



(Translation)

May 16, 2024

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### **Shiseido to Announce Disposal of Treasury Stock under the Performance-Linked Stock Compensation Plan as Long-Term Incentive-Type Remuneration**

Shiseido Company, Limited (the “Company”) today announced that the Representative Corporate Executive Officer, delegated by the Board of Directors, has approved on May 16, 2024, the resolution to dispose the Company’s treasury stock (the “Disposal”) under the performance-linked stock compensation plan (the “Plan”) as long-term incentive-type remuneration (the “LTI”) as provided below.

#### **1. Summary of the Disposal**

(1) Date of Disposal	June 14, 2024
(2) Class and Number of Shares to be Disposed	45,135 shares of common stock of the Company
(3) Disposal Price	¥ 4,735 per share
(4) Total Disposal Value	¥ 213,714,225
(5) Planned Allottees	Directors (excluding external directors) or executive officers (including those who had also served as corporate officers)* of the Company to whom the Plan had been applied as part of compensation paid for fiscal 2021: 19 persons, 14,288 shares Officers of the Company’s subsidiaries to whom the Plan had been applied as part of compensation paid for fiscal 2021: 4 persons, 4,196 shares Employees of the Company to whom the Plan had been applied as of June 2022: 170 persons, 12,812 shares Employees of the Company’s subsidiaries to whom the Plan had been applied as of June 2022: 42 persons, 13,839 shares * With completion of the transition to the executive officer system in January 2022, the position of corporate officer was abolished accordingly.
(6) Other	The Disposal is subject to the condition that a Securities Registration Statement under the Financial Instruments and Exchange Act filed by the Company comes into effect.

#### **2. Background and Purpose of the Disposal**

On February 21, 2019, the Board of Directors of the Company adopted a resolution to implement a new performance-linked stock compensation plan utilizing a form of performance share units, which is intended to motivate directors (excluding external directors) of the Company (the “Eligible Directors”) to be committed to drive corporate value over the long term and to ensure that they share common interests with shareholders. Prior to the transition from a “Company with an Audit & Supervisory Board” to a “Company with Three Statutory Committees,” a proposal regarding the details of the Plan applicable to directors had been submitted for resolution at the Ordinary General Meeting of Shareholders every

fiscal year until fiscal 2023, all of which have been approved by shareholders. The agenda for the Plan subject to the Disposal in fiscal 2021 had also been approved at the 121st Ordinary General Meeting of Shareholders held on March 25, 2021.

The Company has also decided to make the Plan applicable to executive officers and corporate officers (with completion of the Company's transition to the executive officer system in January 2022, the position of corporate officer was abolished) of the Company as well as officers of its subsidiaries, such as CEOs of regional headquarters, as well as employees of the Company and its subsidiaries.

The Disposal will be made in accordance with the Plan based on approval of the Representative Corporate Executive Officer on May 16, 2024, which is intended to grant shares of the Company's common stock to 19 Eligible Directors or executive officers (including those who had been also serving as corporate officers) of the Company, and 4 officers of its subsidiaries to whom the Plan had been applied as part of the compensation paid for fiscal 2021, as well as 170 employees of the Company and 42 employees of its subsidiaries to whom the Plan had been applied as of June 2022 (all of which include retired employees and hereinafter collectively referred to as the "Eligible Officers and Employees"), for the evaluation period covering the three fiscal years from January 1, 2021 to December 31, 2023 (the "Evaluation Period") in accordance with the target achievement rate measured by performance metrics during the Evaluation Period.

The Disposal and allocations will be made in the manner in which the Eligible Officers and Employees receive monetary compensation claims issued by the Company, whereby they will be granted with common shares of the Company in exchange for in-kind contribution of the said monetary compensation claims in full.

For the Disposal, the Representative Corporate Executive Officer, delegated by the Board of Directors and upon deliberation of the Compensation Committee comprised solely of external directors, has approved the Company to issue monetary compensation claims in the sum of ¥213,714,225 to the Eligible Officers and Employees based on the level of target achievement measured by performance metrics during the Evaluation Period. The Eligible Officers and Employees will receive a total of 45,135 shares of the Company's common stock granted in exchange for in-kind contribution of the said monetary compensation claims in full. Since the Company was, at the time of the 121st Ordinary General Meeting of Shareholders, a Company with an Audit & Supervisory Board, the number of the Company's common shares to be allocated to the Eligible Directors had been determined by the Board of Directors upon deliberation of the Nomination & Remuneration Advisory Committee chaired by an external director. However, subject to the approval for the amendment to the Articles of Incorporation obtained at the 124th Ordinary General Meeting of Shareholders held on March 26, 2024, the Company has transitioned to a "Company with Three Statutory Committees" effective on the same date, and approval of the decision pertaining to the terms of disposal of treasury shares has been delegated to the Representative Corporate Executive Officer by the Board of Directors. As such, upon deliberation of the Compensation Committee, the Representative Corporate Executive Officer has approved the said Disposal.

