

# Corporate Governance



## Corporate Governance Policy

The Shiseido Group including the Company has established "BEAUTY INNOVATIONS FOR A BETTER WORLD" as OUR MISSION in its Corporate Philosophy THE SHISEIDO PHILOSOPHY, and defines the corporate governance as our "platform to realize sustainable growth through fulfilling OUR MISSION".

The Company is committed to maintaining and improving management transparency, fairness and speed, by putting into practice and reinforcing the corporate governance, and strives to maximize medium- and long-term corporate and shareholder value through dialogues with all stakeholders, "employees," "consumers," "business partners," "shareholders," and "society and the Earth." In addition, while fulfilling social responsibilities, the Company aims to achieve optimized distribution of values to respective stakeholders.

# Corporate Governance System

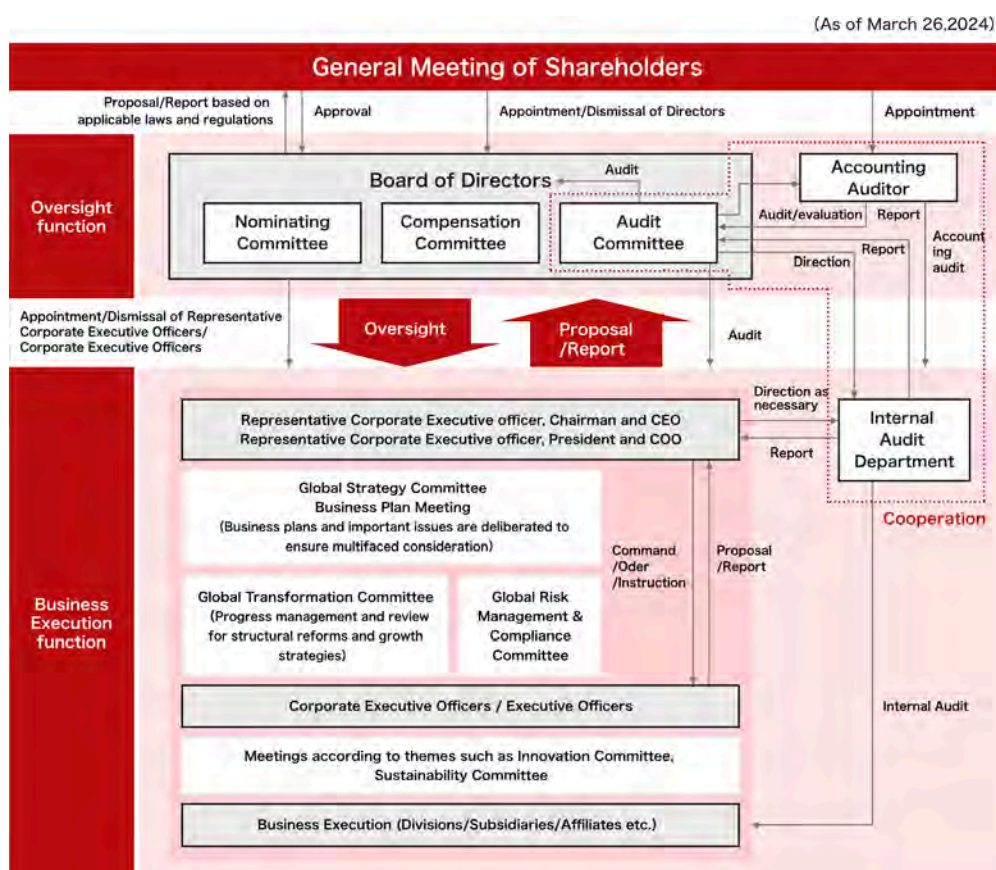
## Transition to a “Company with Three Statutory Committees”

The Company has long been committed to improving the 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. Now, we take this effort a step further, the Company has transitioned to a Company with Three Statutory Committees in order to maximize corporate value based on resolution of the Ordinary General Meeting of Shareholders held on March 26, 2024.

Under this structure, by clearly separating the functions between management oversight and execution of the Company's business while strengthening each of these function, the Company ensures effective implementation of its strategies even in the increasingly volatile business environment.

The oversight function of the Board of Directors will be reinforced by focusing on determining the basic management policy and management strategy while overseeing the implementation thereof in order to accelerate the overall business execution of the Company in a rapidly changing environment. Nominating Committee and Compensation Committee, each composed solely of Independent Directors are 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. Furthermore, with the strengthened function of the Internal Audit Department, the Audit Committee conducts highly effective audit, whereas Corporate Executive Officers and Executive Officers are responsible for the execution of the Company's business through an accelerated decision-making process under the direct supervision of Representative Corporate Executive Officers.

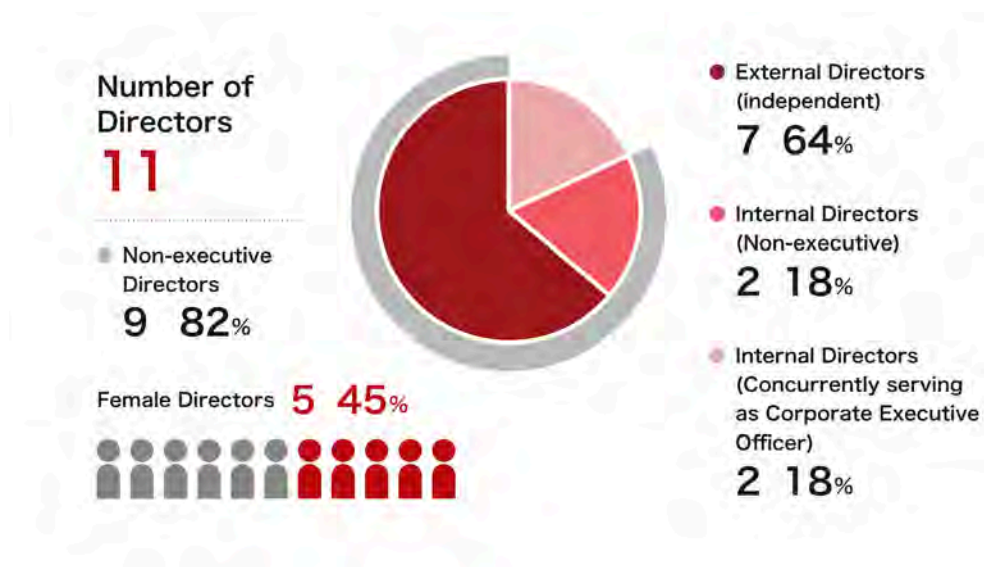
The following is the Company's corporate governance framework:



In addition to the above structure, with the recognition that promoting of the Three Lines Model contributes to strengthening corporate governance, the business department on the first line, the function department of the global headquarter and the regional headquarters on the second line and the Internal Audit Department on the third line work together while aiming to promote healthy growth strategies and enhance sustainable corporate value, and establishment and improvement of risk scenarios and risk mitigation activities are continuously carried out.

## ■ Directors and Corporate Executive Officers

### ▪ Composition of the Board of Directors



Of eleven Directors, seven members (64%) are highly independent External Directors who meet the "Criteria for Independence of External Directors" of the Company. Furthermore, of the four internal Directors, two are Directors responsible for business execution and concurrently serve as Corporate Executive Officers, and two are non-executive Directors.

The total number of non-executive Directors, both internal and external, is nine (82%).

### ▪ Composition of the Board of Directors and each committee

Title	Name	Board of Directors	Nominating Committee	Compensation Committee	Audit Committee	Remarks
Director	Masahiko Uotani	◎				
Director	Kentaro Fujiwara	○				
Director	Hiromi Anno	○			○	Full-time member of the Audit Committee
Director	Takeshi Yoshida	○			○	Full-time member of the Audit Committee
External Director	Kanoko Oishi	○	○	○		
External Director	Shinsaku Iwahara	○	◎	○		
External Director	Mariko Tokuno	○	○	○		
External Director	Yoshihiko Hatanaka	○	○	◎		

External Director	Hiroshi Ozu	○			◎	
External Director	Yasuko Gotoh	○			○	
External Director	Ritsuko Nonomiya	○			○	

Notes:

Committee members are marked with ○, and the chairperson of the Board of Directors and that of the committees are marked with ◎.

#### ▪ Criteria for Independence of External Directors

The Company establishes its own "Criteria for Independence of External Directors" (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.

In connection with selecting candidates for External Directors, 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 the candidate has a high degree of the independence in accordance with the Criteria.

In order to clarify the status of competitive dealings by the Company's Directors, and to enhance the independence of its External Directors, the Company has set forth the following criteria regarding "important concurrent positions" assumed by its Directors, and describes the status of the concurrent positions assumed by its Directors in the Business Report based thereon.

#### ▪ Skills and Expertise Required of Directors

## ■ Oversight function

### ( i ) Board of Directors

The Company's Board of Directors is composed of eleven Directors including seven External Directors. The Board of Directors meetings shall be held approximately once a month. It focuses on determining the basic management policy and management strategy, and overseeing the implementation thereof to reinforce the oversight function and accelerate overall business execution of the Company in a rapidly changing environment. In addition, the Board of Directors discusses and decides matters stipulated in laws and regulations, and the Company's Articles of Incorporation as well as matters provided for in the Regulations of the Board of Directors and delegate the authority to decide on other matters to Representative Corporate Executive Officers or Corporate Executive Officers.

We held the Board of Directors meetings 14 times in fiscal year 2023.

In addition to the abovementioned 14 meetings of the Board of Directors, pursuant to the provisions of Article 370 of the Companies Act and Article 26 of the Company's Articles of Incorporation, there was one deemed resolution where a resolution at a Board of Directors meeting is deemed to have been passed.

Title	Name	Attendance status (Attendance rate)
Representative Director	Masahiko Uotani	Fourteen attendances of all fourteen meetings (100%)
Representative Director	Kentaro Fujiwara	Eleven attendances of all eleven meetings (100%)
Director	Yukari Suzuki	Fourteen attendances of all fourteen meetings (100%)
Director	Norio Tadakawa	Fourteen attendances of all fourteen meetings (100%)
Director	Takayuki Yokota	Fourteen attendances of all fourteen meetings (100%)
External Director	Kanoko Oishi	Fourteen attendances of all fourteen meetings (100%)
External Director	Shinsaku Iwahara	Fourteen attendances of all fourteen meetings (100%)

External Director	Charles D. Lake II	Fourteen attendances of all fourteen meetings (100%)
External Director	Mariko Tokuno	Thirteen attendances of all fourteen meetings (93%)
External Director	Yoshihiko Hatanaka	Ten attendances of all eleven meetings (91%)

Note:

The titles in the table above are as of fiscal year 2023.

The number of board meetings attended and the attendance rate for Mr. Kentaro Fujiwara and Mr. Yoshihiko Hatanaka represent those for Board of Directors meetings held after they became Directors in March 2023.

#### 【Key Topics Discussed by the Board of Directors and Meetings of Directors in 2022】

- Overall direction and specific measures for business transformation
- Strategies for Future Business in Japan and China
- Corporate Governance
- Transition to a Company with Three Statutory Committees
- Material Risks Faced by the Shiseido Group
- Digital transformation
- Reports on Investor Relations (e.g., Investor Feedback)

#### 【Evaluation of the Effectiveness of the Board of Directors】

##### Basic policy

The Company evaluates the effectiveness of the Board of Directors with the purpose of identifying issues and points to be improved of the Board of Directors, etc. and evolving the Board of Directors into a more effective one.

The Company conducts annual questionnaire surveys and interviews with all Directors to evaluate and analyze the Board of Directors, and the Nomination & Remuneration Advisory Committee. The secretariat of the Board of Directors summarizes, analyses, and identifies issues.

The identified issues and opinions are reported to the Board of Directors, and necessary measures are taken.

In addition, third-party organizations regularly check and evaluate the effectiveness of these assessments to ensure transparency and objectivity.

##### Implementation of the Fiscal year 2022 Evaluation

We conducted the Fiscal year 2022 Effectiveness Evaluation of the Board of Directors for the evaluation period between the previous year's general meeting of shareholders and this year's general meeting of shareholders. The survey focused on the composition aspects such as the diversity of members of the Board of Directors, as well as deliberations and discussion aspects including agenda setting and content of materials and its explanation, operational aspects such as prior distribution of materials and the provision of prior briefings on the agenda, communication aspects such as demonstrating capabilities expected as roles of board members and strengthening of cooperation with Audit & Supervisory Board members and Executive Officers, and how our governance should be.

As a result, although we recognized the effectiveness of the Board of Directors has been ensured, there were opinions and recommendations for further improvement of the effectiveness.

Specifically, lively discussions with enriched diversity of the members of the Board of Directors and prior distribution of materials and briefings at appropriate timing were highly appreciated. On the other hand, we recognize the necessity for more strategic agenda setting to concentrate on discussions on important issues, status updates on the progress of strategy (medium-term strategy and plan), further improvement for prior briefings, materials, and additional information sharing to external directors.

In light of these results, we will continue to make efforts to strengthen the effectiveness of the Board of Directors by setting agenda strategically, preparing easy-to-understand materials which clarifies issues and points, and increasing opportunities for external directors to promote further understanding of the company. In particular, we focus on setting agenda items and enhancing discussions in order to fulfill the roles and responsibilities of the Board of Directors properly.



The measures we have taken so far and the opinions and future efforts to evaluate and improve these efforts in fiscal year 2022 are as follows.

	Challenges by Fiscal 2021	Fiscal 2021 Initiatives based on Challenges	Evaluations and Opinions for Fiscal 2022	Future Efforts
Agenda setting and discussion	<ul style="list-style-type: none"> <li>Active discussions on future strategies are necessary.</li> <li>Discussion time should be focused on more necessary topics.</li> </ul>	<ul style="list-style-type: none"> <li>Increased number of meetings focused on strategy (medium- to long-term strategy, regional strategy, sustainability strategy) and governance.</li> <li>Depending on the agenda, discussions are held with the EO in charge and the regional CEO.</li> <li>Use of written resolutions.</li> </ul>	<ul style="list-style-type: none"> <li>Discussions on strategy formulation were solid.</li> <li>Strategic agenda setting including regular reports on execution status of important matters is necessary.</li> </ul>	<ul style="list-style-type: none"> <li>Setting agenda strategically throughout the year.</li> <li>Progress updates on strategies regularly.</li> </ul>
Prior Distribution and Content of Board Materials	<ul style="list-style-type: none"> <li>There is room for improvement in the comprehensibility and timely provision of materials.</li> </ul>	<ul style="list-style-type: none"> <li>Continuing to ensure prior distribution of materials and creation of easy-to-understand materials.</li> <li>Providing prior briefings for the Board of Directors.</li> </ul>	<ul style="list-style-type: none"> <li>It was a big step forward that prior distribution of materials was ensured and prior briefings were provided. There is room for improvement in the method of prior briefings.</li> <li>Further clarification of points and arrangement of the issues in the materials are desired.</li> </ul>	<ul style="list-style-type: none"> <li>Improvement on providing prior briefings.</li> <li>Further improvement on creating easy-to-understand materials (clarifying on issues and points).</li> </ul>
Promoting the understanding of our external officers	<ul style="list-style-type: none"> <li>It is desirable to enhance the provision of information to external directors, such as exchanging opinions with Audit &amp; Supervisory Board members, the internal audit department, and the executive side.</li> </ul>	<ul style="list-style-type: none"> <li>Holding external directors meetings.</li> <li>Increasing opportunities to visit and exchange opinions on-site at group companies, factories, laboratories, etc.</li> <li>Implementation of onboarding program for newly appointed external directors.</li> </ul>	<ul style="list-style-type: none"> <li>Discussions were stimulated by issues raised from various angles by external directors.</li> <li>Improved cooperation and communication between Audit &amp; Supervisory Board members and directors.</li> <li>It is desirable to set up more opportunities for direct communication with the execution (on-site) side.</li> </ul>	<ul style="list-style-type: none"> <li>Further enhancement of external officers meetings, and strengthening cooperation between external directors and external auditors through exchanging of opinions.</li> <li>Continued onboarding program for newly appointed external directors.</li> <li>Further efforts to deliver voices and opinions from employees working on-site to external directors.</li> </ul>

\*The cycle for evaluating the effectiveness of our Board of Directors is from after the ordinary general meeting of shareholders to before the next ordinary general meeting of shareholders. The evaluation for fiscal year 2023 is currently being conducted, and the results will be posted as soon as they are finalized.

## (ii) Nominating Committee

The Nominating Committee resolves matters such as proposals regarding appointment and dismissal of directors to be submitted to general meetings of shareholders and matters regarding the succession of directors. In addition, the Nominating Committee deliberate appointment and dismissal of the representative Corporate Executive Officers and Corporate Executive Officers, areas for which Corporate Executive Officers take responsibility, appointment and dismissal of the CEO, as well as matters regarding the succession of the CEO etc. and reports results of the deliberations to the Board of Directors.

The Committee is composed of solely External Directors and its chairperson is selected from the committee members with the resolution of the Nominating Committee.

## (iii) Compensation Committee

The Compensation Committee resolves policies on decisions regarding remuneration of directors and Corporate Executive Officers, designs of the remuneration policy for Corporate Executive Officers and directors, and details of remuneration to individual Corporate Executive Officers and Directors, etc.

The Committee is composed of solely External Directors and its chairperson is selected from the committee members with the resolution of the Compensation Committee.

## (iv) Audit Committee

The Audit Committee conducts audit and prepares audit reports on performance of duties of Directors and Corporate Executive Officers, and makes decisions on proposals for appointment, dismissal, or non-reappointment of accounting auditors submitted to general meetings of shareholders.

