii) Because of the presence of CEO Uotani on the Remuneration Advisory Committee, there is a concern about the possibility of a conflict of interest.

2. Views of the Nomination Advisory Committee and, the Remuneration Advisory Committee of the Company

The directors, Audit & Supervisory board members and corporate officers remuneration policy of the Company is designed at the Remuneration Advisory Committee chaired by external directors based on the following basic philosophy, while incorporating objective points of views.

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

The directors, Audit & Supervisory board members and corporate officers remuneration policy shall:

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

In addition, emphasis is placed on the concept of "corporate mission-linked pay (remuneration for achievements which should be made)" for the ideal "Shiseido to remain vital for the next 100 years." Proposal 4 (revision to the amount of remuneration for directors) referred to the 118th Ordinary General Meeting of Shareholders is made based on the calculation according to the said basic philosophy and the concept of "corporate mission-linked pay."

(1) About setting of the upper limit of an amount of remuneration

In setting of the upper limit of an amount of remuneration which is " two (2) billion yen or less for a year (including two hundred (200) million yen or less for a year for external directors)," the Company considers that the Articles of Incorporation provide that the upper limit of the number of directors shall be twelve (12) and that not less than one half of the directors actually appointed shall be external directors according to the Company's policy.

In addition, the Company considers that to ensure the proper supervision of business management, it is important to appoint an optimum number of directors within the upper limit provided for in the Articles of Incorporation, taking into account the business portfolio and the business scale. Accordingly, it will be rational to set the upper limit of an amount of remuneration sufficient to appoint twelve (12) directors (including six (6) external directors) at a maximum. In setting the upper limit of an amount of remuneration for the said number of directors, the matters described below are taken into account. The Company judges that the upper limit of an amount of remuneration which is "two (2) billion yen or less for a year (including two hundred (200) million yen or less for a year for external directors)" is an appropriate level.

(i) The current upper limit of an amount of basic remuneration only is thirty (30) million yen or less a month (equivalent to three hundred and sixty (360) million yen or less for a year). The amount of basic remuneration actually paid for fiscal 2017 is two hundred and seventy (270) million yen for a year (twenty two point five (22.5) million yen on average for a month). The calculation of the new upper limit is made based on the assumption that the current upper limit barely covers the amount of basic remuneration for six (6) to seven (7) directors including that for external directors.

Moreover, the current upper limit was determined in 1989 based on the economic environment, etc. at the time. The amount calculated this time takes into account the changes in the external environment since then, such as economic conditions and other factors, as well as changes in the Company's state of business and financial condition.

(ii) An amount sufficient to cover the basic remuneration for twelve (12) directors and the annual bonus for six (6) directors is calculated based on the assumption that the maximum number of directors, namely twelve (12) directors, includes six (6) external directors to whom the annual bonus will not be paid.

(iii) In calculation of the amount described in (ii) above, the following factors are considered for the assumed period of three (3) years from 2018 to 2020.

- Increase in the basic remuneration within a certain limit (for managing directors and external directors)
- Ratio of the standard amount of annual bonus to the total amount of remuneration (only for managing directors)
- The upper limit of the rate of payment of the annual bonus (only for managing directors)

(iv) The Company aims to be a "Global Winner with Our Heritage." To that end, the Company has been proceeding with globalization and diversity in many aspects. In that regard, the need to guarantee the possibility that a foreign person assumes the office of director of the Company is also considered. The remuneration level for foreign directors is generally higher than that for Japanese directors.

ISS judges that the setting of an amount of remuneration at two (2) billion yen or less for a year (including two hundred (200) million yen or less for a year for external directors) which is proposed under the fourth item of business to the general meeting of shareholders means the setting of an upper limit of an amount of remuneration consisting of basic remuneration and annual bonus for the three (3) directors who execute business at six hundred (600) million yen for one (1) person. However, the Company's intention is to set the upper limit of an amount of remuneration sufficient to pay the basic remuneration and the annual bonus when the number of managing directors increases to six (6) in the future.

