



(Translation)

December 20, 2023

Name of Company: Shiseido Company, Limited
Name of Representative: Masahiko Uotani
Chairman and CEO
(Representative Director)
(Code No. 4911; The Prime Market of the Tokyo Stock Exchange)
Contact: Ayako Hirofujii
Vice President
Investor Relations Department
(Tel: +81 3 3572 5111)

Transition to a “Company with Three Statutory Committees” Business Transformation Initiatives to Drive Profitability for Sustainable Growth

Shiseido Company, Limited (the “Company”) has adopted a resolution at the Board of Directors on December 20, 2023, to change its corporate governance structure from a “Company with an Audit & Supervisory Board” to a “Company with Three Statutory Committees” subject to shareholder approval at the 124th Ordinary General Meeting scheduled in March 2024.

1. Business Transformation Towards Sustainable Growth

Under the medium-term strategy “SHIFT 2025 and Beyond” focusing on a three-year period from 2023 to 2025, Shiseido is strengthening investments in the three key focus areas - Brand, Innovation, and People - to drive medium-to-long-term growth. In a highly volatile external environment of today, however, we are facing increasing pressure to reinforce our medium-term strategy to confront challenges on the horizon. Accordingly, we are strengthening our commitment to build a path to sustainable growth by improving profitability through structural reforms and proactive investments. This incorporates cost reduction of over 40.0 billion yen on a global basis to drive business transformation. The Company is also aiming to achieve quantum leaps of growth in the Americas, EMEA and Asia Pacific businesses through strategic investments. This will in turn allow us to resolve the imbalances in our revenue streams and share dependencies across regions to optimize our regional footprint while, at the same time, to rebuild our business model that can respond to changing conditions with greater flexibility in an uncertain and dynamic business landscape.

To achieve these objectives, we will accelerate effective implementation of our strategic actions to realize business transformation to drive profitability for sustainable growth. As part of the process, we will make a structural transition in our corporate governance to further enhance its functions as described below to maximize corporate value to “Be a Global Winner with Our Heritage”.

2. Transition to a “Company with Three Statutory Committees”

At Shiseido, we define corporate governance as a system that provides a foundation to drive sustainable growth and corporate value over the long term. We have long been committed to improving its corporate governance through a range of initiatives including the adoption of governance system aligned with the “monitoring board-type system” where the board is putting more focus on oversight responsibilities to ensure transparency and fairness in governance practice, while ensuring effective strategic planning and timely execution thereof. This transition will take us one step further in such process towards maximizing corporate value.

(1) Purpose and Overview

To help drive the aforementioned business transformation, the Company will change its corporate governance structure to a “Company with Three Statutory Committees” which intends to clearly separate the functions between management oversight and execution of the Company’s business, while

strengthening each of these functions to ensure effective implementation of our strategies in an increasingly volatile business environment.

As a result of this transition, the oversight function of the board of directors will be reinforced by focusing on strategic planning while overseeing the implementation thereof in order to accelerate the overall business execution of the Company in a rapidly changing environment. We will also have a Nominating Committee and Compensation Committee, each composed solely of independent directors and being held responsible for appointment of directors and remuneration of directors and corporate executive officers with fairness, transparency, and objectivity for successful implementation of our business strategy. Moreover, the Company will strengthen the functions of its Internal Audit Department to ensure that the Audit Committee has the ability to establish and maintain effective internal control within the organization.

Additionally, corporate executive officers will be responsible for execution of the Company's business through an accelerated decision-making process under the direct supervision of representative corporate executive officers. Also, autonomous oversight and monitoring functions of corporate executive officers will be reinforced to deliver successful outcomes to take responsibility for the results with CEO held accountable for the overall process.

(2) Structure

A majority of the board of directors will be composed of independent directors while the Nominating Committee and Compensation Committee will be solely composed of independent directors. The list of candidates for members of the board after this transition is disclosed on the separate announcement "Changes among the Board of Directors and Corporate Executive Officers" issued today.

(3) Effective Date of Transition

The structural transition of our corporate governance will become effective upon obtaining shareholder approval for the consequential amendments to the Articles of Incorporation at the 124th Ordinary General Meeting in March 2024. Details of the amendments to the Articles of Incorporation as a result of this transition will be disclosed once they are finalized.

3. Structural Reforms and Strengthening of Business Execution Function; Rebuilding and Implementation of Medium-to-Long-term Strategy

The Company operates its business by collaborating with various committees, including the Global Strategy Committee established for the purpose of facilitating discussions, making strategic decisions, and approving other important business decisions. In addition to these committees, we will establish the Global Transformation Committee chaired by the CEO in 2024 to clearly define the roles and responsibilities of each functional area while also "reinforcing the execution, oversight and monitoring functions" to deliver expected results from the business transformation. The Global Transformation Committee will be composed of nine task forces representing six regional headquarters (Japan, China, Asia Pacific, Americas, EMEA and Travel Retail) with addition of Global Headquarters, Supply Network and Marketing & Innovation. All task forces will implement action plans to realize our dual ambitions: "driving gross profit" and "implementing extensive cost reduction measures and improving personnel productivity" while tracking progress toward achieving our targets.

(1) Gross Profit Enhancement

In addition to driving sales growth through brand value enhancement by leveraging our cutting-edge innovation, we will bring selection and concentration to the next level. Also, we will take bold steps in brand and product mix strategy focusing on gross profit while utterly committed to drive higher gross profit outpacing growth in sales by implementing competitive and appropriate pricing along with reduction of cost of goods sold through optimizing supply network efficiency.

(2) Extensive Cost Reduction and Improvement of Personnel Productivity

We will relaunch the “Global Cost Reduction Project (achieved reduction of 63.3 billion yen)” undertaken in 2015 until 2017. With an aim to optimize our cost structure in light of business divestitures during COVID-19, volatile market environment as well as our medium-to-long-term business outlook, we will embark on extensive cost reduction measures, targeting all possible areas without compromising on a global basis, including IT, logistics, procurement, offices, general expenses. With respect to marketing investments, we will increase profitability by, for example, leveraging consumer data to improve ROI.

In addition to the foregoing, we are also committed to reduce fixed cost ratio on a global basis which allows for greater flexibility in responding to changes in market environment to generate higher profits. With the completion of global ERP system (FOCUS) implementation and other digital transformation initiatives in 2024, we will significantly improve productivity across the middle and back offices while optimizing headcount on a global basis by dramatically increasing our e-commerce sales ratio.

We are strongly committed to enhance our profitability by driving gross profit and achieving cost reduction of over 40.0 billion yen in the next two years from 2024 to 2025. In the meanwhile, we will closely monitor changes in economic environment and reinvest profits in marketing as deemed appropriate in order to drive growth. We are fully committed to achieve profitability for sustainable growth and enhance corporate value over the medium-to-long-term.

—End of News Release—