The Committee is composed of the majority of External Directors and its chairperson is selected from the committee members with the resolution of the Audit Committee.

## ■ Business Execution function

Corporate Executive Officers are responsible for business execution based upon the delegation from the Board of Directors. The Company will expedite decision-making regarding business execution and implementation of business strategies by delegating significant authority to Corporate Executive Officers.

Title	Name
Representative Corporate Executive Officer	Masahiko Uotani
Representative Corporate Executive Officer	Kentaro Fujiwara
Corporate Executive Officer	Yoshiaki Okabe
Corporate Executive Officer	Norio Tadakawa
Corporate Executive Officer	Toshinobu Umetsu
Corporate Executive Officer	Takayuki Yokota

In addition, the Company has established committees to discuss and decide important matters related to business execution of the Company.

The major committees are as follows:

### ( i ) Global Strategy Committee

Prior to decision-making by the CEO/COO, this committee deliberates on group policies, organizational transformations, new businesses/brand launches and other particularly important matters for the Shiseido Group.

### ( ii ) Business Plan Meeting

This meeting discusses business strategies and plans for core brands, regions, and key corporate functions.

### ( iii ) Global Transformation Committee

This committee chaired by CEO was established in 2024 to "reinforce oversight and monitoring functions" to deliver expected results from the business transformation. Each task force will implement actions plans to realize our dual ambitions: "driving gross profit" and "implementing extensive cost reduction measures and improving personnel productivity."

### ( iv ) Global Risk Management & Compliance Committee

The committee aims to accurately grasp global and regional social changes and the current situation of the Group. Based on this, it identifies management risk factors, deliberates prioritized material risks and countermeasures against the risks as well as the important matters regarding ethics and compliance.

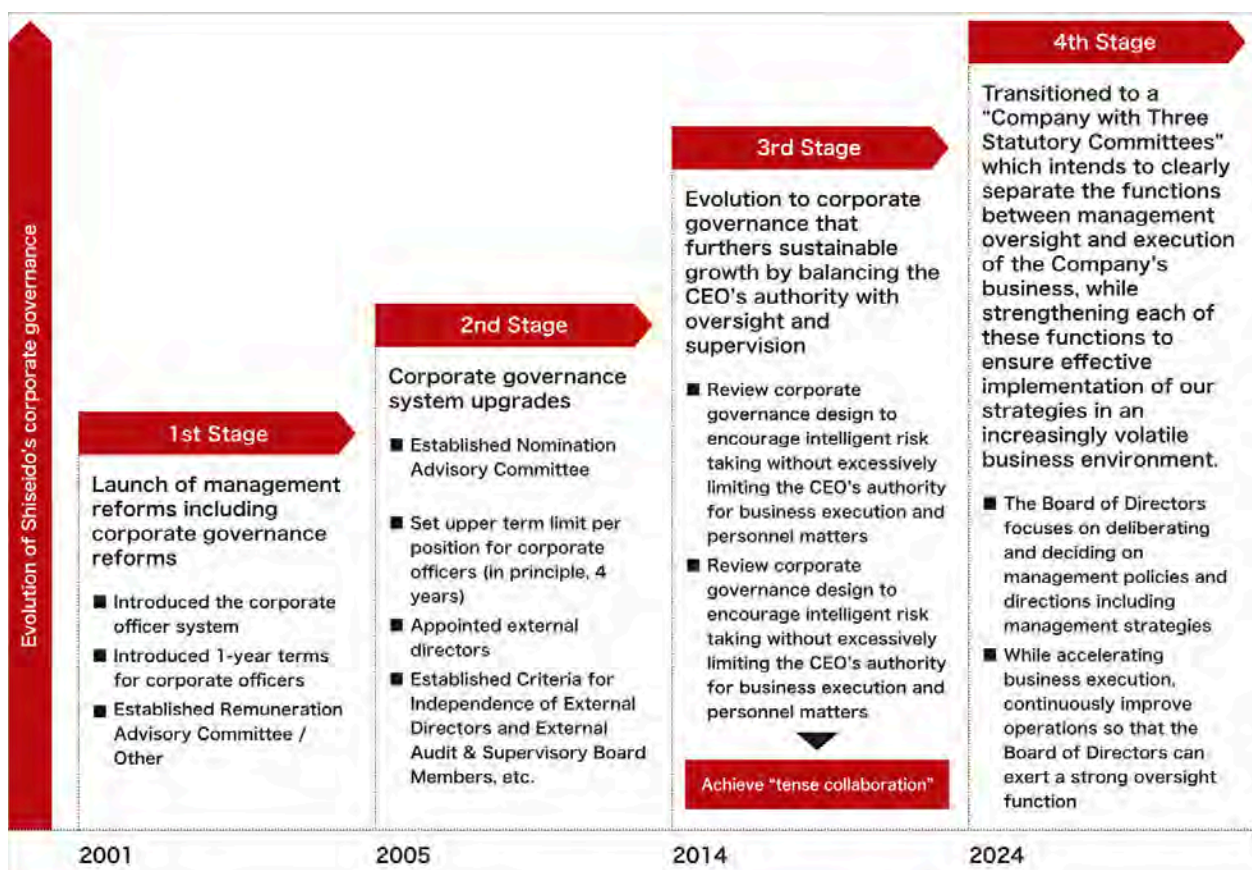
# Basic Concept for Corporate Governance

## Process of Corporate Governance Evolution

The Shiseido Group including the Company has established "BEAUTY INNOVATIONS FOR A BETTER WORLD" as OUR MISSION in its Corporate Philosophy, THE SHISEIDO PHILOSOPHY, and defines the corporate governance as our "platform to realize sustainable growth through fulfilling OUR MISSION".

We began full-fledged initiatives toward strengthening corporate governance in 2001. Our continuous reforms to date can be divided into three stages.

## Continuous Focus on Strengthening Governance



The first stage initiated a corporate governance reform. Initiatives to separate the functions of management oversight and execution included the introduction of the corporate officer system. At the second stage, we implemented various initiatives to create the framework of our corporate governance such as the establishment of the Nomination & Remuneration Advisory Committee (formerly, "the Nomination Advisory Committee") and the appointment of External Directors. In this way, we have set out objective quantitative and pro forma standards for corporate governance. We enhanced the quality of corporate governance by rigorously employing this framework and actively disclosing the outcomes. At the third stage, we targeted corporate governance that furthers sustainable growth, where we aimed to achieve "tense collaboration" by balancing management oversight and supervision with the broad authority vested in the CEO, which he needs in order to exercise ultimate leadership. This tense collaboration did not excessively limit or decrease the CEO's authority, but rather, given the broad authority vested in the CEO, established a process of regular evaluation of the CEO and management execution by the Board of Directors and other supervisory organs, to whom



the CEO is fully accountable. This process also involved regular CEO evaluations by the Nomination & Remuneration Advisory Committee.

Now, we have entered the fourth stage of our corporate governance. The Company has transitioned to a Company with Three Statutory Committees in order to ensure effective implementation of its strategies even in the increasingly volatile business environment by clearly separating the functions between management oversight and execution of the Company's business while strengthening each of these function. The oversight function of the Board of Directors will be reinforced by focusing on determining the basic management policy and management strategy while overseeing the implementation thereof in order to accelerate the overall business execution of the Company in a rapidly changing environment. Nominating Committee and Compensation Committee, each composed solely of Independent Directors are 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. Furthermore, with the strengthened function of the Internal Audit Department, the Audit Committee conducts highly effective audit, whereas Corporate Executive Officers and Executive Officers are responsible for the execution of the Company's business through an accelerated decision-making process under the direct supervision of Representative Corporate Executive Officers.

## Diversity of Directors

The Company believes that its Board of Directors should be composed of Directors with various viewpoints and backgrounds in addition to diverse and sophisticated skills, required for effective oversight of the execution of business. When selecting candidates, we place importance on ensuring diversity, taking into account not only gender equality, but also other attributes such as age, nationality, race, personality, 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 in order to reflect their independent views to the management of the Company, and allows a handover period from long-serving External Directors to newly appointed ones to ensure appropriate transition.

## Ratio of External Directors

The Company's Articles of Incorporation set the maximum number of directors at 14. The optimum number of directors for appropriate management oversight is determined based on this upper limit and such factors as the Company's business portfolio and scale.

In addition, the Company has established a target, from the perspective of ensuring of effectiveness of the oversight function, that the majority of its Directors should be External Directors, in principle.

In selecting External Directors, high priority is given to independence. Our basic principle is that candidates are required to meet the Company's "Criteria for Independence of External Directors" as well as possess highly independent thinking.

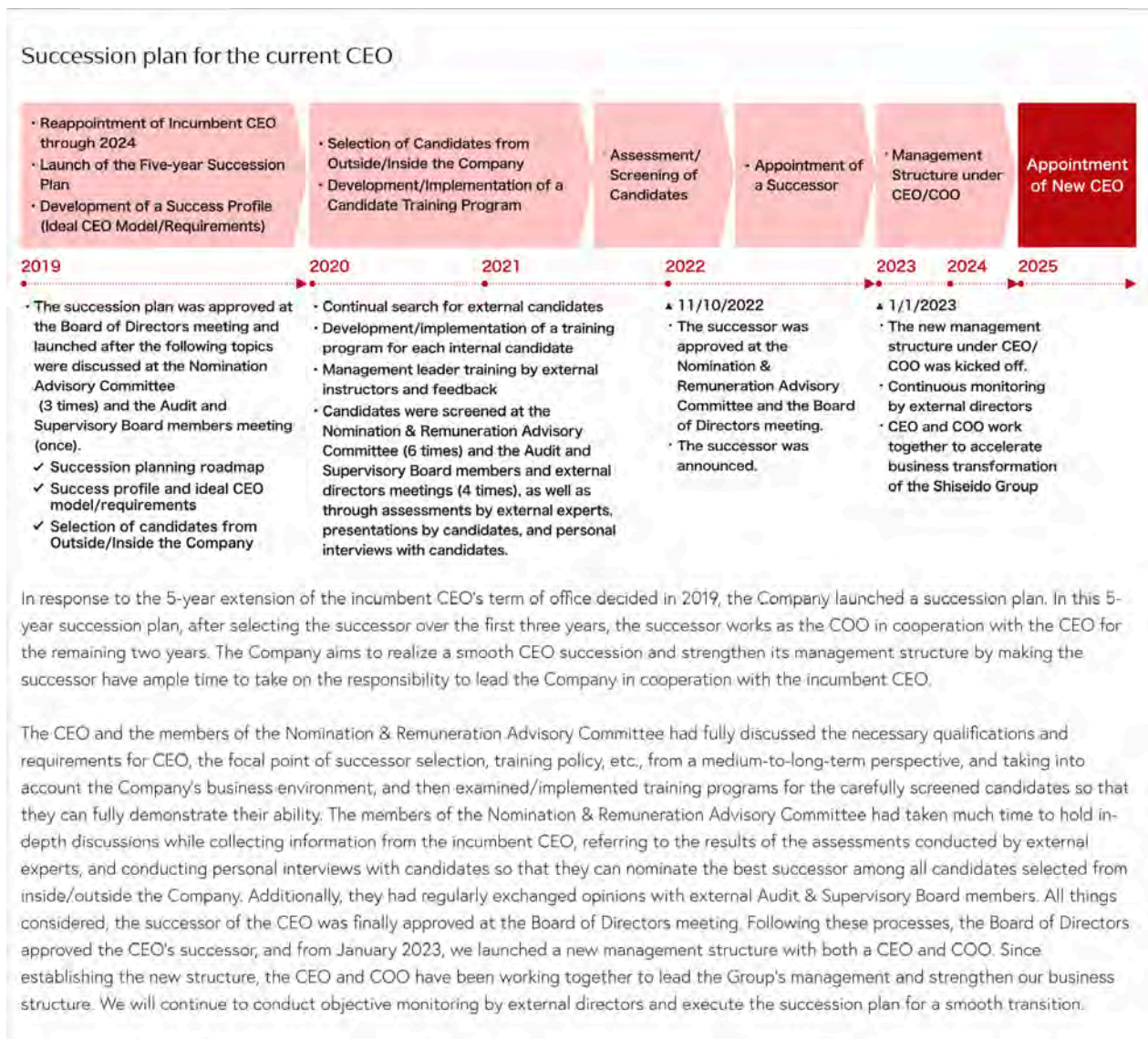
## Succession Plan for CEO

The selection of succession candidates for the CEO and the development of the succession plan are carried out by the Nominating Committee with the cooperation of the incumbent CEO.

The CEO and the Nominating Committee formulate the succession plan based on the Company's business environment from a medium-to-long-term perspective upon sufficient discussions on various viewpoints such as the qualifications for a CEO, policies for the selection of a successor, and his or her training policies. The progress of the formulated succession plan is regularly reported to the Nominating Committee, which monitors its status of implementation.

Regarding selection of specific candidates for the CEO, the Nominating Committee receives full reports from the CEO on the specific nomination for successor from various perspectives. The Nominating Committee members themselves meet and exchange opinions with candidates, evaluating them from an independent perspective as well as the Company's management issues. Furthermore, when actually selecting the CEO's successor, the Nominating Committee

deliberates fully on matters such as the final candidate and their selection process and reporting the result of the deliberations to the Board of Directors, prior to the resolution of the Board of Directors.



## Succession and Training for Directors, Corporate Executive Officers, and Executive Officers

The Company believes that it is important to have succession plans not only for the CEO but also for External Directors, who play key roles in overseeing business execution. Matters regarding the succession plans, such as the term of office, clear criteria for successor candidates, and further strengthening of diversity, are subject to the review by the Nominating Committee.

The Company also believes that in addition to appointing personnel having credentials required to serve as Directors, Corporate Executive Officers, or Executive Officers, it is important to provide them with necessary training and information. Therefore, the Company provides new Directors with training regarding legal and statutory authorities and obligations, etc. In addition, when a new External Director is scheduled to come on board, the Company provides training regarding the industry it operates in, its history, business overview, strategy, etc.

Furthermore, to cultivate the next generation of management, Corporate Executive Officer candidates and Executive Officer candidates are provided with training programs to nurture their leadership abilities and management expertise required for top management.

# Principles of the Corporate Governance Code (CG Code) and Shiseido's Response

Last Update : April 11, 2024

## Section 1

Section 1: Securing the Rights and Equal Treatment of Shareholders	
General Principle 1	Companies should take appropriate measures to fully secure shareholder rights and develop an environment in which shareholders can exercise their rights appropriately and effectively. In addition, companies should secure effective equal treatment of shareholders. Given their particular sensitivities, adequate consideration should be given to the issues and concerns of minority shareholders and foreign shareholders for the effective exercise of shareholder rights and effective equal treatment of shareholders.

- See below

Principle 1.1	Companies should take appropriate measures to fully secure shareholder rights, including voting rights at the general shareholder meeting.
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- See below

Supplementary Principle 1.1.1	When the board recognizes that a considerable number of votes have been cast against a proposal by the company and the proposal was approved, it should analyze the reasons behind opposing votes and why many shareholders opposed, and should consider the need for shareholder dialogue and other measures.
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- For proposals with an approval rate below a certain level established by the Company, we engage in a dialogue with the opposing shareholder(s), whereupon we consider our response going forward.

Supplementary Principle 1.1.2	When proposing to shareholders that certain powers of the general shareholder meeting be delegated to the board, companies should consider whether the board is adequately constituted to fulfill its corporate governance roles and responsibilities. If a company determines that the board is indeed adequately constituted, then it should recognize that such delegation may be desirable from the perspectives of agile decision-making and expertise in business judgment.
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- When delegating certain resolutions of the general shareholder meeting to the Board of Directors of the Company, the Board carefully considers whether it will not limit shareholder rights and ensures transparency to shareholders before the delegation. We pay particular attention that such delegation does not prevent the Company from fulfilling its responsibilities to the shareholders. For instance, the Company delegates resolutions on the acquisition of treasury stock and interim dividends to the Board in order to flexibly and proactively realize shareholder returns.
- Dividends of retained earnings are determined yearly through a proposal to the general shareholder meeting and its approval.

Supplementary Principle 1.1.3	Given the importance of shareholder rights, companies should ensure that the exercise of shareholder rights is not impeded. In particular, adequate consideration should be given to the special rights that are recognized for minority shareholders with respect to companies and their officers, including the right to seek an injunction against illegal activities or the right to file a shareholder lawsuit, since the exercise of these rights tend to be prone to issues and concerns.
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- The Company sets up a system for appropriate response to requests or proposals from or exercise of rights for minority shareholders, such as posting a "Form for Exercise of Minority Shareholder Rights, Etc." (Japanese only) on its website.

Principle 1.2	Companies should recognize that general shareholder meetings are an opportunity for constructive dialogue with shareholders, and should therefore take appropriate measures to ensure the exercise of shareholder rights at such meetings.
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• See below

Supplementary Principle 1.2.1	Companies should provide accurate information to shareholders as necessary in order to facilitate appropriate decision-making at general shareholder meetings.
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• The Company publishes not only statutory disclosure items, but also other items deemed necessary by the Company, including those exemplified by other global companies or those requested at investor meetings. Such items are included in our notice of convocation or published on our corporate website.

Supplementary Principle 1.2.2	While ensuring the accuracy of content, companies should strive to send convening notices for general shareholder meetings early enough to give shareholders sufficient time to consider the agenda. During the period between the board approval of convening the general shareholder meeting and sending the convening notice, information included in the convening notice should be disclosed by electronic means such as through TDnet or on the company's website.
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• The Company sends its notices of convocation approximately three weeks before the date of its annual general shareholder meeting. In addition, considering the time lag between the Board's approval of convening the meeting and sending the notice, we first disclose the information included in the notice on the day following the Board's meeting by electronic means such TDnet and our corporate website.