Also for external directors, the upper limit of an amount of remuneration is set at two hundred (200) million yen based on the assumption that the number of external directors may be increased to six (6), in the same way as the managing directors.

In addition, as explained above, in setting the upper limit of the amount of remuneration for directors, in calculating the said upper limit the Company considers future possibilities including the appointment of foreign directors as part of initiatives to increase the diversity of directors as well as an increase in the number of directors within the scope provided for by the Articles of Incorporation. Therefore, the said upper limit should not be compared to the operating results for a year only in judging the appropriateness of the ratio of the said upper limit. ISS states that one of the concerns about the setting of the upper limit of an amount of remuneration at two (2) billion yen is its level compared to net income attributable to owners of parent for fiscal 2017 of the Company, which is close to 9% (8.8%). However, when the upper limit of the amount of remuneration sufficient to increase the number of directors and change the members of the Board of Directors to a reasonable extent in the future is set, a comparison only with the operating results for a year is not the best approach to judging the appropriateness of the said upper limit.

(2) About Transparency of the system for remuneration for managing directors and accountability to the shareholders through information disclosure

The Company considers that information disclosure about the remuneration for managing directors is very important. And the Company has endeavored to disclose the specifics of the remuneration for managing directors actually paid and the system for remuneration for managing directors. ISS also recognizes these efforts for improved disclosure as an achievement to a certain degree. The Company will continue to fulfill its accountability for remuneration for managing directors by disclosing information on it.
There are no changes except for the different method of final determination between a case in which a specific amount of remuneration to be paid is proposed to the general meeting of shareholders and a case in which such amount is decided within the upper limit of the amount of remuneration by resolution of the board of directors. The standards for calculation of the annual bonus for directors and the process for calculation have not changed. The Company continues to work hard on improving the functions for corporate governance. As part of these efforts, the functions of the Nomination Advisory Committee, the Remuneration Advisory Committee, the evaluation working group and the Board of Directors have been improved. Based on a regular evaluation of management by these organs, the Board of Directors should finally determine the specific amount of bonus payable. This method should lead to a more effective evaluation of managing directors and meet the recent social demand for corporate governance reform.
The Company's views regarding the concerns of ISS described in 1. (2) (i) to (iii) above are described below.

(i) Regarding that "the performance indicators for annual bonus include 'consolidated net sales' and 'consolidated operating income' which relate to Group-wide performance and are not necessarily linked directly to the interest of shareholders"

Operating income is included in the performance indicators for annual bonuses because the definition of operating income is close to the definition of core earnings, which will help to encourage the management's focus on the core business, with a stronger link between the performance of the core business and the performance-based remuneration.

In addition, the "new three-year plan" (for 2018 to 2020) announced on Monday, March 5, 2018 sets the target for CAGR of three-year sales to be achieved at over 8%, among other targets, emphasizing sales growth. Therefore, the consolidated net sales are also included in the evaluation indexes.

(ii) Regarding that "there is a possibility of arbitrary management of the 'Level of achievement of strategic goals set individually' which is one of the performance indicators for annual bonuses because of the absence of a clear specific target, among other reasons" and that "there is a concern about the performance indicator of 'Performance of business unit in charge' set for corporate officers in charge of businesses"

With respect to these concerns, specifically to prevent such arbitrary management, the Remuneration Advisory Committee which deliberates on remuneration in a highly independent position consists of a chairperson who is an external director and the members who are external directors or secured from outside the Company, with the exception of CEO Uotani.

In addition, the evaluation working group consisting of external directors and external members of the Audit & Supervisory Board is set up as an organ to conduct an evaluation of CEO Uotani and deliberate on his remuneration. Based on the results of deliberations at the meeting of the evaluation working group, deliberations on the remuneration are conducted at the meeting of the Remuneration Advisory Committee held by members with the exception of CEO Uotani.