Additionally, based on the Plan, the Company will also provide cash incentives in the sum of ¥107,885,081 to 192 Eligible Officers and Employees who have been able to satisfy certain requirements.

### **3. Details of the Plan**

#### **(1) Overview**

Under the Plan, a set of performance metrics is established in advance for the applicable evaluation period of three fiscal years, including the fiscal year in which the abovementioned compensation is provided under the Plan. After the end of the evaluation period, monetary compensation claims issued for the grant of the Company's common stock and provision of cash incentives will be made to the Eligible Officers and Employees according to the target achievement rates measured by the performance metrics. For Eligible Officers and Employees residing outside of Japan, the Company may only grant shares of its common stock.

#### **(2) Structure of the Plan and performance metrics being applied during the Evaluation Period**

1) The Plan is comprised of two components of compensation: a variable component linked to performance and a fixed component that is not contingent on performance.

2) The performance metrics and performance-based coefficients for the Plan, or any other performance metrics required to be used for calculating the number of common shares granted to each Eligible Officer or Employee by the Company, as well as a payout ratio according to the performance metrics and target achievement rate shall be determined according to the level of their positions in the organization at the discretion of the Board of Directors (as mentioned above, as a result of the transition to a “Company with Three Statutory Committees,” decisions are made by the CEO, a Representative Executive Officer delegated by the Compensation Committee or the Board of Directors) or Human Resources Division (hereinafter collectively referred to as the “Board of Directors, etc.”). The overview of the performance metrics being applied during the Evaluation Period is provided in the table below. The performance targets for a compound average growth rate (CAGR) of the consolidated net sales and consolidated operating profit margin (categorized as the economic value metrics) for the final year of the Evaluation Period are 7% and 15%, respectively. If the targets are met, the maximum payout ratio for each performance metrics will be applied. In addition, the lower limit of evaluation result for a CAGR of the consolidated net sales and consolidated operating profit margin for the final fiscal year are 4% and 10%, respectively, and if the result of performance falls below these targets, the variable component of the Plan for the corresponding metrics will be excluded from the compensation. The CAGR of the consolidated net sales will be calculated based on the performance during fiscal 2019 used as a benchmark for measurement. Likewise, targets for a set of internal and external metrics related to environmental, social, and corporate governance (ESG) are established (categorized as social value metrics) and payout ratio will change according to the target achievement rate. Also, with respect to the consolidated Return on Equity (ROE), a certain level of target achievement (threshold) is predefined by the Company upon deliberation of the Nomination & Remuneration Advisory Committee (currently, the Compensation Committee. Hereinafter the same) based on the idea that any performance metric should not be an obstacle that may discourage investments for future growth or proactive engagement of employees in addressing issues for achieving long-term growth. The Nomination & Remuneration Advisory Committee shall, therefore, consider lowering of the payout ratio for the variable component of the Plan if and when the result of the performance falls below that threshold.

**Performance metrics of the LTI and weight of the performance metrics**

Evaluation Criteria	Performance Metrics	Evaluation Weighting	
Economic Value Metrics	CAGR for a consolidated net sales	30%	100%
	CAGR for a consolidated operating profit	60%	
Social Value Metrics	Multiple internal and external metrics such as those related to ESG with focus on the area of “empowered beauty”	10%	
Economic Value Metrics	Consolidated ROE	If the result falls below the threshold, the Nomination & Remuneration Advisory Committee will consider lowering of the payout ratio applied to the variable component of compensation linked to performance.	

**(3) Methods of Calculation for the Number of Shares of the Company’s Common stock to be granted and Amount of Cash Incentives for Eligible Officers and Employees**

The Company will calculate the number of shares of the Company’s common stock to be granted to each Eligible Officer or Employee based on the formula in the 1) below and will calculate the amount of cash incentives for tax payments to each Eligible Officer or Employee based on the formula in the 2) below.

- 1) The number of common shares of the Company to be granted to each Eligible Officer or Employee\*3  

$$\text{Basic number of share unit(s)}^{*1} \times \text{payout ratio}^{*2} \times 50\%^{*4}$$
- 2) Amount of cash incentives to be paid to each Eligible Officer or Employee\*3, \*5

{(Basic number of share unit(s)<sup>\*1</sup> × payout ratio<sup>\*2</sup>) – number of common shares of the Company to be granted to each Eligible Officer or Employee based on the formula in 1) above} × share price at time a grant is made.