Supplementary Principle 1.2.3	The determination of the date of the general shareholder meeting and any associated dates should be made in consideration of facilitating sufficient constructive dialogue with shareholders and ensuring the accuracy of information necessary for such dialogue.
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• Shiseido's fiscal year ends in December, and the general shareholder meeting is convened in March. To avoid scheduling conflicts with other companies that hold meetings in March, Shiseido convenes its meeting earlier than the most popular shareholder meeting date.

Supplementary Principle 1.2.4	Bearing in mind the number of institutional and foreign shareholders, companies should take steps for the creation of an infrastructure allowing electronic voting, including the use of the Electronic Voting Platform, and the provision of English translations of the convening notices of general shareholder meeting. In particular, companies listed on the Prime Market should make the Electronic Voting Platform available, at least to institutional investors.
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• Recently, Japanese institutional investors and foreign institutional investors account for approximately 40% each of Shiseido's total shareholders.

• In consideration of the above, the Company uses the Electronic Voting Platform and provides English translations of various disclosed documents, such as notices of convocation or materials for financial results announcements, in addition to their Japanese originals.

Supplementary Principle 1.2.5	In order to prepare for cases where institutional investors who hold shares in street name express an interest in advance of the general shareholder meeting in attending the general shareholder meeting or exercising voting rights, companies should work with the trust bank ( <i>shintaku ginko</i> ) and/or custodial institutions to consider such possibility.
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• In case the so-called actual shareholders request attendance at the general shareholder meeting, the Company confirms the fact of shareholding and prepares for their direct exercise of voting rights.

Principle 1.3	Because capital policy may have a significant effect on shareholder returns, companies should explain their basic strategy with respect to their capital policy.
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• Shiseido has established the "Fundamental Approach to Capital Policy" and discloses it in the notice of convocation and other relevant documents:

Principle 1.4	When companies hold shares of other listed companies as cross-shareholdings, they should disclose their policy with respect to doing so, including their policies regarding the reduction of cross-shareholdings. In addition, the board should annually assess whether or not to hold each individual cross-shareholding, specifically examining whether the purpose is appropriate and whether the benefits and risks from each holding cover the company's cost of capital. The results of this assessment should be disclosed. Companies should establish and disclose specific standards with respect to the voting rights as to their cross-shareholdings, and vote in accordance with the standards.
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• See below

Supplementary Principle 1.4.1	When cross-shareholders (i.e., shareholders who hold a company's shares for the purpose of cross-shareholding) indicate their intention to sell their shares, companies should not hinder the sale of the cross-held shares by, for instance, implying a possible reduction of business transactions.
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- Shiseido has established "The Company's Policy with Regard to Reduction of Strategic Shareholdings" and discloses it in the notice of convocation and other relevant documents.

- The Policy stipulates that "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."

Supplementary Principle 1.4.2	Companies should not engage in transactions with cross-shareholders which may harm the interests of the companies or the common interests of their shareholders by, for instance, continuing the transactions without carefully examining the underlying economic rationale.
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- Shiseido has established "The Company's Policy with Regard to Reduction of Strategic Shareholdings" and discloses it in the notice of convocation and other relevant documents.

- The Policy stipulates that "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." The said actions are performed annually.

Principle 1.5	Anti-takeover measures must not have any objective associated with entrenchment of the management or the board. With respect to the adoption or implementation of anti-takeover measures, the board and <i>kansayaku</i> should carefully examine their necessity and rationale in light of their fiduciary responsibility to shareholders, ensure appropriate procedures, and provide sufficient explanation to shareholders.
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- See below

Supplementary Principle 1.5.1	In case of a tender offer, companies should clearly explain the position of the board, including any counteroffers, and should not take measures that would frustrate shareholder rights to sell their shares in response to the tender offer.
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- In 2006, Shiseido introduced anti-takeover measures upon resolution by the general shareholder meeting, partly because the system and market regulations related to takeovers at the time were insufficient. Subsequently, after the expiration of the valid period at the conclusion of the 2008 Ordinary General Meeting of Shareholders, the Company judged that "rather than continuing the anti-takeover measures, a steady implementation of our three-year plan will enhance our competitiveness and sustainable growth potential in the global market, securing and improving our corporate value and, in turn, the common interests of shareholders." Consequently, the Company decided to discontinue the anti-takeover measures.

- In case of a tender offer, we will examine the content of the proposal, explain the position of our Board in accordance with the current Financial Instruments and Exchange Act, and respond appropriately.

Principle 1.6	With respect to a company's capital policy that results in the change of control or in significant dilution, including share offerings and management buyouts, the board and <i>kansayaku</i> should, in order not to unfairly harm the existing shareholders' interests, carefully examine the necessity and rationale from the perspective of their fiduciary responsibility to shareholders, should ensure appropriate procedures, and provide sufficient explanation to shareholders.
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- Shiseido has established the "Fundamental Approach to Capital Policy" and discloses it in the notice of convocation and other relevant documents. It establishes target financial indices in accordance with which the Company executes its business.

Principle 1.7	When a company engages in transactions with its directors or major shareholders (i.e., related party transactions), in order to ensure that such transactions do not harm the interests of the company or the common interests of its shareholders and prevent any concerns with respect to such harm, the board should establish appropriate procedures beforehand in proportion to the importance and characteristics of the transaction. In addition to their use by the board in approving and monitoring such transactions, these procedures should be disclosed.
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- The Company investigates and specifies related parties that carry the possibility of having an impact on the Company's financial position and operating results, confirms the existence of transactions with the said related parties and the materiality 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 by the Board of Directors from the perspective of quantitative materiality and qualitative materiality, such as the terms and reasonability of the transaction. A criteria are determined for quantitative materiality.



## Section 2

Section 2: Appropriate Cooperation with Stakeholders Other Than Shareholders	
General Principle 2	Companies should fully recognize that their sustainable growth and the creation of mid-to long-term corporate value are brought about as a result of the provision of resources and contributions made by a range of stakeholders, including employees, customers, business partners, creditors and local communities. As such, companies should endeavor to appropriately cooperate with these stakeholders. The board and the management should exercise their leadership in establishing a corporate culture where the rights and positions of stakeholders are respected and sound business ethics are ensured.

- See below

Principle 2.1	Guided by their position concerning social responsibility, companies should undertake their businesses in order to create value for all stakeholders while increasing corporate value over the mid- to long-term. To this end, companies should draft and maintain business principles that will become the basis for such activities.
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- 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.

- Shiseido's value creation process is presented in our Integrated Report:

Principle 2.2	Companies should draft and implement a code of conduct for employees in order to express their values with respect to appropriate cooperation with and serving the interests of stakeholders and carrying out sound and ethical business activities. The board should be responsible for drafting and revising the code of conduct, and should ensure its compliance broadly across the organization, including the front line of domestic and global operations.
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- 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 150 years, and OUR PRINCIPLES (TRUST 8), which is a mindset to be shared by each and every Shiseido Group employee in their work. We ensure consistency of our daily operations with THE SHISEIDO PHILOSOPHY by incorporating OUR PRINCIPLES into business performance indicators of our executives and managers.

- The Company also determines the Shiseido Code of Conduct and Ethics, which define the actions that must be taken and shared by each and every employee of the Shiseido Group. It sets out not only abiding by the laws of each country and region, internal rules and regulations of the Shiseido Group, but also the action standards for business conduct with the highest ethical principles.

- The Company establishes a basic policy and rules in line with the Shiseido Code of 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 Code of 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.

- We regularly conduct the Shiseido Group Engagement Survey, where we review the status of compliance with the Shiseido Code of Conduct and Ethics and continuously implement activities for improvement.

Supplementary Principle 2.2.1	The board should review regularly (or where appropriate) whether or not the code of conduct is being widely implemented. The review should focus on the substantive assessment of whether the company's corporate culture truly embraces the intent and spirit of the code of conduct, and not solely on the form of implementation and compliance.
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- The Company has set up a committee to oversee compliance and risk management and coordinate with organizations established to perform 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 improving corporate quality by increasing the Group's legitimate and fair corporate activities and managing risk. Major management risks and incidents shall be reported to the Board of Directors through the Representative Corporate Executive Officers, along with the proposal for response to them and its progress.

- The Company deploys a person in charge of promoting legitimate and fair corporate activities of the whole Group and risk management at every Group company and business site, plans and promotes regular training and educational activities on corporate ethics, 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 every Group company and business site.

Principle 2.3	Companies should take appropriate measures to address sustainability issues, including social and environmental matters.
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- See below

Supplementary Principle 2.3.1	The board should recognize that dealing with sustainability issues, such as taking care of climate change and other global environmental issues, respect of human rights, fair and appropriate treatment of the workforce including caring for their health and working environment, fair and reasonable transactions with suppliers, and crisis management for natural disasters, are important management issues that can lead to earning opportunities as well as risk mitigation, and should further consider addressing these matters positively and proactively in terms of increasing corporate value over the mid-to long-term.
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- We first examined the importance of these issues to Shiseido's business and to all our stakeholders, from employees and consumers to business partners, shareholders, and society and the Earth. We then categorized and prioritized the issues along two axes and defined 18 material issues. Shiseido has established three strategic actions in each of the environmental and social areas.

- At Shiseido, we work to promote sustainability across the entire company, including our brands and regional businesses. Sustainability Committee meetings are held regularly to ensure timely management decisions related to sustainability efforts and their proper implementation across the Group. The committee decides on Group-wide sustainability strategies, policies, and discusses specific topics such as disclosure contents of TCFD/TNFD and actions for human rights, as well as monitors the progress of medium-to-long-term goals. The committee consists of the corporate executive officers and executive officers in charge of R&D, Supply Network, Corporate Communications, and our brands, as well as other executive officers from different fields to ensure discussions of a range of issues from different perspectives. In case of requiring decisions on important matters in the execution of business, it is proposed or reported to the Global Strategy Committee or the Board of Directors. In order to ensure executing and promoting sustainability actions, a Sustainability TASKFORCE has been set up under the Sustainability Committee, consisting of the heads of key relevant departments. At the TASKFOECE, practical approaches to achieve our long-term targets are discussed with relevant departments, regional headquarters, and local subsidiaries as necessary.

Principle 2.4	Companies should recognize that the existence of diverse perspectives and values reflecting a variety of experiences, skills and characteristics is a strength that supports their sustainable growth. As such, companies should promote diversity of personnel, including the active participation of women.
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- See below

Supplementary Principle 2.4.1	Companies should present their policies and voluntary and measurable goals for ensuring diversity in the promotion to core human resources, such as the promotion of women, foreign nationals and midcareer hires to middle managerial positions, as well as disclosing their status. In addition, in light of the importance of human resource strategies for increasing corporate value over the mid-to long-term, companies should present its policies for human resource development and internal environment development to ensure diversity, as well as the status of their implementation.
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- At Shiseido, we recognize and respect differences among individuals regardless of their attributes or ways of thinking. This includes not only women and foreign nationals, but also midcareer hires and persons with disabilities, as we create a company whose strength stems from individual strengths of its people and maximizing these strengths. To that end, we aim to ensure the diversity of our core human resources. We will continue to support the active participation of employees with diverse backgrounds and further accelerate Diversity, Equity and Inclusion (DE&I) at the workplace.

- Regarding women, the ratio of female leaders already exceeds 60% at our each regional offices overseas (China, Asia Pacific, the Americas, EMEA, and Travel Retail). By 2030, we aim to raise it to 50% in Japan as well.

- Regarding foreign nationals, we believe that new value creation is aided by bringing together human resources with diverse values, backgrounds, and experiences, as well as their promotion in friendly competition with each other. We are currently considering setting a target at a certain percentage of foreign nationals in Headquarter by hiring foreign nationals in Japan as well as promoting global mobility.

- For midcareer hires, we do not set any specific targets, but are mainly employing them for mid-career recruitment in the Shiseido Group in Japan .)

- Regarding recruitment of foreign nationals and midcareer hires as core human resources, the Company does not set specific targets, since we do not see any considerable differences from employees with other backgrounds.

- We disclose the following regarding the status of diversity in the "Social Data" section of the Shiseido Group corporate website. As of January 2024, approximately 2% of managers at Shiseido Group in Japan were foreign nationals, and approximately 33%—midcareer hires.

- Ratio of Female Leaders (All Shiseido Group / By region)
- Diversity in Top Management
- Ratio of Employees with Disabilities
- Ratio of Employees by Age Group (All Shiseido Group / By region)
- Ratio of female managers in revenue-generating functions / Female ratio in STEM-related departments
- Number and ratio of non-Japanese hires in Shiseido Group in Japan
- Ratio of mid-career hires to new hires at Shiseido Group companies in Japan

- We disclose our policies for human resource development and internal environment development to ensure diversity, as well as the status of their implementation, on the following website.

Principle 2.5	Companies should establish an appropriate framework for whistleblowing such that employees can report illegal or inappropriate behavior, disclosures, or any other serious concerns without fear of suffering from disadvantageous treatment. Also, the framework should allow for an objective assessment and appropriate response to the reported issues, and the board should be responsible for both establishing this framework, and ensuring and monitoring its enforcement.
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- See below

Supplementary Principle 2.5.1	As a part of establishing a framework for whistleblowing, companies should establish a point of contact that is independent of the management (for example, a panel consisting of outside directors and outside <i>kansayaku</i> ). In addition, rules should be established to secure the confidentiality of the information provider and prohibit any disadvantageous treatment.
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- To detect and remedy any type of conduct within the Group that violates laws, the Articles of Incorporation, and internal regulations, the Company shall set up a hotline for whistle-blowers in every Group company. Additionally, employees will have access to a hotline where employees can directly report to the officer in charge of risk management. In the Japan region, the Company shall establish hotlines staffed by both internal and external personnel and counselors.

- The Company has established a method through which corporate executive officers and employees, including those of all Group companies, can directly inform Audit Committee members (including the external Audit Committee members) of issues, and has made this method known throughout the Group.

- The Company and all Group companies have developed internal regulations to ensure that the said corporate executive officers and employees are not dismissed, discharged from service or receive any other disadvantageous treatment due to reporting to hotlines or Audit Committee members or informing them of issues, and have made these regulations known.

Principle 2.6	Because the management of corporate pension funds impacts stable asset formation for employees and companies' own financial standing, companies should take and disclose measures to improve human resources and operational practices, such as the recruitment or assignment of qualified persons, in order to increase the investment management expertise of corporate pension funds (including stewardship activities such as monitoring the asset managers of corporate pension funds), thus making sure that corporate pension funds perform their roles as asset owners. Companies should ensure that conflicts of interest which could arise between pension fund beneficiaries and companies are appropriately managed.
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- We strive to optimize pension asset management by implementing the following initiatives enabling us to perform the functions expected of an asset owner.

- The Investment Committee Meeting composed of the CFO, the Human Resources Department VP, the Finance and Accounting Department VP, the Strategic Finance Department VP, and the Pension Fund Directors, meets regularly to decide on asset portfolio, investment policies, and investment products with opinions and advice from outside investment consulting firms. In doing so, we properly manage conflicts of interest between the beneficiaries of the pension fund and the Company.

- Based on the policies determined by the Investment Committee Meeting, the Investment Managing Director executes asset management and reports the results to the Investment Committee Meeting, the Pension Fund Delegates Meeting and the Board of Pension Fund Directors to monitor investment performance.

- Regarding Executive Director and Investment Managing Director of the Pension Fund, we employ personnel with extensive experience in corporate pension operations at external financial institutions. Members of the Investment Committee Meeting acquire expertise by participating in seminars held by outside consulting firms and other specialized institutions.

- In addition, in order to fulfill its stewardship responsibilities appropriately as a responsible institutional investor, in March 2020, our Pension Fund announced their acceptance of the Principles of Responsible Institutional Investors (Japanese version of the Stewardship Code). As an asset owner, our Pension Fund strives to make stewardship activities more effective by encouraging the asset management companies we outsource to engage in dialogue with investee companies so that they can improve their corporate value and address sustainability issues.

### Section 3

<b>Section 3: Ensuring Appropriate Information Disclosure and Transparency</b>	
General Principle 3	Companies should appropriately make information disclosure in compliance with the relevant laws and regulations, but should also strive to actively provide information beyond that required by law. This includes both financial information, such as financial standing and operating results, and non-financial information, such as business strategies and business issues, risk and governance. The board should recognize that disclosed information will serve as the basis for constructive dialogue with shareholders, and therefore ensure that such information, particularly non-financial information, is accurate, clear and useful.

- See below

Principle 3.1	<p>In addition to making information disclosure in compliance with relevant laws and regulations, companies should disclose and proactively provide the information listed below (along with the disclosures specified by the principles of the Code) in order to enhance transparency and fairness in decision-making and ensure effective corporate governance:</p> <ul style="list-style-type: none"> <li>i) Company objectives (e.g., business principles), business strategies and business plans;</li> <li>ii) Basic views and guidelines on corporate governance based on each of the principles of the Code;</li> <li>iii) Board policies and procedures in determining the remuneration of the senior management and directors;</li> <li>iv) Board policies and procedures in the appointment/dismissal of the senior management and the nomination of directors and <i>kansayaku</i> candidates; and</li> <li>v) Explanations with respect to the individual appointments/dismissals and nominations based on iv).</li> </ul>
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- See below

Supplementary Principle 3.1.1	<p>These disclosures, including disclosures in compliance with relevant laws and regulations, should add value for investors, and the board should ensure that information is not boilerplate or lacking in detail.</p>
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- The Company discloses the following information in detail, upon careful analysis of the internal and external environment at the time of disclosure: business principles, strategies, and plans, basic views on corporate governance based on the Code, information regarding the remuneration of directors, and information regarding the appointment/dismissal of the senior management. The information is disclosed each time upon the publication of the notice of convocation and presentation materials for the annual ordinary general meeting of shareholders, quarterly financial results materials, annual integrated and sustainability reports, etc.