Also, in an evaluation of the business results of corporate officers in charge of businesses such as regional headquarters presidents, the performance evaluation by CEO Uotani is considered by the Remuneration Advisory Committee in terms of the said evaluation process and the appropriateness of the results thereof, eliminating arbitrary management.

(iii) Regarding that "there is a concern about the possibility of a conflict of interests arising from the presence of CEO Uotani on the Remuneration Advisory Committee"

The Remuneration Advisory Committee of the Company has an adequately high degree of independence and a high degree of effectiveness given its structure and management, which is described below.

- Five (5) members among the chairperson and the members (six (6) members in total) are independent outsiders.

- The chairperson is an external director who currently engages in business as a manager with extensive experience in practical management of evaluation and remuneration as well as a high level of knowledge.
- A system has been established under which any excessive influence by CEO Uotani is prevented. Specifically, one (1) of the five (5) members who are independent outsiders is a professional specializing in remuneration for managing directors who is invited from the remuneration consultant (Pay Governance Japan Corporation) with a track record of achievement both in Japan and abroad which is independent from the Company's business execution. Moreover, the business of the secretariat is assigned to persons who are not included in the direct reporting line of CEO Uotani.
- CEO Uotani became a member of the committee based on the judgment of the committee's chairperson. The purpose of including CEO Uotani among the members of the committee is to obtain input about evaluation and remuneration from CEO Uotani to enable the committee to appropriately evaluate remuneration.
- A rule under which CEO Uotani shall leave meetings of the committee when the evaluation of and remuneration for CEO Uotani is deliberated has already been established and is strictly applied.

3. Conclusion

The Company has continuously worked to increase the effectiveness of the organs set up at its discretion, namely the Nomination Advisory Committee, the Remuneration Advisory Committee, the evaluation working group and the Board of Directors. These organs have actually conducted evaluations of management, including directors, in an effective manner.

We understand that the reason for ISS's communication to encourage the appointment of external directors among Japanese companies is the expectation of realistic functioning of external directors appointed as a result of such encouragement. The value of such realistic functioning of external directors will be realized only when the results of a regular or periodic evaluation of business management which is strictly conducted are reflected directly in the remuneration for officers and appointment of officers.

The Company firmly believes that the way to realize more effective monitoring of remuneration, including basic remuneration and bonuses for directors, is to divide the process for approval of the upper limit of an amount of remuneration which is rational at the general meeting of shareholders and the process for determining the specific amount of payment within the said limit by the Remuneration Advisory Committee and the Board of Directors which conduct a substantial evaluation of the business execution and the performance of duties by the recipients of such payments. According to this approach, it is decided to refer the fourth item of business (revision of the amount of compensation payable to members of the board of directors) to shareholders at the 118th Ordinary General Meeting of Shareholders. The Company considers that the proposal is fully appropriate and reasonable.

In addition, the Company considers that its views agree with those of ISS in that the Company must continuously fulfill its accountability to the shareholders at all times to realize the effective monitoring of remuneration envisaged by the Company. The Company has already actively disclosed information about the system for remuneration for officers and the actual records of payments, among other explanations it has provided.
At present, the legal system for companies (relating to corporate governance) is being reviewed in Japan. In this review, with respect to the policy for determining remuneration for and other payments to officers, it is proposed to provide for a new obligation to provide explanations at the general meeting of shareholders and to improve information disclosure in the business report about remuneration for, and other payments to, officers. Moreover, disclosure of remuneration for officers and other related matters is discussed by the Financial System Council of the Financial Services Agency, via a "Disclosure Working Group." The Company will continue to diligently consider ways to improve information disclosure to fulfill its accountability for remuneration for officers, following the trends of such discussions and will make timely reports on the progress of such consideration through information disclosure and other means.

End.