However, for Eligible Officers and Employees residing outside of Japan or those who are in an employment relationship with a Company's subsidiary outside of Japan (excluding expatriates from Japan) at the time when the share units are granted, only shares of the Company's common stock will be granted. The calculation is as follows.

Basic number of share unit(s)<sup>\*1</sup> × Payout ratio<sup>\*2</sup>

Notes:

1. The number of basic share units will be granted to each Eligible Officer or Employee according to their position and responsibilities within the organization.
2. The payout ratio is subject to change according to the level of target achievement rate measured by each performance metric within a certain range and based on the method of calculation predetermined by the Board of Directors, etc.
3. In the event that the number of shares granted and/or amount of cash incentive calculated by using the above formula paid to the Eligible Directors exceeds the maximum number of shares to be granted (39,000 shares) or the maximum amount cash payout for each Eligible Director, the Company shall then reduce the number of shares granted and amount of cash incentives paid to each Eligible Director by proportional allocation or any other reasonable method specified by the Board of Directors, so as to ensure that the maximum number of shares to be granted and/or the amount of cash incentive paid to each Eligible Director will not exceed the limit.
4. For Eligible Employees, the ratio of 60% will be applied.
5. Any fractions of less than 1 yen from the calculation above is rounded off.

#### **(4) Terms and Conditions for the Provision of Monetary compensation Claims or Cash Incentives Based on the Plan**

The Company will issue monetary compensation claims or cash incentives for grant of its common shares and other incentives based on the Plan to Eligible Officers and Employees who deemed to have fulfilled the following conditions at the end of the evaluation period. The Eligible Officers and Employees entitled to receive monetary compensation claims or cash incentives for the grant of the Company's common shares shall be determined at the discretion of the Board of Directors, etc., and shares of the Company's common stock will be granted by issuing of shares or disposal of treasury stock, and the Board of Directors shall determine the terms of the issuance of shares or disposal of treasury stock after the end of each evaluation period, in accordance with the terms and conditions provided in 1) through 3) below, as well as the method of calculation provided in the preceding paragraph.

- 1) Eligible Directors must have continuously held the position of either of a director or a corporate officer of the Company or its subsidiaries during the evaluation period. For Eligible Officers and Employees other than Eligible Directors, it is required that they have filled a position at a certain level within the organization during a certain period of time, both of which shall be determined by the Board of Directors, etc.
- 2) Eligible Officers and Employees must not have been engaged in certain misconduct as specified by the Board of Directors, etc.
- 3) Eligible Officers and Employees must fulfill any other terms and conditions required by the Board of Directors, etc. that deemed necessary to achieve the objective of the Plan.

#### **(5) Treatment of Retiring Officers and Employees under the Plan**

Even in the event that an Eligible Director ceases to be a director or corporate officer of the Company or any of its subsidiaries prior to the end of the evaluation period, such Eligible Director will be granted or provided with either or both of the Company's common shares or cash incentives in the number shares or amount of such compensation calculated based on a reasonable method specified by the Board of Directors (for Eligible Directors, less than the maximum amount of payment and/or number of shares

to be granted) at the timing determined by the Company according to the nature of the reason for the loss of such position, provided that the loss of such position is due to any of the reasons specified by the Board of Directors in advance and such person deemed to have satisfied the term of office requirements determined by the Board of Directors specified for each reason for the loss of such position (in principle, such requirement is that during the entire period of the fiscal year that the payout is applicable, a person must have served in a position of director or corporate officer of the Company or any of its subsidiaries).

In the event that an Eligible Officer or Employee other than Eligible Director ceases to be a corporate officer or an employee for a specific position, prior to the end of the evaluation period, provided that such person satisfies the requirements applicable for any such position as determined by the Board of Directors, etc., the Company will grant its common shares or provide cash incentives, or both, in the number or amount based on a reasonable method of calculation specified by the Board of Directors, etc.

#### **4. Rationale for the Calculation of Proceeds of the Disposal and Other Details**

The price of Disposal is ¥4,735 per share, the closing price of the Company's common shares traded on the Tokyo Stock Exchange on May 15, 2024 (the previous trading day of the date on which the Disposal has been approved by the Representative Corporate Executive Officer), which is intended to eliminate any arbitrary price distortions. This is the closing price of the Company's common shares immediately preceding the date on which the decision has been made by Representative Corporate Executive Officer for the Disposal, and unless otherwise specified that the Company is in a situation where it is impossible to rely on the said closing price, the Company determines that such price is reasonable which appropriately reflects the present value of the Company, and, therefore, is not particularly advantageous for the Eligible Officers and Employees.

—End of News Release—