Supplementary Principle 3.1.2	<p>Bearing in mind the number of foreign shareholders, companies should, to the extent reasonable, take steps for providing English language disclosures.</p> <p>In particular, companies listed on the Prime Market should disclose and provide necessary information in their disclosure documents in English.</p>
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- The Company provides the English translation for all of its disclosure materials: the notice of convocation and presentation materials for the annual ordinary general meeting of shareholders, video reports of the general meeting of shareholders, quarterly financial results materials (settlements of accounts), annual integrated and sustainability reports, etc.

- Starting from this fiscal year, the Company is also disclosing and providing the annual securities report in English.

Supplementary Principle 3.1.3	<p>Companies should appropriately disclose their initiatives on sustainability when disclosing their management strategies. They should also provide information on investments in human capital and intellectual properties in an understandable and specific manner, while being conscious of the consistency with their own management strategies and issues.</p> <p>In particular, companies listed on the Prime Market should collect and analyze the necessary data on the impact of climate change-related risks and earning opportunities on their business activities and profits, and enhance the quality and quantity of disclosure based on the TCFD recommendations, which are an internationally well-established disclosure framework, or an equivalent framework.</p>
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- The Company summarizes and discloses its initiatives on sustainability in the sustainability report, published annually on its corporate website.

- Based on our commitment to "PEOPLE FIRST," Shiseido actively invests in human resource development, believing that human resources are the most important asset and that "strong individuals create a strong Company." To create strong individuals, we focus on strategic talent management, performance management, and autonomous career development support, founded on a job grade system. In 2020, Shiseido formulated the TRUST 8 Competencies, which describe a Company-wide image of human resources, with the aim of effectively implementing global human resource management. The TRUST 8 Competencies serve as the basis of our globally standardized selection/evaluation and human resource development programs, allowing each employee with ranging expertise to grow in work areas where they can maximize their respective strengths. Shiseido encourages employees' self-driven efforts to grow and provides support for individualized autonomous career development.

- Regarding investments in human capital, in November 2023, the Company has established "Shiseido Future University," a facility to develop leaders of the next generation in Ginza (Chuo-ku, Tokyo), the Company's place of foundation, as part of the initiatives to commemorate the 150th anniversary of founding. Masahiko Uotani, the CEO of the Company has always strongly believed that people are the greatest asset and that investment in people increases corporate value, so has upheld the management philosophy of "PEOPLE FIRST." We will further strengthen our investment in people capital through "Shiseido Future University." Specifically, we will work on people development through the original curriculum which combines the state-of-the-art, global level business school education with the learning from Shiseido's heritage which has pursued a sense of beauty and richness of spirit since its founding. We will nurture global leaders suitable to lead a global beauty company, who have acquired strategic thinking, leadership and sensitivity, and contribute to the realization of a better society through generating innovations and growing business.

- Regarding investments in intellectual properties, Shiseido is working to realize its corporate mission of BEAUTY INNOVATIONS FOR A BETTER WORLD: in addition to its traditional strengths in dermatology, formulation development, neuroscience, and kansei science, the Company integrates new science technologies, such as digital and device development that cross geographic and industry boundaries, as well as creates unique Japanese innovations that help minimize environmental impacts.

- In fiscal 2023, our R&D expenditure included in selling, general and administrative expenses came to 27.6 billion yen (or 2.8% of net sales). In addition to basic research that generates medium-to-long-term "seeds," the Company is increasing investment in R&D in new domains such as beauty devices and inner beauty.

- We recognize that intellectual property is an important corporate asset and strive for its strict protection and appropriate management. We aim to maximize its value by linking it to our strategies at various levels—corporate, business, and technology—and effectively utilizing it. In addition to proprietary use, the Company also promotes the use of its intellectual properties in a variety of ways, such as licensing or utilization aimed at resolving social issues.

- The Company has commenced disclosure based on the TCFD recommendations from 2020. Our initiatives are disclosed in the following report.

Principle 3.2	External auditors and companies should recognize the responsibility that external auditors owe toward shareholders and investors, and take appropriate steps to secure the proper execution of audits.
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- See below

Supplementary Principle 3.2.1	The <i>kansayaku</i> board should, at minimum, ensure the following: i) Establish standards for the appropriate selection of external auditor candidates and proper evaluation of external auditors; and ii) Verify whether external auditors possess necessary independence and expertise to fulfill their responsibilities.
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- Regarding the appointment and dismissal of the accounting auditor by the Company, Corporate Executive Officer, Chief Financial Officer and heads of departments relevant to financial accounting and audits conduct an evaluation, and then Audit Committee members need to unanimously approve through deliberations based on the evaluation results at the Audit Committee meeting.

- The Company's Policy on determination of dismissal or non-reappointment of the accounting auditor is as follows. The Audit Committee shall dismiss the accounting auditor pursuant to the provisions of Article 340 of the Companies Act, in the event the Company determines that the accounting auditor is seriously hindered as an accounting auditor, for example, if the accounting auditor breaches its official duty, neglects their official duty, or commits misconduct. Also, in the event that the accounting auditor deems it difficult to perform their duties properly, or in the event that the Audit Committee deems it appropriate to change accounting auditors in order to improve the audit, the Audit Committee shall decide the content of the proposal on the dismissal or non-reappointment of the accounting auditor, taking into account the opinion of the executive body, and submit the proposal at the General Meeting of Shareholders based on the decision.

- In order to adopt the resolution for the reappointment of the accounting auditor, the Audit Committee confirms items such as the adequacy of the accounting auditor, quality control, the independence and professional competency of the audit team, the appropriateness of audit plans and the status of communication with the Audit Committee members and other personnel. In addition, prior to adopting the resolution for reappointment, the Audit Committee has interviews with the heads of departments in charge of business execution (Financial Accounting Department and Internal Audit Department) about the accounting auditor and exchanges opinions with the Corporate Executive Officer and Chief Financial Officer at the Audit Committee.

Supplementary Principle 3.2.2	The board and the <i>kansayaku</i> board should, at minimum, ensure the following: i) Give adequate time to ensure high quality audits; ii) Ensure that external auditors have access, such as via interviews, to the senior management including the CEO and the CFO; iii) Ensure adequate coordination between external auditors and each of the <i>kansayaku</i> (including attendance at the <i>kansayaku</i> board meetings), the internal audit department and outside directors; and iv) Ensure that the company is constituted in the way that it can adequately respond to any misconduct, inadequacies or concerns identified by the external auditors.
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- The Representative Corporate Executive Officers and Audit Committee members hold opinion exchange meetings as needed, and the external directors and Audit Committee members also hold information sharing meetings as needed. In addition, the accounting auditor and Audit Committee members hold opinion exchange meetings as needed. The accounting auditor and the full-time Audit Committee members hold meetings on reporting accounting auditor's audit results on a quarterly basis. These quarterly meetings are also attended by the external directors and external Audit Committee members twice a year, at the end of the first half and at the end of the fiscal year, to promote sharing of information.

- The full-time Audit Committee 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.

- Audit Committee members receive quarterly reports from the accounting auditor on the status of accounting audits, and they share information and exchange views with the accounting auditor on major key audit matters (KAM) that have a significant impact on areas of the financial statements due to important decisions made by Company management. In addition, a three-way audit liaison meeting, including the Internal Audit Department, is held every quarter to exchange opinions on the status of each audit.



## Section 4

Section 4: Responsibilities of the Board	
General Principle 4	<p>Given its fiduciary responsibility and accountability to shareholders, in order to promote sustainable corporate growth and the increase of corporate value over the mid-to long-term and enhance earnings power and capital efficiency, the board should appropriately fulfill its roles and responsibilities, including:</p> <p>(1) Setting the broad direction of corporate strategy;</p> <p>(2) Establishing an environment where appropriate risk-taking by the senior management is supported; and</p> <p>(3) Carrying out effective oversight of directors and the management (including <i>shikkoyaku</i> and so-called <i>shikkoyakuin</i>) from an independent and objective standpoint.</p> <p>Such roles and responsibilities should be equally and appropriately fulfilled regardless of the form of corporate organization—i.e., Company with <i>Kansayaku</i> Board (where a part of these roles and responsibilities are performed by <i>kansayaku</i> and the <i>kansayaku</i> board), Company with Three Committees (Nomination, Audit and Remuneration) or Company with Supervisory Committee.</p>

• See below

Principle 4.1	<p>The board should view the establishment of corporate goals (business principles, etc.) and the setting of strategic direction as one major aspect of its roles and responsibilities. It should engage in constructive discussion with respect to specific business strategies and business plans, and ensure that major operational decisions are based on the company's strategic direction.</p>
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• 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.

• Based on THE SHISEIDO PHILOSOPHY and in response to unprecedented changes in external market conditions, Shiseido's Board of Directors have established "SHIFT 2025 and Beyond," a medium-term strategy centered on the three years from 2023 to 2025.

• Under this strategy, we are stepping up investments in three key areas — brands, innovations, and people — to foster medium-to-long-term growth. However, in response to a rapidly changing environment, we are required to further strengthen our medium-to-long-term management strategy and we have updated the medium-term strategy. Regarding the core operating profit margin, in response to changes in the market environment, while maintaining our strategy, we will implement structural reforms and have reset our targets to 6% in 2024 and 9% in 2025. Looking ahead to 2030, we will focus on securing profitability appropriate to a global company to achieve a core operating profit margin of 15% by 2028 or 2029.

In addition, implementing management with an awareness of capital costs, we aim to achieve the following financial targets.

<ROIC> 9% in FY2025      <ROE> 11% in FY2025

Supplementary Principle 4.1.1	<p>The board should clearly specify its own decisions as well as both the scope and content of the matters delegated to the management, and disclose a brief summary thereof.</p>
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• The Company has specified matters to be determined by resolution of the Board of Directors in the Regulation of the Board of Directors.

• In order to clarify the allocation of responsibility for the business management and accelerate decision-making by delegation of authority, the Company introduced the corporate officer system in 2001. As a result, authority for making decisions on matters relating to business executions other than those specified in the Regulation of the Board of Directors has been delegated to the extent appropriate so that CEO, who is the top executive of the Company, can make decisions after deliberations at important meeting bodies for decision-making on business execution such as the Global Strategy Committee and others.

• After extensive discussions at the Board of Directors were held with regard to the corporate governance of the Company during fiscal 2015 and also assessment of the effectiveness of the Board of Directors was performed, and in light of the decision that the Company will adopt the "monitoring board-type corporate governance," the Company made revisions of matters that needed to be deliberated and decided at the meetings of the Board of Directors.

• In 2024, in order to ensure effective implementation of its strategies even in an increasingly volatile business environment the Company transitioned to a company with three statutory committees. This transition allows the Board of Board of Directors to focus on determining basic management policies and management strategies while overseeing the execution thereof, whereas authority to determine particulars of business executions is significantly delegated to the corporate executive officers to increase their operational flexibility. Specifically, the Board of Directors only makes decisions on limited matters such as M&A, structural reforms and financing that exceed a certain threshold in addition to the matters that require a board resolution by laws and regulations, and the Company's Articles of Incorporation. Other decision-making authority is, in principle, delegated to the corporate executive officers.

Supplementary Principle 4.1.2	<p>Recognizing that a mid-term business plan (<i>chuuki keiei keikaku</i>) is a commitment to shareholders, the board and the senior management should do their best to achieve the plan. Should the company fail to deliver on its mid-term business plan, the reasons underlying the failure of achievement as well as the company's actions should be fully analyzed, an appropriate explanation should be given to shareholders, and analytic findings should be reflected in a plan for the ensuing years.</p>
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• Shiseido launched WIN 2023, our previous medium-term strategy to achieve our vision for 2030: becoming the world's No.1 company in skin beauty. During the three-year period from 2021 to 2023, we are implementing radical transformations focused on profitability and cash flow

rather than growth via sales expansion in a bid to solidify our foundation as a skin beauty company. We designated 2021 as a period of "Groundwork" to focus 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. We positioned 2022, which marked the 150th anniversary of Shiseido's founding, as the "Back on Growth Track" year to accelerate further growth of our global brands and DX initiatives. The final year of the WIN 2023 strategy is a year of "Full Recovery." We aim to achieve net sales of approximately ¥1 trillion and an operating profit margin (OPM) of 15% as a Skin Beauty Company. Furthermore, we are continuing to strengthen our active investment in our brands, innovation, supply network, DX, and people over these three years. The strategy and its progress are reviewed at our corporate website:

Supplementary Principle 4.1.3	Based on the company objectives (business principles, etc.) and specific business strategies, the board should proactively engage in the establishment and implementation of a succession plan for the CEO and other top executives and appropriately oversee the systematic development of succession candidates, deploying sufficient time and resources.
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- The selection of succession candidates for the CEO and the development of the succession plan are carried out by the Nominating Committee with the cooperation of the incumbent CEO.

- The CEO and the Nominating Committee formulate the succession plan based on the Company's business environment from a medium-to-long-term perspective upon sufficient discussions on various viewpoints such as the qualifications for a CEO, policies for the selection of a successor, and his or her training policies. The progress of the formulated succession plan is regularly reported to the Nominating Committee, which monitors its status of implementation. Regarding selection of specific candidates for the CEO, the Nominating Committee receives full reports from the CEO on the specific nomination for successor from various perspectives. The Nominating Committee members themselves meet and exchange opinions with candidates and evaluate them from an independent perspective as well as the Company's management issues. Furthermore, when actually selecting the CEO's successor, the Nominating Committee deliberates fully on matters such as the final candidate and their selection process and report the result of the deliberations to the Board of Directors. The final decision of selection is made by resolution of Board of Directors.

- In response to the 5-year extension of the incumbent CEO's term of office decided in 2019, the Company launched a succession plan. In this 5-year succession plan, after selecting the successor over the first three years, the successor works as the COO in cooperation with the CEO for the remaining two years. The Company aims to realize a smooth CEO succession and strengthen its management structure by making the successor have ample time to take on the responsibility to lead the Company in cooperation with the incumbent CEO. The CEO and the members of the Nomination & Remuneration Advisory Committee had fully discussed the necessary qualifications and requirements for CEO, the focal point of successor selection, training policy, etc., from a medium-to-long-term perspective, and taking into account the Company's business environment, and then examined/implemented training programs for the carefully screened candidates so that they can fully demonstrate their ability. The members of the Nomination & Remuneration Advisory Committee had taken much time to hold in-depth discussions while collecting information from the incumbent CEO, referring to the results of the assessments conducted by external experts, and conducting personal interviews with candidates so that they can nominate the best successor among all candidates selected from inside/outside the Company. Additionally, they had regularly exchanged opinions with external Audit & Supervisory Board members. All things considered, the successor of the CEO was finally approved at the Board of Directors meeting. Following these processes, the Board of Directors approved the CEO's successor, and from January 2023, we launched a new management structure with both a CEO and COO. Since establishing the new structure, the CEO and COO have been working together to lead the Group's management and strengthen our business structure. We will continue to conduct objective monitoring by external directors and execute the succession plan for a smooth transition.

Principle 4.2	The board should view the establishment of an environment that supports appropriate risk-taking by the senior management as a major aspect of its roles and responsibilities. It should welcome proposals from the management based on healthy entrepreneurship, fully examine such proposals from an independent and objective standpoint with the aim of securing accountability, and support timely and decisive decision-making by the senior management when approved plans are implemented. Also, the remuneration of the management should include incentives such that it reflects mid-to long-term business results and potential risks, as well as promotes healthy entrepreneurship.
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- See below

Supplementary Principle 4.2.1	The board should design management remuneration systems such that they operate as a healthy incentive to generate sustainable growth, and determine actual remuneration amounts appropriately through objective and transparent procedures. The proportion of management remuneration linked to mid-to long-term results and the balance of cash and stock should be set appropriately.
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- The Company regards the remuneration policy for directors and corporate executive officers as an important matter for corporate governance. For this reason, in accordance with the basic philosophy, the remuneration policy is deliberated and decided by the Compensation Committee composed solely of independent external directors implementing objective point of view.

- The remuneration of the directors and corporate executive officers of the Company comprises basic remuneration as fixed remuneration as well as an annual incentive and long-term incentive-type remuneration (stock compensation) 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. The remuneration of individual directors and corporate executive officers are determined after deliberations by the Compensation Committee. Remuneration for directors is not paid to directors who concurrently assume the position of corporate executive officers.

- The "long-term incentive-type 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. As performance indicators to evaluate the enhancement of

economic value, a mix of quantitative targets to be aimed for with a long-term perspective has been set under the medium- to long-term strategy. 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).

- Independent external directors and non-executive directors receive only basic remuneration, as fluctuating remuneration such as performance-linked remuneration is inconsistent with their oversight functions from a stance independent from business execution. Furthermore, the Company does not have an officers' retirement benefit plan.

Supplementary Principle 4.2.2	The board should develop a basic policy for the company's sustainability initiatives from the perspective of increasing corporate value over the mid-to long-term. In addition, in light of the importance of investments in human capital and intellectual properties, the board should effectively supervise the allocation of management resources, including such investments, and the implementation of business portfolio strategies to ensure that they contribute to the sustainable growth of the company.
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- The Company has developed a basic policy on sustainability, formulated based on discussions of its Board of Directors, and discloses it in our WEB site and the Sustainability Report

- The Company develops medium-to-long-term strategies in periods of three years based on discussions by its Board of Directors. This includes business portfolio revision, allocation of management resources, and development of sales strategies based on the analysis of recent global market trends and consumer purchasing behavior, etc. The Board also oversees the implementation progress of these strategies.