Directors, Audit & Supervisory Board Members and Corporate Officers New Remuneration Policy Aligned to the Three-Year Plan for Fiscal 2018 Through Fiscal 2020

■ Overview

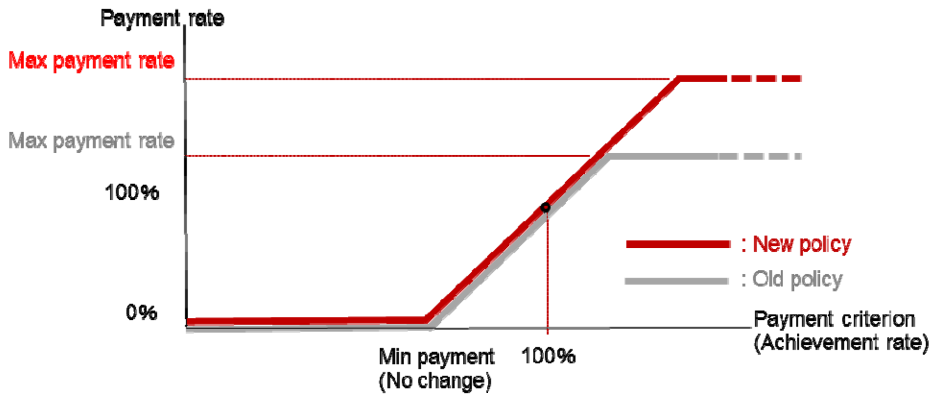
The Company has dedicated the three years from fiscal 2018 through fiscal 2020 to pursuing new strategies aimed at accelerating growth.

Meanwhile, because the three years from fiscal 2015 through fiscal 2017 have been positioned as the period for rebuilding the Company's business foundation, the Company has accordingly designed the directors, audit & supervisory board members and corporate officers remuneration policy for the three years so that directors, audit & supervisory board members and corporate officers will be motivated to implement drastic reformation as leaders of the transformation. In addition, the Company has also established incentives for its officers to strategically resolve challenges from a long-term growth perspective where necessary, although some challenges to be resolved may require actions that could negatively affect business performance data in the short term.

Beginning in fiscal 2018, the Company will also hasten growth by creating a virtuous cycle while continuing to pursue structural reforms. This will essentially involve adhering to the business structure prevailing up through fiscal 2017, while on the other hand designing the remuneration scheme to place more focus on the notion of "pay linked to the corporate mission," which constitutes a step beyond the notion of "pay for performance" whereby remuneration paid to an officer reflects his or her accomplishments. Under the notion of "pay linked to the corporate mission," the Company evaluates the extent to which long-term strategies reflecting its management approach and Corporate Philosophy have been achieved, in addition to considering net sales, operating income, and other quantitative financial results.

Under the new remuneration policy, the Company has increased the maximum rate of the annual bonus payment, meaning that its officers are now eligible for a larger annual bonus payment than before in the event that growth achieved greatly exceeds the objectives. Also, the long-term incentive-type remuneration, another component of performance-linked compensation, now involves providing stock compensation which is equivalent in monetary value to the annual bonus in principle. As such, performance-linked compensation as a whole is now more substantially linked to performance, given that the maximum rate of the annual bonus payment has been increased.

■ Lifting of maximum rate of annual bonus payment (payment model diagram)



■ Proportion of remunerations by remuneration type for each rank of directors based on directors, audit & supervisory board members and corporate officers new remuneration policy

Rank as corporate officer	Composition of remuneration for directors and corporate officers			
	Basic remuneration	Performance-linked remuneration		Total
		Annual bonus	Long-term incentive remuneration	
President and CEO	46%	27%	27%	100%
Executive Vice President	54%–56%	22%–23%	22%–23%	
Corporate Senior Executive Officer	54%–58%	21%–23%	21%–23%	
Corporate Executive 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 in the applicable role grade, and the achievement rate related to performance-linked remuneration is 100%.
2. There is no difference in the proportion of remunerations 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 remunerations by remuneration type will vary even within a same rank.
4. A fixed amount of remuneration separately provided in accordance with the roles such as the chairman of the Board is not included in the table.

■ **Basic remuneration**

The Company designs to set basic remunerations in accordance with the role grades, which is set based on size and level of responsibility that respective officers are 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 their achievements of respective directors, audit & supervisory board members and corporate officers.

For external directors and audit & supervisory board members, the Company shall not pay the basic remuneration that has a certain allowance for increase, but pay the fixed remuneration only which is determined in accordance with their respective roles.

■ **Performance-linked remuneration**

The performance-linked remuneration consists of an “annual bonus” provided based on annual business performance, and “stock options as long-term incentive-type remuneration,” designed to motivate the directors and corporate officers to manage business operation while being more conscious about the Company’s performance and share price from the perspectives of not only a single-year but also a medium to long term. In addition, the Company has ensured that the both remunerations are designed to further motivate them to resolve strategic challenges from a long-term perspective by adding the part of evaluation based on evaluation of personal performance.

In fiscal 2018, the Company will continue to provide performance-linked stock options under its long-term incentive-type remuneration scheme, but will also keep considering the possibility of shifting to a stock compensation approach that would be better tailored to the Company’s remuneration philosophy.

■ **Annual bonus**

The Company has set evaluation items for the annual bonus linked to performance in accordance with the scope 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 income as common performance indicators across directors and corporate officers. Although on the one hand it is essential that the entire management team remains aware of matters involving net income attributable to owners of parent, on the other hand it’s crucial that management not let the benchmark weigh too heavily on proactive efforts particularly involving future growth-oriented investment. 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 addition, as was the case for remuneration policy up to fiscal 2017, we set the individual performance evaluation of all directors and corporate officers in order to add the level of achievement regarding strategic goals that cannot be measured by the financial performance figures alone, such as efforts for restructuring of the business platform to realize sustainable growth, to evaluation criteria.

■ Evaluation weights of annual bonus for directors

<table>
<tr><th rowspan="3">Evaluation item</th><th rowspan="3">Performance indicators</th><th colspan="10">Evaluation weight</th></tr>
<tr><th colspan="2" rowspan="2">President and CEO</th><th colspan="4">Corporate officers in charge of businesses</th><th colspan="4">Corporate officers other than those in charge of businesses</th></tr>
<tr><th colspan="2">Regional headquarters President</th><th colspan="2">Other</th><th colspan="2">CFO</th><th colspan="2">Other</th></tr>
<tr><td rowspan="3">Whole group performance</td><td>Consolidated net sales</td><td>30%</td><td rowspan="2">70%</td><td>10%</td><td rowspan="2">20%</td><td>10%</td><td rowspan="2">20%</td><td>30%</td><td rowspan="2">70%</td><td>30%</td><td rowspan="2">70%</td></tr>
<tr><td>Consolidated operating income</td><td>40%</td><td>10%</td><td>10%</td><td>40%</td><td>40%</td></tr>
<tr><td>Net income attributable to owners of parent</td><td colspan="10">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.</td></tr>
<tr><td>Performance of business unit in charge</td><td>Business performance evaluation</td><td colspan="2">—</td><td colspan="2">50%</td><td colspan="2">50%</td><td colspan="2">—</td><td colspan="2">—</td></tr>
<tr><td rowspan="2">Personal evaluation</td><td rowspan="2">Level of achievement of strategic goals set individually</td><td colspan="10">30%</td></tr>
<tr><td colspan="10">Setting no more than five priority objectives which contribute to realizing long-term strategies reflecting the Company's management approach and Corporate Philosophy.</td></tr>
</table>

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.

■ Long-term incentive-type remuneration

Of the performance-linked remuneration, the Company imposes terms and conditions regarding performance on stock compensation-type stock options as long-term incentive-type remuneration on two occasions when the stock acquisition rights are allotted and the exercise period of the stock acquisition rights allotted starts.