- These strategies undergo appropriate revisions depending on the status of monthly sales and other indicators as well as quarterly financial results. The content of the revisions is overseen by the Board of Directors of the Company.

Principle 4.3	The board should view the effective oversight of the management and directors from an independent and objective standpoint as a major aspect of its roles and responsibilities. It should appropriately evaluate company performance and reflect the evaluation in its assessment of the senior management. In addition, the board should engage in oversight activities in order to ensure timely and accurate information disclosure, and should establish appropriate internal control and risk management systems. Also, the board should appropriately deal with any conflict of interests that may arise between the company and its related parties, including the management and controlling shareholders.
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- See below

Supplementary Principle 4.3.1	The board should ensure that the appointment and dismissal of the senior management are based on highly transparent and fair procedures via an appropriate evaluation of the company's business results.
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- Proposals regarding appointment and dismissal of directors to be submitted to general meetings of shareholders are decided by the resolution of the Nominating Committee which is composed solely of independent external directors.

- The matters such as appointment and dismissal of the representative corporate executive officers and corporate executive officers, areas for which corporate executive officers take responsibility, appointment and dismissal of the CEO, as well as matters regarding the succession of the CEO etc. are determined by the Board of Directors after deliberation by the Nominating Committee.

- Candidates for the CEO are selected from a wide range of possible nominees, both inside and outside the Company, with the perspective of their ability to realize our corporate philosophy and strategy. From this selection stage, they are deliberated by the Nominating Committee. In the event that a qualified person is appointed through the above process but unavoidable circumstances arise in which he or she is unable to fulfill his or her duties and responsibilities, the said CEO will be dismissed by a resolution of the Board of Directors after careful consideration by the Nominating Committee. Whether the CEO is fulfilling his or her duties and responsibilities is reviewed and confirmed by the Nominating Committee.

Supplementary Principle 4.3.2	Because the appointment/dismissal of the CEO is the most important strategic decision for a company, the board should appoint a qualified CEO through objective, timely, and transparent procedures, deploying sufficient time and resources.
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- The selection of succession candidates for the CEO and the development of the succession plan are carried out by the Nominating Committee with the cooperation of the incumbent CEO.

- The CEO and the Nominating Committee formulate the succession plan based on the Company's business environment from a medium-to-long-term perspective upon sufficient discussions on various viewpoints such as the qualifications for a CEO, policies for the selection of a successor, and his or her training policies. The progress of the formulated succession plan is regularly reported to the Nominating Committee, which monitors its status of implementation. Regarding selection of specific candidates for the CEO, the Nominating Committee receives full reports from the CEO on the specific nomination for successor from various perspectives. The Nominating Committee members themselves meet and exchange opinions with candidates, evaluate them from an independent perspective as well as the Company's management issues. Furthermore, when actually selecting the CEO's successor, the Nominating Committee deliberates fully on matters such as the final candidate and their selection process and report the result of the deliberations to the Board of Directors. The final decision of selection is made by resolution of the Board of Directors.

- In response to the 5-year extension of the incumbent CEO's term of office decided in 2019, the Company launched a succession plan. In this 5-year succession plan, after selecting the successor over the first three years, the successor works as the COO in cooperation with the CEO for the remaining two years. The Company aims to realize a smooth CEO succession and strengthen its management structure by making the successor have ample time to take on the responsibility to lead the Company in cooperation with the incumbent CEO. The CEO and the members of the Nomination & Remuneration Advisory Committee had fully discussed the necessary qualifications and requirements for CEO, the focal point of successor selection, training policy, etc., from a medium-to-long-term perspective, and taking into account the Company's business environment, and then examined/implemented training programs for the carefully screened candidates so that they can fully demonstrate their ability. The members of the Nomination & Remuneration Advisory Committee had taken much time to hold in-depth discussions while collecting information from the incumbent CEO, referring to the results of the assessments conducted by external experts, and conducting personal interviews with candidates so that they can nominate the best successor among all candidates selected from inside/outside the Company. Additionally, they had regularly exchanged opinions with external Audit & Supervisory Board members. All things considered, the successor of the CEO was finally approved at the Board of Directors meeting. Following these processes, the Board of Directors approved the CEO's successor, and from January 2023, we launched a new management structure with both a CEO and COO. Since establishing the new structure, the CEO and COO have been working together to lead the Group's management and strengthen our business structure. We will continue to conduct objective monitoring by external directors and execute the succession plan for a smooth transition.

Supplementary Principle 4.3.3	The board should establish objective, timely, and transparent procedures such that a CEO is dismissed when it is determined, via an appropriate evaluation of the company's business results, that the CEO is not adequately fulfilling the CEO's responsibilities.
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- In the event that a qualified person is appointed through the above process but unavoidable circumstances arise in which he or she is unable to fulfill his or her duties and responsibilities, the said CEO will be dismissed by a resolution of the Board of Directors after careful consideration by the Nominating Committee.
- Whether the CEO is fulfilling his or her duties and responsibilities is reviewed and confirmed by the Nominating Committee.

Supplementary Principles 4.3.4	The establishment of effective internal control and proactive enterprise risk management systems has the potential to support sound risk-taking. The board should appropriately establish such systems on an enterprise basis and oversee the operational status, besides utilizing the internal audit department.
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- The Company has set up a committee to oversee compliance and risk management and coordinate with organizations established to perform 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 improving corporate quality by increasing the Group's legitimate and fair corporate activities and managing risk. Major management risks and incidents shall be reported to the Board of Directors through the Representative Corporate Executive Officers, along with the proposal for response to them and its progress.
- 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 shares information regularly with the persons in charge deployed within each Group company and business site.
- Internal audits conducted by the Internal Audit Department include audits of the Company's risk management system and its operational status. The results of the audits are reported periodically to the Audit Committee, as well as monthly to the Representative Corporate Executive Officer, Chairman and CEO, Corporate Executive Officer and CFO, and periodically to the Board of Directors.

Principle 4.4	<p><i>Kansayaku</i> and the <i>kansayaku</i> board should bear in mind their fiduciary responsibilities to shareholders and make decisions from an independent and objective standpoint when executing their roles and responsibilities including the audit of the performance of directors' duties, appointment and dismissal of <i>kansayaku</i> and external auditors, and the determination of auditor remuneration.</p> <p>Although so-called "defensive functions," such as business and accounting audits, are part of the roles and responsibilities expected of <i>kansayaku</i> and the <i>kansayaku</i> board, in order to fully perform their duties, it would not be appropriate for <i>kansayaku</i> and the <i>kansayaku</i> board to interpret the scope of their function too narrowly, and they should positively and proactively exercise their rights and express their views at board meetings and to the management.</p>
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- See below

Supplementary Principle 4.4.1	Given that not less than half of the <i>kansayaku</i> board must be composed of outside <i>kansayaku</i> and that at least one full-time <i>kansayaku</i> must be appointed in accordance with the Companies Act, the <i>kansayaku</i> board should, from the perspective of fully executing its roles and responsibilities, increase its effectiveness through an organizational combination of the independence of the former and the information gathering power of the latter. In addition, <i>kansayaku</i> or the <i>kansayaku</i> board should secure cooperation with outside directors so that such directors can strengthen their capacity to collect information without having their independence jeopardized.
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- The Audit Committee plays a role in the oversight function that the Board of Directors should fulfill, and conducts audits to contribute to Shiseido Group's "sound and sustainable growth" and "enhancement of long-term corporate value" by fulfilling its responsibility to establishing a "high-quality corporate governance system that can earn the trust of various stakeholders." The status of audit activities is as follows.

1. Attendance at Board of Directors meetings and other important meetings and committees

- Audit Committee members provide necessary advice, recommendations, and opinions from an independent perspective based on their extensive experience and knowledge in their respective fields, and they review the execution of duties by the corporate executive officers.
- Global Strategy Committee, Global Risk Management & Compliance Committee and Business Plan Meeting, etc.

2. Meetings with Representative Corporate Executive Officers

Exchange opinions on important management issues and share issues based on annual audit activities twice a year.

3. Interviews and on-site inspections with Executive Officers, department heads, and office managers, among others

Exchange opinions on the management and business environment

4. Confirm status of internal audit

Audit Committee meetings, etc.

Principle 4.5	With due attention to their fiduciary responsibilities to shareholders, the directors, <i>kansayaku</i> and the management of companies should secure the appropriate cooperation with stakeholders and act in the interest of the company and the common interests of its shareholders.
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• The Shiseido Code of Conduct and Ethics define the actions that must be taken and shared by each and every employee of the Shiseido Group. It sets out not only abiding by the laws of each country and region, internal rules and regulations of the Shiseido Group, but also the action standards for business conduct with the highest ethical principles. Also, the Company defines what corporate actions should be taken in relation to stakeholders (employees, consumers, business partners, shareholders, and society and the Earth).

Principle 4.6	In order to ensure effective, independent and objective oversight of the management by the board, companies should consider utilizing directors who are neither involved in business execution nor have close ties with the management.
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• We held repeated discussions with regard to an ideal corporate governance structure, including the composition and operation of the Board of Directors. As a result, to ensure sufficient and effective oversight functions of Board of Directors over the Shiseido Group overall, the Company transitioned a company statutory committee by resolution of general meeting of shareholders,

• Under this corporate governance structure, the majority of the Board of Directors is composed of independent external directors. The Board focuses on determining basic management policies and management strategies while overseeing their execution. This reinforces the oversight function the Board and accelerate the overall business execution of the Company in a rapidly changing environment. Also, the Nominating Committee and the Compensation Committee are composed solely of independent external directors. They make fair, transparent, and objective decisions on appointment of directors and remuneration of directors and corporate executive officers that contribute to the successful implementation of our business strategies. Furthermore, the function of the internal audit department is strengthened. The Audit Committee, composed of independent external directors and full-time members who are non-executive directors conducts effective audits through the internal audit department.

Principle 4.7	Companies should make effective use of independent directors, taking into consideration the expectations listed below with respect to their roles and responsibilities: i) Provision of advice on business policies and business improvement based on their knowledge and experience with the aim to promote sustainable corporate growth and increase corporate value over the mid-to long-term; ii) Monitoring of the management through important decision-making at the board including the appointment and dismissal of the senior management; iii) Monitoring of conflicts of interest between the company and the management or controlling shareholders; and iv) Appropriately representing the views of minority shareholders and other stakeholders in the boardroom from a standpoint independent of the management and controlling shareholders.
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• In cases when the Board of Directors resolves management policies, such as medium-to-long-term strategies, or makes decisions on other important matters, independent external directors utilize their respective experience and knowledge to present opinions, ask questions and provide advice from an independent standpoint. The Board accords the utmost respect to these opinions upon making decisions.

Principle 4.8	Independent directors should fulfill their roles and responsibilities with the aim of contributing to sustainable growth of companies and increasing corporate value over the mid-to long-term. Companies listed on the Prime Market should therefore appoint at least one-third of their directors as independent directors (two directors if listed on other markets) that sufficiently have such qualities. Irrespective of the above, if a company listed on the Prime Market believes it needs to appoint the majority of directors (at least one-third of directors if listed on other markets) as independent directors based on a broad consideration of factors such as the industry, company size, business characteristics, organizational structure and circumstances surrounding the company, it should appoint a sufficient number of independent directors.
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• The Company sets the ratio of its independent external directors from the perspective of ensuring the effectiveness of oversight function that, in principle, the majority of the Board of Directors shall be composed of independent external directors.

• In selecting independent external directors, high priority is given to independence. Our basic principle is that candidates are required to meet the Company's "Criteria for Independence of External Directors" as well as possess highly independent thinking.



Supplementary Principle 4.8.1	In order to actively contribute to discussions at the board, independent directors should endeavor to exchange information and develop a shared awareness among themselves from an independent and objective standpoint. Regular meetings consisting solely of independent directors (executive sessions) would be one way of achieving this.
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- The Company provides independent external directors with opportunities where only independent external directors discuss and share understanding on topics that require objectivity and transparency. In addition, we strive to share company information among independent external directors by allowing them to optionally attend audit result reporting meetings from accounting auditors, in addition to the audit committee members.

Supplementary Principle 4.8.2	Independent directors should endeavor to establish a framework for communicating with the management and for cooperating with <i>kansayaku</i> or the <i>kansayaku</i> board by, for example, appointing the lead independent director from among themselves.
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- The Nominating Committee and the Compensation Committees, which play important roles in corporate governance, are chaired by independent external directors. The Committees discuss various matters such as selections of candidates for directors and remuneration for directors and corporate executive officers. These discussions are led by the chair, who is an independent external director. Moreover, chairs of each of committees, as the leading external directors, play roles in liaising and coordinating with the management team, connecting with the Audit Committee and members of Audit Committee, and facilitating cooperation between committees, including setting up informal discussion opportunities to ensure smooth collaboration.

Supplementary Principle 4.8.3	Companies that have a controlling shareholder should either appoint at least one-third of their directors (the majority of directors if listed on the Prime Market) as independent directors who are independent of the controlling shareholder or establish a special committee composed of independent persons including independent director(s) to deliberate and review material transactions or actions that conflict with the interests of the controlling shareholder and minority shareholders.
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- The Company does not have a controlling shareholder.

Principle 4.9	Boards should establish and disclose independence standards aimed at securing effective independence of independent directors, taking into consideration the independence criteria set by securities exchanges. The board should endeavor to select independent director candidates who are expected to contribute to frank, active and constructive discussions at board meetings.
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- The Company establishes its own rules of "Criteria for Independence of the External Directors," taking into account laws and regulations and listing rules, etc. including those of foreign countries for the purpose of making objective assessment on the independence of the external directors.

- In connection with selecting candidates for the independent external directors, 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 independence in accordance with the Criteria.

Principle 4.10	In adopting the most appropriate organizational structure (as stipulated by the Companies Act) that is suitable for a company's specific characteristics, companies should employ optional approaches, as necessary, to further enhance governance functions.
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- See below

Supplementary Principle 4.10.1	If the organizational structure of a company is either Company with <i>Kansayaku</i> Board or Company with Supervisory Committee and independent directors do not compose a majority of the board, in order to strengthen the independence, objectivity and accountability of board functions on the matters of nomination (including succession plan) and remuneration of the senior management and directors, the company should seek appropriate involvement and advice from the committees, including from the perspective of gender and other diversity and skills, in the examination of such important matters as nominations and remuneration by establishing an independent nomination committee and remuneration committee under the board, to which such committees make significant contributions. In particular, companies listed on the Prime Market should basically have the majority of the members of each committee be independent directors, and should disclose the mandates and roles of the committees, as well as the policy regarding the independence of the composition.
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- The majority of the Board of Directors is composed of independent external directors.

- The Company transitioned to a company with three statutory committees in 2024. The Nominating Committee and the Compensation Committee are composed solely of independent external directors. They make fair, transparent, and objective decisions on appointment of directors and remuneration of directors and corporate executive officers that contribute to the successful implementation of our business strategies. Furthermore, the function of the internal audit department is strengthened. The Audit Committee, composed of independent external directors and full-time members who are non-executive directors conducts effective audits through the internal audit department.

Principle 4.11	The board should be well balanced in knowledge, experience and skills in order to fulfill its roles and responsibilities, and it should be constituted in a manner to achieve both diversity, including gender, international experience, work experience and age, and appropriate size. In addition, persons with appropriate experience and skills as well as necessary knowledge on finance, accounting, and the law should be appointed as <i>kansayaku</i> . In particular, at least one person who has sufficient expertise on finance and accounting should be appointed as <i>kansayaku</i> . The board should endeavor to improve its function by analyzing and evaluating effectiveness of the board as a whole.
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- See below

Supplementary Principle 4.11.1	The board should identify the skills, etc. that it should have in light of its managing strategies, and have a view on the appropriate balance between knowledge, experience and skills of the board as a whole, and also on diversity and appropriate board size. Consistent with its view, the board should establish policies and procedures for nominating directors and disclose them along with the combination of skills, etc. that each director possesses in an appropriate form according to the business environment and business characteristics, etc., such as what is known as a "skills matrix." When doing so, independent director(s) with management experience in other companies should be included.
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- The Company believes that its Board of Directors should be composed of directors with various viewpoints and backgrounds as well as diverse and sophisticated skills, required for effective oversight of the execution of business and important decision making. When selecting candidates, we place importance on ensuring diversity, taking into account not only gender equality, but also other attributes such as age, nationality, race, personality, and insights and experiences in various fields related to management.

- The Company discloses the skills and expertise required of its directors in the form of a matrix:

- The Company has set a certain maximum term of office for independent external directors in order to reflect their independent views to our management, and allows a handover period from long-serving external directors to newly appointed ones to ensure appropriate transition. Moreover, we ensure fruitful discussions at the meetings of the Board of Directors as corporate executive officers and executive officers in charge of relevant domains join the meetings depending on the agenda and provide necessary explanations.

Supplementary Principle 4.11.2	Outside directors, outside <i>kansayaku</i> , and other directors and <i>kansayaku</i> should devote sufficient time and effort required to appropriately fulfill their respective roles and responsibilities. Therefore, where directors and <i>kansayaku</i> also serve as directors, <i>kansayaku</i> or the management at other companies, such positions should be limited to a reasonable number and disclosed each year.
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- The Company has set forth criteria for "important concurrent positions" assumed by its independent external directors and describes the status of such concurrent positions in the Business Report accompanying the Notice of Convocation of the Ordinary General Meeting of Shareholders based thereon. Candidates of directors are selected upon confirmation that their multiple concurrent positions, if any, will not impede their performance of duties assumed in the Company.

Supplementary Principle 4.11.3	Each year the board should analyze and evaluate its effectiveness as a whole, taking into consideration the relevant matters, including the self-evaluations of each director. A summary of the results should be disclosed.
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- The Company evaluates the effectiveness of its Board of Directors on a regular basis to identify issues and required improvements. Questionnaires and interviews for all directors are conducted every year to evaluate and analyze the activities of the Board of Directors, the Nominating Committee, the Compensation Committee and the Audit Committee, as well as the support system by the secretariat. The results are collected and analyzed by the secretariat of the Board of Directors.

Principle 4.12	The board should endeavor to foster a climate where free, open and constructive discussions and exchanges of views take place, including the raising of concerns by outside directors.
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- See below

Supplementary Principle 4.12.1	The board should ensure the following in relation to the operation of board meetings and should attempt to make deliberations active: i) Materials for board meetings are distributed sufficiently in advance of the meeting date; ii) In addition to board materials and as necessary, sufficient information is provided to directors by the company (where appropriate, the information should be organized and/or analyzed to promote easy understanding); iii) The schedule of board meetings for the current year and anticipated agenda items are determined in advance; iv) The number of agenda items and the frequency of board meetings are set appropriately; and v) Sufficient time for deliberations.
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- Materials for the Board of Directors' meetings are in principle distributed in advance. On the day of the meeting, the department in charge of proposal provides detailed explanations of the materials, followed by a Q&A session to ensure that sufficient information necessary for deliberation is provided.

- The representative corporate executive officers contact the directors of the Company by email or other means whenever necessary to provide follow-up information after Board meetings or important and emergency information.
- The next year's schedule for Board meetings is decided in advance upon coordination with directors and related internal divisions. The plan for the next year's deliberations is reported in advance.
- Following the transition to a company with three statutory committees in 2024 and considering the results of the effectiveness evaluation of the Board of Directors, we are reviewing the annual number of Board meetings as well as the matters to be deliberated and decided by the Board. This ensures that sufficient time is allocated for deliberation on important matters such as medium-to-long-term strategy and sustainability management.

Principle 4.13	In order to fulfill their roles and responsibilities, directors and <i>kansayaku</i> should proactively collect information, and as necessary, request the company to provide them with additional information. Also, companies should establish a support structure for directors and <i>kansayaku</i> , including providing sufficient staff. The board and the <i>kansayaku</i> board should verify whether information requested by directors and <i>kansayaku</i> is provided smoothly.
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- See below

Supplementary Principle 4.13.1	Directors, including outside directors, should request the company to provide them with additional information, where deemed necessary from the perspective of contributing to transparent, fair, timely and decisive decision-making. In addition, <i>kansayaku</i> , including outside <i>kansayaku</i> , should collect information appropriately, including the use of their statutory investigation power.
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- In principle, materials for Board of Directors' meetings are share online with independent external directors in advance, and a system has been established to enable timely exchange of questions and items to be confirmed via email, etc.
- In addition to the attendance of the Board of Directors, the full-time members of Audit Committee are secured with opportunities to attend important meetings related to business execution, such as Global Strategy Committee and Business Plan Meeting as well as Global Risk Management & Compliance Committee as observers, and reports and information are provided to the Audit Committee members through these meetings. Moreover, when requested by the Audit Committee members, materials and information on these meetings are provided.
- A separate and direct email route to the Audit Committee, which allows the Audit Committee to directly receive reports on events that may damage the trust of the Shiseido Group, has been established as part of the internal whistle-blowing system. Information on the email route is provided to employees in Japan through training for new hires and training on harassment for all employees.

Supplementary Principle 4.13.2	Directors and <i>kansayaku</i> should consider consulting with external specialists at company expense, where they deem it necessary.
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- The Compensation Committee, which is composed only of independent external directors, invites experts from outside the Company to provide advice on the design of executive remuneration and other matters. In addition, we have been inviting external experts to exchange opinions and information with independent external directors and will continue to do so as necessary in the future.

Supplementary Principle 4.13.3	Companies should ensure coordination between the internal audit department, directors and <i>kansayaku</i> by establishing a system in which the internal audit department appropriately reports directly to the board and the <i>kansayaku</i> board in order for them to fulfill their functions. In addition, companies should take measures to adequately provide necessary information to outside directors and outside <i>kansayaku</i> . One example would be the appointment of an individual who is responsible for communicating and handling requests within the company such that the requests for information about the company by outside directors and outside <i>kansayaku</i> are appropriately processed.
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- In accordance with the Internal Audit Department Operations Manual (including the "Internal Audit Rules"), the Company evaluated the status of design and operation of internal controls in the Shiseido Group, from the perspectives of operational effectiveness and efficiency, reliability of reporting, and compliance with applicable laws, regulations, and internal regulations, as well as safeguarding company assets. It also evaluates the adequacy and effectiveness of risk management and provides advice and recommendations for improvement.
- The results of internal audits are reported periodically to the Audit Committee, as well as monthly to the Representative Corporate Executive Officer, Chairman and CEO, Corporate Executive Officer and CFO, and periodically to the Board of Directors.

Principle 4.14	New and incumbent directors and <i>kansayaku</i> should deepen their understanding of their roles and responsibilities as a critical governance body at a company, and should endeavor to acquire and update necessary knowledge and skills. Accordingly, companies should provide and arrange training opportunities suitable to each director and <i>kansayaku</i> along with financial support for associated expenses. The board should verify whether such opportunities and support are appropriately provided.
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- See below

Supplementary Principle 4.14.1	Directors and <i>kansayaku</i> , including outside directors and outside <i>kansayaku</i> , should be given the opportunity when assuming their position to acquire necessary knowledge on the company's business, finances, organization and other matters, and fully understand the roles and responsibilities, including legal liabilities, expected of them. Incumbent directors should also be given a continuing opportunity to renew and update such knowledge as necessary.
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- The Company provides new directors with training regarding legal and statutory authorities and obligations, etc. In addition, when a new independent external director come on board, the Company provides training regarding the industry it operates in, its history, business overview, strategy and material risks, etc.

- Furthermore, to promote understanding of the Company among independent external directors, they are provided with such opportunities as attending internal meetings and lectures by external experts on annual business strategies and business management issues.

Supplementary Principle 4.14.2	Companies should disclose their training policy for directors and <i>kansayaku</i> .
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- The Company believes that in addition to appointing personnel having credentials required to serve as directors, corporate executive officers or executive officers, it is important to provide them with necessary training and information.

- The Company provides new directors with training regarding legal and statutory authorities and obligations, etc. In addition, the Company provides new independent external directors with training regarding the industry it operates in, its history, business overview, strategy, material risks etc. (approximately once a year for each subject).

## Section 5

<b>Section 5: Dialogue with Shareholders</b>	
General Principle 5	In order to contribute to sustainable growth and the increase of corporate value over the mid-to long-term, companies should engage in constructive dialogue with shareholders even outside the general shareholder meeting. During such dialogue, senior management and directors, including outside directors, should listen to the views of shareholders and pay due attention to their interests and concerns, clearly explain business policies to shareholders in an understandable manner so as to gain their support, and work for developing a balanced understanding of the positions of shareholders and other stakeholders and acting accordingly.

- See below

Principle 5.1	Companies should, positively and to the extent reasonable, respond to the requests from shareholders to engage in dialogue (management meetings) so as to support sustainable growth and increase corporate value over the mid-to long-term. The board should establish, approve and disclose policies concerning the measures and organizational structures aimed at promoting constructive dialogue with shareholders.
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- The Company fully recognizes that timely and appropriate disclosure of corporate information to investors forms the basis of a sound securities market. We make constant efforts to improve our internal systems and maintain investors' point of view to ensure prompt, accurate, and fair disclosure of corporate information to all investors at the same time. Through these efforts, we aim to provide timely and appropriate corporate information to investors and have published a policy on information disclosure.

Supplementary Principle 5.1.1	Taking the requests and interests of shareholders into consideration, to the extent reasonable, the senior management, directors, including outside directors, and <i>kansayaku</i> , should have a basic position to engage in dialogue (management meetings) with shareholders.
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- The CEO, COO and CFO of the Company actively engage in dialogue with shareholders and express their thoughts as senior management on the Company's initiatives.

- External directors are also provided with opportunities to express their independent opinions on the governance of the Company, such as conferences hosted by securities companies, the integrated report, etc.

Supplementary Principle 5.1.2	<p>At minimum, policies for promoting constructive dialogue with shareholders should include the following:</p> <ul style="list-style-type: none"> <li>i) Appointing a member of the management or a director who is responsible for overseeing and ensuring that constructive dialogue takes place, including the matters stated in items ii) to v) below;</li> <li>ii) Measures to ensure positive cooperation between internal departments such as investor relations, corporate planning, general affairs, corporate finance, accounting and legal affairs with the aim of supporting dialogue;</li> <li>iii) Measures to promote opportunities for dialogue aside from individual meetings (e.g., general investor meetings and other IR activities);</li> <li>iv) Measures to appropriately and effectively relay shareholder views and concerns learned through dialogue to the senior management and the board; and</li> <li>v) Measures to control insider information when engaging in dialogue.</li> </ul>
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- The Company has established and disclosed the "Basic Policy on Information Disclosure and Dialogue with Shareholders and Investors", which establishes our basic policy on information disclosure, standards, method, and system for information disclosure, as well as outlines our initiatives for a constructive dialogue with shareholders and investors and management of insider information. In addition, according to the Tokyo Stock Exchange's request for disclosure of "Status of Dialogue with Shareholders, etc.," the Company has also included specific information on the status of dialogue between management and shareholders in the most recent fiscal year as "Dialogues with shareholders and investors" including an outline of the recipients of dialogue and themes, number of meetings, and the main persons and departments in the Company that responded.

- The Company has also provided related links from the company information website at the URL above, as well as related pages on the company information website for the various briefings we hold for investors and shareholders. And the company has provided information on the content of these briefings as needed, including videos.

Supplementary Principle 5.1.3	Companies should endeavor to identify their shareholder ownership structure as necessary, and it is desirable for shareholders to cooperate as much as possible in this process.
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- Based on the shareholder register, which is updated every six months, the Company conducts a survey of institutional investors to identify the actual shareholders and uses it as a basis for shareholder dialogue.

Principle 5.2	When establishing and disclosing business strategies and business plans, companies should articulate their earnings plans and capital policies, and present targets for profitability and capital efficiency after accurately identifying the company's cost of capital. Also, companies should provide explanations that are clear and logical to shareholders with respect to the allocation of management resources, such as reviewing their business portfolio and investments in fixed assets, R&D, and human capital, and specific measures that will be taken in order to achieve their plans and targets.
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- See below

- According to the Tokyo Stock Exchange's request for disclosure of "Action to Implement Management that is Conscious of Cost of Capital and Stock Price," the Company discloses on the company information website the results of ROIC and ROE for the most recent fiscal year 2022 and the target values for 2025 to improve capital efficiency in its medium-term management plan.

Supplementary Principle 5.2.1	In formulating and announcing business strategies, etc., companies should clearly present the basic policy regarding the business portfolio decided by the board and the status of the review of such portfolio.
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- The Company develops medium-to-long-term strategies in periods of three years based on discussions by its Board of Directors. This includes development of the business portfolio and sales strategies based on the analysis of recent global market trends, consumer purchasing behavior, and other factors. These are disclosed in an easy-to-understand visual form.

- These strategies undergo appropriate revisions based on quarterly financial results. The contents of the revisions are disclosed in materials for quarterly results briefings and presented to a broad range of investors via our corporate website and other media.



# Remuneration for Directors and Corporate Executive Officers

## 1. Basic Philosophy of the Remuneration to Directors and Executive Officers of the Company

The Company regards the remuneration policy for Directors and Corporate Executive Officers as an important matter for corporate governance. For this reason, in accordance with the following basic philosophy, the Directors and Corporate Executive Officers remuneration policy of the Company is deliberated and decided in the Compensation Committee chaired by an External Director to incorporate objective points of view.

### Basic philosophy and policy of the remuneration to Directors and Corporate Executive Officers

The remuneration policy to Directors and Corporate Executive Officers shall:

1. encourage to realize the corporate mission;
2. aim to ensure attractive remuneration to acquire and retain top talent in global talent market;
3. aim to enhance the long-term corporate value and strongly incentivize to achieve the company's long-term vision and medium- to long-term strategy;
4. have a mechanism incorporated to prevent overemphasis on short-term views while instilling motivation to achieve short-term goals;
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.
6. be designed to establish remuneration standards based on the significance (Grade) of role/responsibility reflecting the mission of respective Directors and Executive Officers, and differentiate remuneration according to the level of strategic target accomplished (achievements).

## 2. The Company's Directors and Corporate Executive Officers Remuneration Policy

Based on the above basic philosophy, the Compensation Committee has resolved its policy on decisions regarding remuneration of individual Directors and Corporate Executive Officers.

The Company's Directors and Corporate Executive Officers remuneration policy, including an outline of the contents of the policy on decisions regarding remuneration of individual Directors and Corporate Executive Officers, is described below in detail.

### ■ Overall picture

The remuneration of Corporate Executive Officers (including those who concurrently assume the position of Directors) comprises "basic remuneration" as fixed remuneration as well as "annual incentive" and "long-term incentive-type remuneration (non-monetary remuneration)" as performance-linked remuneration, and the Company sets remuneration levels by benchmarking peer companies in the same business industry or in the similar business size inside or outside Japan and by taking the Company's financial condition into consideration. The remuneration of individual Directors and Corporate Executive Officers are determined after deliberations by the Compensation Committee.

In addition, External Directors who are independent from business execution and Directors who are the members of the Audit Committee receive only basic remuneration, as variable remuneration such as performance-linked remuneration is not appropriate.

{The proportion of each remuneration element for Corporate Executive Officers}

The proportion of remuneration of Corporate Executive Officers is set by Grade set according to the responsibilities of each Corporate Executive Officers, and the higher the Grade becomes, the higher the proportion of performance-linked remuneration becomes.

Title of Corporate Executive Officers	Composition of Remuneration for Directors and Executive Officers			Total
	Basic Remuneration	Performance-linked Remuneration		
		Annual Incentive	Long-Term Incentive-Type Remuneration	
Chairman and CEO	33.3%	33.3%	33.3%	100%
Corporate Executive Officers excluding Chairman and CEO	36%~48%	26%~32%	26%~32%	

Notes :

1. The proportions shown in the above table may change depending on the Company's performance and/or its stock price's fluctuation, as financial value of performance-linked remuneration is shown at target where the Company pays 100%.
2. There is no differentiated proportion of each remuneration element for Corporate Executive Officers pegged to having a representation right.
3. Because different remuneration tables will be applied depending on the Grade of Corporate Executive Officers, proportions of each individual remuneration element will vary even within a same title.

#### ■ Basic remuneration

The Company designs basic remuneration in accordance with Grades based on the size and level of responsibility of Corporate Executive Officers in charge, as well as the impact on business management of the Group. In addition, even at the same Grade, the basic remuneration may increase within a certain range based on the individual Corporate Executive Officer's performance for the previous fiscal year (numerical business performance and personal performance evaluation). This ensures the Company to reward Corporate Executive Officers for their individual outstanding achievement.

Basic remuneration for each Corporate Executive Officer is determined by the Compensation Committee, and is paid in equal installments every month.

#### ■ Performance-linked remuneration

The performance-linked remuneration consists of an "annual incentive" provided as an incentive for achieving goals for the corresponding fiscal year, 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 enhance corporate value over the medium to long term. Accordingly, it is designed to motivate Corporate Executive 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.

#### ■ Annual incentive

Of the performance-linked remuneration the Company has set performance indicators for the annual incentive in accordance with the scope that Corporate Executive Officers are in charge of as described in the table below, in addition to the achievement rate of target consolidated net sales and core operating profit which are financial indicators, as common performance indicators across Corporate Executive 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 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 Compensation 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 Compensation Committee will consider the possibility of lowering the percentage amount of the annual incentive payment attributable to the whole group performance component of the total annual incentive, if results fall below the thresholds. In determining the achievement rate of each target and threshold for consolidated net sales, core operating profit and profit attributable to owners of parent, actual performance may be adjusted by resolution of the Compensation Committee. In cases where such adjustments are made, it shall be stated in the disclosure materials of the actual remuneration of Corporate Executive Officers. In addition, we set the personal performance evaluation of Corporate Executive 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 and transformations to realize sustainable growth, to evaluation criteria.

Annual incentive is paid once a year.

{Performance indicators and evaluation weights for annual incentive for Corporate Executive Officers}

Evaluation Item	Performance Indicators	Evaluation Weight								
		CEO, COO and Executive Vice President	Corporate Executive Officers In Charge of Businesses				Corporate Executive Officers Other than Those in Charge of Businesses			
			Regional Headquarters President	Other		Corporate Function				
Whole Group Performance	Consolidated net sales	30%	70%	10%	20%	10%	20%	30%	70%	
	Core operating profit	40%	10%	10%	10%	20%	40%			
	Profit attributable to owners of parent	If this amount ends up below the threshold, the Compensation 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%							Strategically prioritized transformations and initiatives for realizing our long-term vision and strategy, building and strengthening organizational capabilities to realize said transformations and initiatives, own growth goals and recommendations to the CEO	

Notes :

There is no difference in the performance indicators and the weight of performance indicators applied to Corporate Executive Officers based on whether a Corporate Executive Officers has a representation right or otherwise.