When actually allotting the stock acquisition rights after obtaining an approval for the maximum number of stock acquisition rights to be allotted at the general meeting of shareholders, the Company shall increase or decrease the number of stock acquisition rights to be granted ranging from zero to the maximum number by using the evaluation indicators for annual bonus for the immediately preceding fiscal year. In addition, we have introduced a mechanism that when the stock acquisition right exercise period starts, the exercisable number of stock acquisition rights may be determined according to the consolidated performance and other track records up to the immediately preceding fiscal year in the range of 30% to 100% of the allotted number, and thereby strengthen it to functions as incentives for improving medium- to long-term business performance and achieving the targets.

In fiscal 2018, the Company will continue to provide performance-linked stock options under its long-term incentive-type remuneration scheme, but will also keep considering the possibility of shifting to a stock compensation approach that would be better tailored to the Company's remuneration philosophy.

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

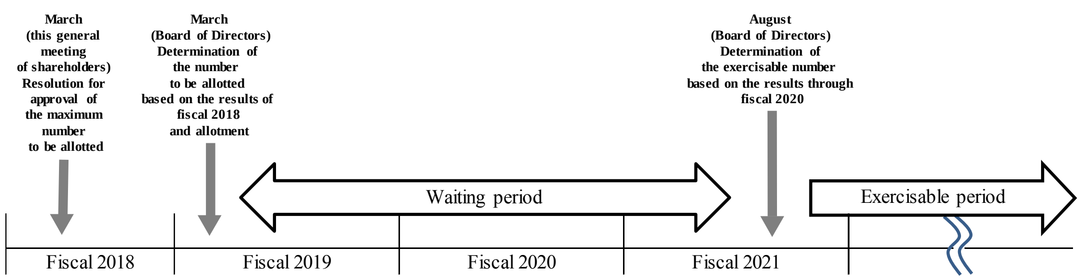
When stock acquisition rights are allotted

- Use the same indicators as used in calculating annual bonus to each officer. Indicators are consolidated business performance (consolidated net sales, consolidated operating income and net income attributable to owners of parent), evaluation of performance of business of which respective officers are in charge, and personal evaluation.
- Determine the number of stock acquisition rights to be allotted through deliberation by the evaluation working group.

When the exercise period of the stock acquisition rights allotted starts

- Calculate the growth rate of operating income by comparing the operating income for the fiscal years preceding and following the fiscal year in which the stock acquisition rights allotment date is included.
- Calculate the growth rates of operating income for the same fiscal years as above of companies such as Kao Corporation (Japan), L'Oreal S.A. (France) and Estee Lauder Companies Inc. (U.S.A.), which are the leading cosmetic companies in Japan and overseas and have been designated in advance as companies to be compared with.
- Based on the comparison of the growth rates of operating income between the Company and the companies for comparison, decide the number of stock acquisition rights allotted to each director or corporate officer that are exercisable.

■ Schedule of allotment and exercise of long-term incentive-type remuneration



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

In the current directors, audit & supervisory board members and corporate officers remuneration policy, personal evaluation of each director and corporate officer will have a significant impact on determination of the amount of all remunerations including basic remuneration, annual bonus and the long-term incentive-type remuneration. 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 holds meetings of evaluation working group, which was established as a common deliberation body shared by Nomination Advisory Committee and Remuneration Advisory Committee to conduct overall business evaluation including the performance evaluation for President and CEO, and confirm appropriateness of the remuneration level. The evaluation working group also deliberates and reviews reappointment or replacement of President and CEO, playing an extensive role concerning appropriate appointment of President and CEO and determining incentives. The evaluation working group is comprised of external directors and external audit & supervisory board members as importance is put to the independence from President and CEO as well as business execution structure led by President and CEO.

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

End