{Model of annual incentive payment rate}



■ Long-term incentive-type remuneration

From fiscal year 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, a mix of quantitative targets to be aimed for with a long-term perspective has been set under the medium- to long-term strategy. 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). 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 for the delivery of the shares of the Company's common stock and cash 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. Meanwhile, it features a fixed portion involving a set payment in addition to its performance-linked portion. 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.

Regarding evaluation indicators for the long-term incentive-type remuneration in fiscal year 2024, as an indicator for economic value of corporate value, the Company has set the compound average growth rate (CAGR) of consolidated net sales from fiscal year 2023 to fiscal year 2026 and the consolidated core operating profit margin for fiscal year 2026. Furthermore, the Company has adopted the multiple internal and external indicators pertaining to the environment, society and corporate governance (ESG) as benchmarks on creation of social value to ensure the structure to support the increase of the corporate value in terms of both economic value and social value. The Company also has added consolidated ROE which is an important indicator in measuring corporate value to the evaluation indicators in order to share a sense of profit with shareholders.

The requirement for the payment of the long-term incentive-type remuneration is that the eligible parties have been in the position of either Director or Corporate Executive Officer during the predetermined period.

The Company has introduced the malus and clawback provisions for performance share units. Specifically, in certain conditions, such as in case of serious misconduct of the eligible parties, the Compensation Committee is entitled to make the decision to reduce the number of the share units or receive a refund.

The long-term incentive-type remuneration is also paid to principal executive persons in and outside Japan to realize a "Global One Team" by fostering a sense of solidarity among global management teams and instilling the consciousness of participating in the running of the Company.

[LTI schedule]

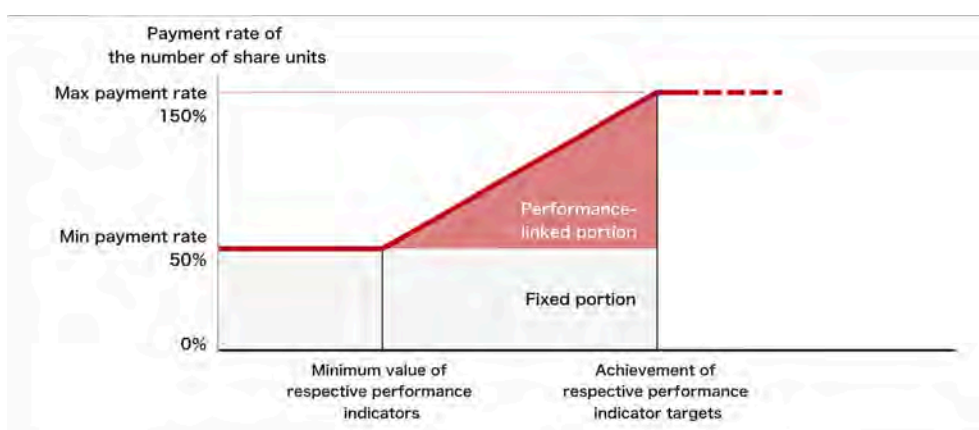


[Performance indicators and evaluation weights for performance-linked portion of the LTI]

Evaluation Item	Performance Indicators	Evaluation Weight
Economic Value	Consolidated core operating profit margin in the final fiscal year of the evaluation period	50%
	Compound average growth rate (CAGR) of consolidated net sales	30%
Social Value	Environment: Status of the achievement of the CO <sub>2</sub> emissions reduction target	100%
	Society: Ratio of female managers/leaders in Japan and overseas at the Company; and the status of inclusion in the indices related to the promotion of women by ESG rating agencies designated by the Company	
	ESG: Evaluation scores by ESG rating agencies designated by the Company	
Economic Value	Consolidated ROE	If this ends up below the threshold, the Compensation Committee will consider lowering the percentage amount of the payment attributable to the performance-linked portion.

\*The evaluation in 2024 is based on the MSCI ESG Rating.

[Model for payment rate of the number of share units for the LTI]



■ Amount of Remuneration, etc. to Directors and Audit & Supervisory Board Members for the Fiscal Year Ended December 31, 2023

Position and number of Directors and Audit & Supervisory Board members	Basic Remuneration				Total [(a)+(b)]
	Basic Remuneration	Annual Incentive	Total of the left* (a)	Long-Term Incentive (Share Compensation) (b)	
Directors (10 persons)	428	133	562	142	705
Of which, External Directors (5 persons)	70	—	70	—	70
Audit & Supervisory Board Members (6 persons, including 1 person who retired in March 2023)	104	—	104	—	104
Of which, External Audit & Supervisory Board Members (3 persons)	39	—	39	—	39
<b>Total</b>	<b>533</b>	<b>133</b>	<b>667</b>	<b>142</b>	<b>809</b>

\*Total remuneration in cash that has been confirmed by March 2024.

Notes:

- The total amount of the basic remuneration and annual incentive 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. The number of Directors at the conclusion of the said general meeting of shareholders was six (three of whom were External Directors). Furthermore, it was resolved at the 123rd ordinary general meeting of shareholders (March 24, 2023) that, separate from the monetary remuneration, up to 136,000 shares would be provided as performance-linked stock compensation (performance share units) (of which, with a maximum of 68,000 shares, the portion equivalent to 50% of the remuneration, etc. based on the aforesaid remuneration policy is provided in monetary remuneration claims for the delivery of shares of the common stock of the Company and the rest in cash) to Directors excluding External Directors. The number of Directors at the conclusion of the said general meeting of shareholders was ten (five of whom were External Directors). 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. The number of Audit & Supervisory Board members at the conclusion of the said general meeting of shareholders was five.
- The annual incentive of Directors for fiscal year 2023 indicated above represent the amounts that were determined by the Board of Directors based on the resolution of the 118th ordinary general meeting of shareholders, as stated in note 1. Regarding the calculation of those amounts, please refer to the following Performance-linked targets, actual performance and payment percentage, etc. of annual incentives paid to Directors excluding External Directors.
- The amount of long-term incentive-type remuneration (stock compensation) indicated above represents the total amount of the expenses recognized and measured in accordance with IFRS 2 "Share-based Payment" for the fiscal year ended December 31, 2023, 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. It has been resolved that the portion equivalent to 50% of the remuneration, etc. based on the aforesaid remuneration policy is provided in monetary remuneration claims for the delivery of shares of the common stock of the Company and the rest in cash. The said amount of the expenses recognized includes ¥22 million in adjustment to the expenses recognized based on the achievement rate of performance indicator of the delivered long-term incentive-type remuneration (stock compensation).
- In addition, an adjustment of ¥1 million was recorded to the expenses recognized for the fiscal year ended December 31, 2022, on the performance-linked stock compensation (performance share units) delivered to one Director of the Company, at the time the Director served as an executive officer or an employee not holding the office of a Director.
- None of the Directors or the Audit & Supervisory Board members was paid remuneration other than described above (including that described in notes 1. through 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, 2023

	Basic Remuneration				Total [(a)+(b)]
	Basic Remuneration	Annual Incentive	Total of the left* (a)	Long-Term Incentive (Stock Compensation) (b)	
Masahiko Uotani, Chairman and CEO	169	72	241	60	301
Kentaro Fujiwara, President and COO	51	27	79	47	127

\*Total remuneration in cash that has been confirmed by March 2024.

Notes:

- The annual incentive of Directors for fiscal year 2023 indicated above represent the amounts that were determined by the Board of Directors based on the resolution of the 118th ordinary general meeting of shareholders, as stated in note 1. of Amount of Remuneration, etc. to Directors and Audit & Supervisory Board Members for the Fiscal Year Ended December 31, 2023.
- 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, 2023, recognized and measured in accordance with IFRS 2 "Share-based Payment" 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 recognized includes an adjustment of ¥21 million to the expenses recognized based on the achievement rate of performance indicator of the delivered long-term incentive-type remuneration (stock compensation).
- No director above was paid remuneration other than described above (including that described in notes 1. through 2.).



■ Performance-linked targets, actual performance and payment percentage, etc. of annual incentive 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%	1,000.0	973.0	97.3%	58%
Core Operating Profit		60.0	39.8	66.4%	0%
Profit Attributable to Owners of Parent	—	(Note 4.)	21.7	—	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.) 43.3% (Average)
Total payment rate					(Note 3.) 43.6%

Notes :

- 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.
- The total payment rate is the ratio of the actual amount paid to the target amount of annual incentive for Directors.
- Net profit attributable to owners of parent is set as a benchmark for the Nomination & Remuneration Advisory Committee to discuss the notion of lowering the payment percentage in the event that profit attributable to owners of parent falls below certain thresholds set.

■ Performance-linked targets, actual performance and payment percentage, etc. of long term incentive-type remuneration granted for fiscal year 2020 and paid to Directors excluding External Directors

Performance Evaluation Indicators		Fluctuation Range of Payment Percentage (Note 3)	Weight	Targets for Maximum Payment Percentage	Actual Performance	Achievement Rate against Target for Maximum Payment Percentage	Payment Percentage	
The performance-linked portion	Compound average growth rate (CAGR) of consolidated net sales	50%-150% (including fixed portion 50.0%)	45.0%	Compound average growth rate (CAGR) from 2017: 8.0%	1.2%	0.0%	0.0%	
	Compound average growth rate (CAGR) of consolidated operating profit		45.0%	Compound average growth rate (CAGR) from 2017: 15.8%	13.6%	0.0%	0.0%	
	Multiple internal and external indicators pertaining to the environment, society and governance (ESG) with focus on the area of "empowered beauty"		Ratio of female managers in Japan	2.0%	40% in the final fiscal year of the three-year period	38%	0.0%	0.0%
			Ratio of female leaders in overseas	2.0%	50% in the final fiscal year of the three-year period	53%	100.0%	2.0%
			MSCI Japan Empowering Women Select Index	1.0%	Continuing adoption as main stock in the final fiscal year of the three-year period	Continued adoption as 2nd place in 2021	100.0%	1.0%
	Dow Jones Sustainability Indices (DJSI)		5.0%	Difference between top rated companies of DJSI World and DJSI Asia Pacific in the final fiscal year of the three-year period: Average 90 to 100 percentiles	98%iles	100.0%	5.0%	
	Fixed portion		—	—	—	—	50.0%	
Consolidated ROE		thresholds	—	Threshold target: Average of 5.0% or more in the past 10 years	7.5%	Achieved	—	
Total payment rate						58.0% (including fixed portion 50.0%)		

Notes :

1. The period of evaluation for the performance-linked stock remuneration (performance share units) granted for fiscal year 2020 is from January 1, 2020 to December 31, 2022.
2. As for performance evaluation indicators, from the perspective of creating corporate value from both aspects of economic and social values, the Company has adopted the compound average growth rate (CAGR) of consolidated net sales and the compound average growth rate (CAGR) of corporate operating profit as indicators related to economic value among corporate value, and the multiple internal and external indicators pertaining to the environment, society and corporate governance (ESG) as benchmarks on creation of social value.
3. Since the fixed portion (50%) is set, the fluctuation range of the total payment percentage, which is the sum of the fixed portion and the performance-linked portion, is from 50% to 150%.
4. Consolidated ROE is set as a benchmark for the Nomination & Remuneration Advisory Committee to discuss the notion of lowering the percentage amount of payment of the performance-linked portion in the event that consolidated ROE falls below certain thresholds set.
5. Of the performance evaluation indicators, the actual performance ratio of the ESG indicator is calculated by rounding off to the nearest whole number.

# Audit Structure

## Status of Internal Audit

### 1. Internal Audit Objectives and Policies

The control environment is premised on our corporate philosophy (THE SHISEIDO PHILOSOPHY). On this basis, the Group's internal audits aim to contribute to sustainable growth and the enhancement of corporate value through the promotion of appropriate control and improvement activities. Conducted in accordance with "The Internal Audit Rules" established by the Internal Audit Department, these audits comprehensively examine the state of our Group's internal controls from the perspectives of operational effectiveness and efficiency, reliability of financial reporting, compliance with relevant laws and internal regulations, and asset preservation. Additionally, the department assesses the validity and effectiveness of risk management and provides advice and recommendations for improvements.

In order to achieve the above objectives, Representative Corporate Executive Officer, Chairman and CEO will provide the necessary resources to enable the department to conduct high-quality internal audits, and through the use of the internal audit function, we will further evolve into an organization with high ethics and integrity, aiming to become a company trusted by all stakeholders.

### 2. Organization and Personnel Structure

During fiscal year 2023, the Internal Audit Department reported directly to Representative Director, Chairman and CEO and ensured multiple reporting lines, including monthly reports to Representative Director, Chairman and CEO, CFO, and Audit & Supervisory Board members, and periodically to the Board of Directors and the Audit & Supervisory Board. With regard to internal control over financial reporting, in accordance with the internal control reporting system based on the Financial Instruments and Exchange Law, the Internal Audit Department, as an independent division, compiled and reviewed the group-wide assessment of internal control and then conducts a final assessment. The status of audit implementation and evaluation results were reported in the same manner as above.

After the General Meeting of Shareholders in March 2024, the organization will be under the direct control of the Audit Committee to ensure greater independence and objectivity and will report periodically to the Audit Committee on the status of the audit and its results, as well as monthly to the Representative Corporate Executive Officer, Chairman and CEO, CFO, and periodically to the Board of Directors, etc., to ensure multiple reporting lines. In the event of conflicting instructions or decisions between the Representative Corporate Executive Officer and the Audit Committee, the opinion of the Audit Committee shall prevail.

As of December 31, 2023, we have 19 members of the Internal Audit Department at the Head Office and six members of the Internal Audit Department at offices belonging to the Head Office in Europe, the Americas, Asia, and China (mainly locally hired). Approximately half of our employees hold professional certifications such as Certified Internal Auditor (CIA), Certified Information Systems Auditor (CISA), Certified Fraud Examiner (CFE), or Certified Public Accountant in Japan and the U.S., and we encourage those who do not hold these certifications to obtain them as we aim to build trust as a highly professional organization. In addition to having seasoned staff with an average of five to six years of experience in internal auditing, we utilize a skills matrix within the Internal Audit Department, and where the department lacks expertise, we bring in staff from other departments with that expertise to maintain a well-balanced composition of personnel. When resources are insufficient in terms of in-house expertise and number of staff, outside experts are utilized as needed.

In addition to the above, we have 18 full-time auditing staff with reporting lines to local management at major subsidiaries in Japan and overseas, depending on the risk base, to form a system capable of responding quickly to local situations.

To improve the quality of our internal audits, several CIAs experienced in conducting external quality evaluations will conduct internal audit quality evaluations based on the International Standards for the Professional Practice of Internal Auditing (Standards) of the Institute of Internal Auditors (IIA), and we are continuously improving our departmental management and operations to prepare for periodic external evaluations in the future. As we unify core systems at the

global level, we are taking this chance to enhance data analysis capabilities in the Internal Audit Department to improve quality.

## Audit Committee's Audits and Initiatives toward Strengthening Its Functions

During fiscal year 2023, the Company went from having an Audit & Supervisory Board and transitioned to a company with three statutory committees as of March 26, 2024. The Audit Committee consists of five members—three Independent External Directors and two non-executive Internal Directors—who lead organizational audits by setting audit policies and providing information to the Internal Audit Department, thus promoting effective auditing practices. The committee is chaired by an Independent External Director who is a lawyer with extensive knowledge of laws, regulations, and corporate governance.

The Audit Committee shall provide instructions to the department in charge of internal audit. In addition, regular meetings shall be held to exchange opinions between the Representative Corporate Executive Officers and Audit Committee members. The Company shall establish a system to ensure that audits are effectively conducted by the Audit Committee through measures such as holding liaison meetings between the Audit Committee, the department in charge of internal audit, and accounting auditors and ensuring that Audit Committee members or members of the department in charge of internal audit attend the relevant meetings, on request from the Audit Committee.

## Accounting Audits

The Company's accounting audit is conducted by KPMG AZSA LLC, an accounting auditor pursuant to the Companies Act and the Financial Instruments and Exchange Act.

The names of certified public accountants that have conducted auditing and the name of auditing firm are as follows:

### Matters Concerning Accounting Auditor (As of December 31, 2023)

1. Name of Accounting Auditor

KPMG AZSA LLC

2. Period of the consecutive audit by the Accounting Auditor

The Company selected KPMG AZSA LLC as its accounting auditor on June 29, 2006.

Thus, the period of the consecutive audit by the accounting auditor is 18 years of this fiscal year.

3. Names of certified public accountants engaged in audit work

Masakazu Hattori (consecutive auditing period: four years)

Kentaro Hayashi (consecutive auditing period: four years)

Unshil Kang (consecutive auditing period: three year)

Note: The rotation of engagement partners is carried out appropriately in accordance with the policies established by KPMG AZSA LLC.

The rotation of engagement partners at KPMG AZSA LLC is regulated by laws, regulations on independence, and the audit firm's policies (including policies of KPMG International Limited) regarding the maximum period of time for involvement in audit and attestation services. KPMG AZSA LLC monitors rotation status from the perspective of continuous involvement and independence, including assistant auditors.

4. Composition of assistant auditors

The composition of personnel other than engagement partners is 21 certified public accountants, 8 qualified professionals, and 34 others (tax-related and IT audit staff, etc.)

5. Selection policy, reason of the selection and evaluation of the Accounting Auditor

The selection and dismissal of the Company's accounting auditor is determined by the unanimous consent of Audit Committee after discussions based on the results of evaluations by the Audit Committee, as well as evaluations by the Corporate Executive Officer and CFO, and heads of related departments including Financial Accounting Department and Internal Audit Department.

The Company's policy for decision-making on dismissal or non-reappointment of the accounting auditor is as follows. In the event that the Company determines that keeping the 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 of an accounting auditor, the Audit Committee shall dismiss the accounting

auditor pursuant to Article 340 of the Companies Act. Furthermore, suppose 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 the accounting audit. In that case, the Board of Directors shall submit a proposal to the general meeting of shareholders for the dismissal or non-reappointment of the accounting auditor in accordance with the resolution of the Audit Committee on the proposal resolved in consideration of the opinion of the executive bodies.

The Audit & Supervisory Board evaluated the accounting audits of the accounting auditor for Fiscal 2023 and confirmed the appropriateness of the auditor, quality control, independence and professional competence of the audit team, appropriateness of the audit plan, communication with the Audit & Supervisory Board and other relevant parties, status of the accounting auditor's remuneration, and processes, and resolved to reappoint the accounting auditor for the fiscal year 2024.

## Mutual Cooperation among Internal Audits, Audit Committee's Audits and Accounting Audits

The Company, in order to improve the effectiveness and efficiency of the so-called three-pillar audit system (internal audits, audit committee's audits, and accounting audits), has been making efforts to enhance the mutual cooperation among the parties concerned by such means as arranging regular liaison meetings to report on audit plans and audit results as well as to conduct exchanges of opinions.

## Remuneration, etc. to the Accounting Auditor

Category	Amount
Remuneration paid for services rendered as the accounting auditor for the fiscal year ended December 31, 2023	242
Total cash and other remuneration to be paid by the Company and its subsidiaries to the accounting auditor	288

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, 2023" above.

## Reason for Audit and Supervisory Board to Have Agreed to Remuneration, etc. to the Accounting Auditor

The Audit and 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 fiscal year and the estimated amount of remuneration, using the "Practical Guidelines for Cooperation with accounting auditors" released by the Japan Corporate Auditors Association as a guide, and by way of necessary documents obtained from 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, in agreement with Article 399, Paragraphs 1 and 2 of the Companies Act.

## Details of Services Other Than Audit

Not applicable.

## 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 Committee 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 Committee on the proposal resolved in consideration of the opinion of the executive agency



# Compliance and Risk Management

## Compliance and Risk Management Structure

Compliance and risk management in the Shiseido Group is led by the Risk Management Department established at the Company's global headquarters, which reports into the Office of Chief Legal Officer (CLO) of the Group. Additionally, a Risk Management Officer (RMO) is assigned in each regional headquarters, ensuring compliant and fair business activities and implementation of risk countermeasures across the Group.

To oversee compliance and risk management of the Shiseido Group, a Global Risk Management & Compliance Committee chaired by the Global CEO and composed of Regional CEOs and HQ Executive Officers has been established at the global headquarters.

Significant matters and progress related to compliance and risk management, including major incidents and responses, are reported/proposed to the Board of Directors through the Global CEO or the management team.

## Compliance

We have established the Shiseido Code of Conduct and Ethics, which define the actions that must be taken and shared by all Shiseido Group employees.

It stipulates adherence not only to the laws of each country and region and internal rules and regulations of the Shiseido Group, but also to the highest ethical standards in business conduct.

Additionally, we have established a basic policy and rules in line with the Shiseido Code of Conduct and Ethics, by which the whole Shiseido Group is required to comply. Alongside THE SHISEIDO PHILOSOPHY, we strive to promote awareness at each Group company and business site. This enables the formulation of detailed internal regulations at every Group company and business site.

In addition, to increase employees' knowledge and awareness regarding compliance and risk management, the Risk Management Department and RMO have regularly conduct trainings and awareness-raising activities related to the "Compliance Rules Regarding Prevention of Bribery" and the "Compliance Rules Regarding Prevention of Cartels," which are detailed rules within the Shiseido Code of Conduct and Ethics.

Furthermore, by having the CLO coordinate with the legal managers in each region, we are strengthening our compliance system with laws and regulations.

## Whistleblowing System

To detect and remedy any type of conduct within the Shiseido Group that violates laws, the Articles of Incorporation, or internal regulations, we have established a hotline for whistle-blowers in every Group company so that we may receive reports of all types of misconduct, including harassment and bribery, as well as any potential misconduct. Additionally, employees will have access to a hotline where employees can directly report to the officer in charge of risk management. In the Japan region, we have established hotlines staffed by both internal and external personnel and counselors. The hotlines enable anonymous reporting.

Additionally, we have established a method through which corporate executive officers and employees, including those of all Group companies, can directly inform the Audit Committee of issues, and has made this method known throughout the Group companies.

All Shiseido Group companies have developed internal regulations to ensure that the said corporate executive officers and employees are not dismissed, discharged from service, or subject to any other disadvantageous treatment as a result of reporting to hotlines or the Audit Committee or informing them of issues, and have made these regulations known.

## Incident Response

Shiseido has established the Shiseido Group Crisis Management Policy, a guide for incident response to enable swift and appropriate actions, effective damage control, and early recovery. In Japan, departments in which an incident occurs take initial actions to understand the situation and prevent damage from spreading while promptly reporting to the Risk Management Department. After determining the incident level from the perspectives of severity of damage, possibility of spread, social impact, and other factors, the Risk Management Department assigns members from necessary functions to organize a task force. The task force examines a range of actions to prevent damage from spreading, respond to those affected, and disclose information, while continuously monitoring the status of the investigation into the cause, the advancement of countermeasures, and details of reoccurrence prevention measures. Outside of Japan, regional CEOs and RMOs take the lead in establishing an incident response system. Significant incidents, such as those which pose a high risk of affecting operations in other regions, are immediately reported to the Risk Management Department at headquarters to enable quick action.

### <Shiseido Group Crisis Management Policy>

1. Ensure the safety of employees and their families
2. Preserve company assets
3. Continue operations
4. Earn the trust of stakeholders

## Enterprise Risk Management

As part of our Enterprise Risk Management activities, we annually identify and assess group material risks. These material risks are incorporated into the Group's business plan. In addition, in order to mitigate the impact of each material risk, we have also established a system in which countermeasures are implemented with risk owners assigned to each risk, and the status of their progress is monitored and discussed with members of the Global Risk Management & Compliance Committee and Directors on a regular basis.

In fiscal year 2023, the Risk Management Department interviewed and discussed with HQ Executive Officers, Regional CEOs and Directors for their perception of risks. Regional risk assessments and input from relevant functions, as well as insight from external advisors, were also taken into consideration. As a result, the Risk Management Department identified material risks that may impact the key areas of our medium-term strategy, SHIFT 2025 and Beyond. As shown in the table below, the identified risks were evaluated using three metrics: "Impact on business," "Likelihood," and "Vulnerability." Subsequently, prioritization and countermeasures were confirmed through the above aforementioned committee meetings and additional individual meetings.

### <Risk Evaluation Methodology>

<b>Impact on business</b>	<ul style="list-style-type: none"><li>• Quantitative impact on business performance (e.g. topline sales) in case of manifestation</li><li>• Qualitative impact on our corporate/brand image and culture</li></ul>
<b>Likelihood</b>	<ul style="list-style-type: none"><li>• Likelihood and timing of risk manifestation</li></ul>
<b>Vulnerability</b>	<ul style="list-style-type: none"><li>• Preparedness to the risk</li><li>• Controllability of the manifestation of the risk due to external factors</li></ul>

Total 20 material risks identified through our risk assessment have been organized into three risk categories: "Consumer & Social-related Risks," "Operation & Fundamental Risks," and "Other Risks."

As a noteworthy point of the risk assessment results, the individual risks identified are more interlinked than in the past and the interdependency of the countermeasures is increasing. In addition to that, we have identified risks that have increased in their risk levels compared to the previous fiscal year: "Changes in Consumer Values," "New Technology and Speed of Digital Acceleration," "Pace of Cutting-Edge Innovation," "Corporate and Brand Reputation," "Geopolitical Tensions," "Corporate Culture and Acquisition/Securing Outstanding People," "Business Structure Transformation,"

"Operating Infrastructure," and "Information Security." We are strengthening our implementation of countermeasures for these risks.

<Summary of Shiseido Group Material Risks> ★: Risks that should be prioritized

Consumer & Social related Risks	Operation & Fundamental Risks	Other Risks
<ul style="list-style-type: none"><li>• Changes in Consumer Values★</li><li>• New Technology and Speed of Digital Acceleration★</li><li>• Pace of Cutting-Edge Innovation★</li><li>• Corporate and Brand Reputation★</li><li>• Environment (Climate Change, Biodiversity, etc.)</li><li>• Diversity, Equity &amp; Inclusion (DE&amp;I)</li><li>• Natural Disaster, Infectious Disease and Terrorism</li><li>• Geopolitical Tensions★</li></ul>	<ul style="list-style-type: none"><li>• Corporate Culture and Acquisition / Securing Outstanding People★</li><li>• Business Structure Transformation★</li><li>• Operating Infrastructure★</li><li>• Supply Network</li><li>• Compliance</li><li>• Regulatory</li><li>• Quality Assurance</li><li>• Governance Structure</li><li>• Information Security★</li></ul>	<ul style="list-style-type: none"><li>• Exchange Rate Fluctuations</li><li>• Business Investment</li><li>• Material Litigation, etc.</li></ul>

For details, please refer to our Annual Securities Report.

# Basic Policy on Internal Control System

1. System under Which Performance of Duties by Directors, Corporate Executive Officers, and Employees of the Company and All Group Companies Is Ensured in Compliance with the Laws and Regulations, and the Articles of Incorporation of the Company; System under Which the Appropriateness of the Whole Group's Business Is Ensured.

The Board of Directors shall define the corporate philosophy and strategy of the Company and the whole Group and oversee their appropriate execution.

The Representative Corporate Executive Officers shall present proposals and provide updates on the business execution and strategic key areas to the Board of Directors on a regular basis. The Audit Committee shall audit the performance of duties by the Corporate Executive Officers and Directors, create audit reports, and present and explain the audit results at General Meetings of Shareholders.

The Company has defined THE SHISEIDO PHILOSOPHY, which is shared across the Group based on three elements: OUR MISSION, which determines the reason we exist; OUR DNA, which embodies our unique heritage of over 150 years; OUR PRINCIPLES (TRUST 8), which is a mindset to be shared by each and every Group employee in their work. THE SHISEIDO PHILOSOPHY, together with the Shiseido Code of Conduct and Ethics, which defines the action standards for business conduct with the highest ethical principles, promotes legitimate and fair corporate activities. (\*) The Company shall establish a set of basic policies and rules based on the Shiseido Code of Conduct and Ethics, which every Group company must follow. Every Group company and business site shall be fully aware of these policies and rules, along with THE SHISEIDO PHILOSOPHY. This will help create an environment where detailed internal regulations of the Company can be developed at every Group company and business site.

The Company has set up a Committee to oversee compliance and risk management and coordinate with organizations established to perform 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 improving corporate quality by increasing the Group's legitimate and fair corporate activities and managing risk. Major management risks and incidents shall be reported to the Board of Directors through the Representative Corporate Executive Officers, along with the proposal for response to them and its progress.

The Company deploys a person in charge of promoting legitimate and fair corporate activities of the whole Group and risk management at every Group company and business site, plans and promotes regular training and educational activities on corporate ethics, 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 every Group company and business site.

To detect and remedy any type of conduct within the Group that violates laws, the Articles of Incorporation, and internal regulations, the Company shall set up a hotline for whistle-blowers in every Group company. Additionally, employees will have access to 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 hotlines staffed by both internal and external personnel and counselors.

The department in charge of internal audit, which operates independently, shall conduct group-wide internal audit to ensure the appropriateness of business based on the instructions of the Audit Committee and the Representative Corporate Executive Officers, following the regulations related to internal audit. If there is any inconsistency between the instructions of the Audit Committee and those of the Representative Corporate Executive Officers, the instructions of the Audit Committee shall take precedence. The results of internal audit shall be regularly reported to the Audit Committee as well as the Representative Corporate Executive Officers.

\*Basic Policy on Exclusion of Anti-Social Forces and Its Implementation Status

The Shiseido Code of Conduct and Ethics states the following: "We do not work 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 support from such individuals or organizations." A coordination office is established in the department in charge of risk management to effectively gather information. The Company also maintains manuals on the intranet on how to cope with such forces. The Company is taking measures to strengthen its collection of outside information and

cooperation with external organizations by coordinating with local police offices and being a member of an organization that promotes the exclusion of anti-social forces.

## **2. System under Which Directors and Corporate Executive Officers of the Company and All Group Companies Shall Be Ensured to Efficiently Perform Duties**

The Board of Directors shall focus on determining the basic management policy and management strategy and overseeing the implementation thereof. It shall significantly delegate the authority to determine particulars of business execution to the Corporate Executive Officers to increase the flexibility in performing their duties. Additionally, to achieve swift and efficient corporate management, the Representative Corporate Executive Officers shall manage and oversee the performance of duties of the entire Group to achieve targets.

The Corporate Executive Officers and Executive Officers shall set specific targets in the assigned fields, including all Group Companies, and establish a business system that ensures efficient achievement of the targets.

The Group's business plans and important matters shall be deliberated from a multifaceted perspective at the relevant decision-making meetings composed of the Representative Corporate Executive Officers, Corporate Executive Officers, and Executive Officers.

The relevant meeting for decision-making on the execution of business shall confirm the status of progress against the target and implement the necessary measures for improvement.

## **3. System under Which Information Regarding Performance of Duties by the Company's Corporate Executive Officers Shall Be Maintained and Managed; System under Which Items Regarding Performance of Duties by Directors and Employees of All Group Companies Shall Be Reported to the Company**

Important documents such as minutes of General Meetings of Shareholders, the Board of Directors meetings, meetings of respective committees, and relevant meetings for decision-making on business execution shall be appropriately created, filed, and managed in compliance with laws and regulations, and internal regulations of the Company. These important documents shall be filed and managed in a highly searchable manner and should be readily available for inspection by the Directors and Corporate Executive Officers, and Audit Committee and the department in charge of internal audit.

Regulations on information asset protection and information disclosure shall be established to appropriately prepare, file, and manage a variety of documents, books, and records related to the performance of duties of Directors, Corporate Executive Officers, and employees, and other information.

Important information regarding the performance 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 reporting to the Company or through the reporting line to Corporate Executive Officers and Executive Officers.

## **4. Regulations Regarding Control of Risk for Loss at the Company and All Group Companies and Other Regulation Systems**

Organizations are set up in the respective regional headquarters located in the major regions across the globe for the purpose of performing the compliance and risk management functions. These organizations 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, the regional headquarters of the affected area, the Company, or both, pursuant to the situation, the seriousness of the impact on the Group and other factors shall establish Emergency Task Forces to take necessary actions.

## 5. Matters Related to Employees to Assist Duties of Audit Committee, the Independence of Such Employees from Corporate Executive Officers, and Ensuring the Effectiveness of Instructions from Audit Committees to Such Employees

The Audit Committee shall establish a secretariat in the department in charge of internal audit to support the duties of the Audit Committee, and employees shall be assigned to the secretariat.

To ensure the independence of the said employees and the effectiveness of instructions from the Audit Committee, prior approval of the Audit Committee shall be required for staffing (appointment and dismissal, and evaluation) of the department head in charge of internal audit, who has the authority and responsibility to manage the secretariat, and determination of the particulars of the audit resources (including budget) of said department. In addition, matters to determine members who work for the secretariat of the Audit Committee, including their appointment, transfer, and evaluation, shall require approval of the Audit Committee.

## 6. System under Which Directors, Audit and Supervisory Board Members, Corporate Executive Officers, and Employees of the Company and All Group Companies Report to Audit Committee and Other Systems under Which Any Report Is Made to Audit Committee; System to Ensure That Persons Are Not Treated Disadvantageously for Making Such Reports to Audit Committee

Directors, Corporate Executive Officers, and employees shall regularly or promptly report to the Audit Committee on the progress of performance of their duties. In addition, they shall promptly report to the Audit Committee on the progress of the performance of their duties and asset situation on request from the Audit Committee.

The Company shall establish means by which Directors, Audit and Supervisory Board Members, Corporate Executive Officers, and employees, including those of all Group companies, can directly inform the Audit Committee of issues and build awareness of these means across the Group.

The Company and all Group companies shall develop internal regulations of the Company to ensure that the said Directors, Audit and Supervisory Board Members, Corporate Executive Officers, and employees are not dismissed, discharged from service, or otherwise disadvantaged because of their reporting to the Audit Committee or informing the committee of issues and shall announce these regulations.

## 7. Matters Regarding Policy on Handling Advance Payment or Repayment of Expenses Resulting from Audit Committee Members' Performance of Duties or Other Expenses or Debts Arising from the Said Performance of Duties

Expenses deemed necessary for the performance of duties by the Audit Committee and its members shall be budgeted for and recorded in advance. However, expenses paid urgently or temporarily shall be compensated by subsequent refund.

## 8. Other Systems to Ensure the Effective Performance of Audit by Audit Committee

The Audit Committee shall provide instructions to the department in charge of internal audit. In addition, regular meetings shall be held to exchange opinions between the Representative Corporate Executive Officers and Audit Committee members. The Company shall establish a system to ensure that audits are effectively conducted by the Audit Committee through measures such as holding liaison meetings between the Audit Committee, the department in charge of internal audit, and Independent Auditor and ensuring that Audit Committee members or members of the department in charge of internal audit attend the relevant meetings, on request from the Audit Committee.

(Revised March 26, 2024)