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 Structure

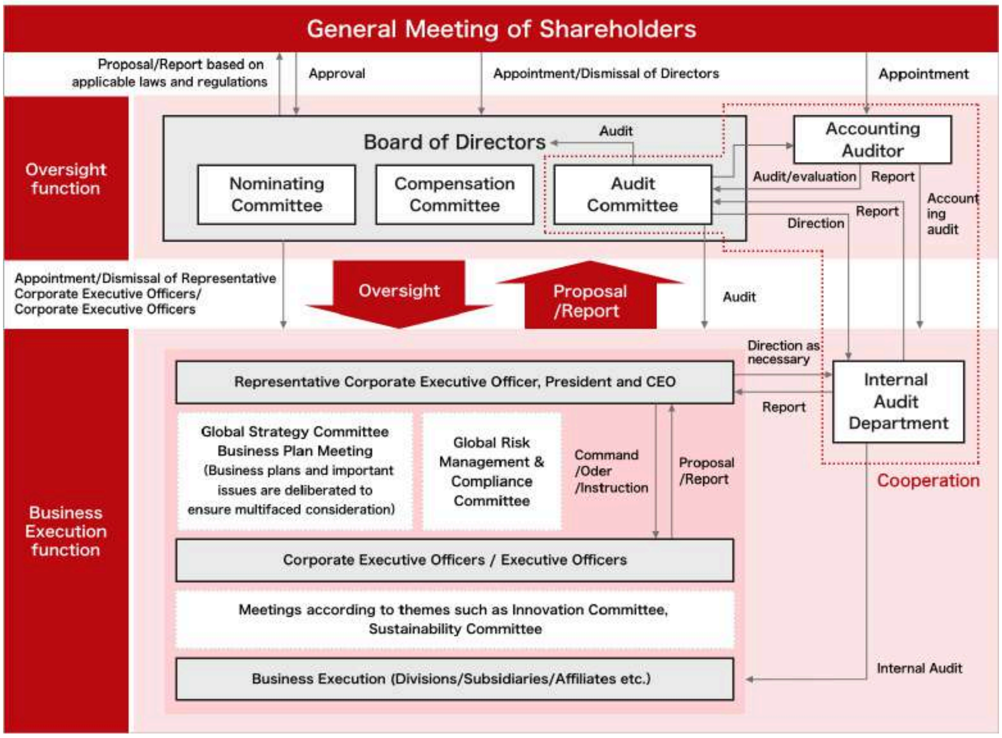
■Transition to a “Company with Three Statutory Committees”

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. We take this effort a step further, the Company has transited 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.

The Board of Directors focus on determining the basic management policy and management strategy while overseeing the implementation thereof, while also delegating significant authority to the Corporate Executive Officers, thereby accelerating the decision-making process for executing the Company's business and implementation of its business strategies.

The following is the Company's corporate governance framework:

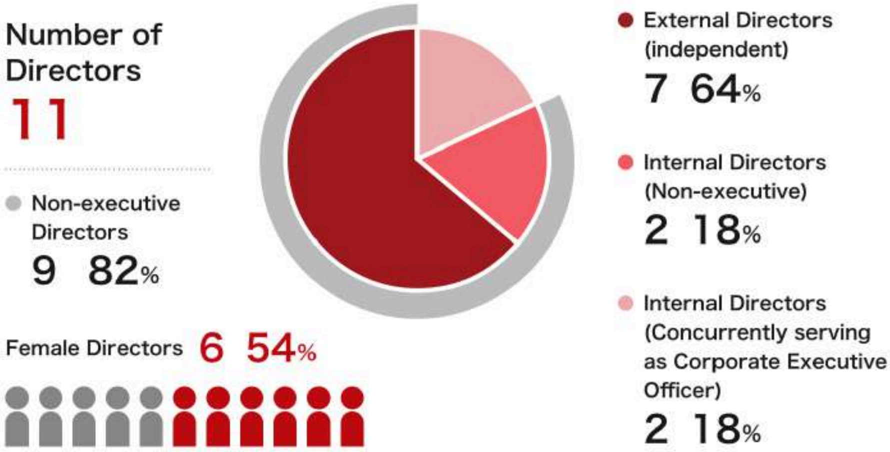
As of January 1, 2025



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 HQ Corporate departments 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 (7) 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 (2) are Directors responsible for business execution and concurrently serve as Corporate Executive Officers, and two (2) are non-executive Directors.
The total number of non-executive Directors, both internal and external, is nine (9)(82%).

▪ Composition of the Board of Directors and each committee

Title	Name	Board of Directors	Nominating Committee	Compensation Committee	Audit Committee
Director	Kentaro Fujiwara	○			
Director	Ayako Hirofuji	○			
Director (Non-executive)	Hiromi Anno	○			○(Full-time)
Director (Non-executive)	Takeshi Yoshida	○			○(Full-time)
External Director (Non-executive)	Kanoko Oishi	○	○	○	
External Director (Non-executive)	Shinsaku Iwahara	○	◎	○	
External Director (Non-executive)	Mariko Tokuno	○	○	○	
External Director	Yoshihiko Hatanaka	◎	○	◎	
External Director (Non-executive)	Yasuko Gotoh	○			◎
External Director (Non-executive)	Ritsuko Nonomiya	○			○
External Director (Non-executive)	Yasuhiro Nakajima	○			○

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 Experience Required for Our Company's Directors

While our ultimate goal is to realize our corporate mission, "BEAUTY INNOVATIONS FOR A BETTER WORLD," in response to the recent rapid changes in the external environment, we have formulated and are implementing the "Action Plan 2025-2026," which consists of three pillars: "Reinforce Brand Foundation," "Rebuild Profitable Foundation," and "Enhance Operational Governance," with the aim of building a resilient business model for stable profit growth amid volatile market conditions.

The Company believes that the Board of Directors' oversight of the executive division and provision of advice to management are critical elements for realizing and achieving our corporate mission and management plans, and in order to fulfill these expected roles, the Company has defined the knowledge and expertise required for the entire Board of Directors and each Director as specified in the following links.

In selecting candidates for Director, the Company prioritizes the required knowledge and insights while also aiming for a high degree of diversity among its members in terms of background and experience, ensuring that the Board of Directors is composed of diverse individuals.

■Oversight function

(ⅰ) Board of Directors

The Board of Directors meetings are held approximately once a month. It focuses on deciding 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/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.
The Company's Board of Directors is composed of eleven (11) Directors including seven (7) External Directors.
We held the Board of Directors meetings fourteen (14) times in fiscal year 2024.

From the executive side, proposals and reports were made primarily regarding the review of the medium-term management strategy and strategic actions, structural reforms and M&A along with their progress, the progress of the new core system (FOCUS), significant risks of the Shiseido Group, and IR activities (such as sharing investor feedback). In addition to these discussions, regular reports were provided by the nomination, compensation and audit committees. Accordingly, the Board of Directors effectively performed the oversight function. In addition to the abovementioned fourteen (14) meetings of the Board of Directors, pursuant to the provisions of Article 370 of the Companies Act and Article 26, Paragraph 2 of the Company's Articles of Incorporation, there were two deemed resolutions where a resolution at a Board of Directors meeting is deemed to have been passed.

[Main topics discussed by the Board of Directors and Meeting of Directors in fiscal year 2024]

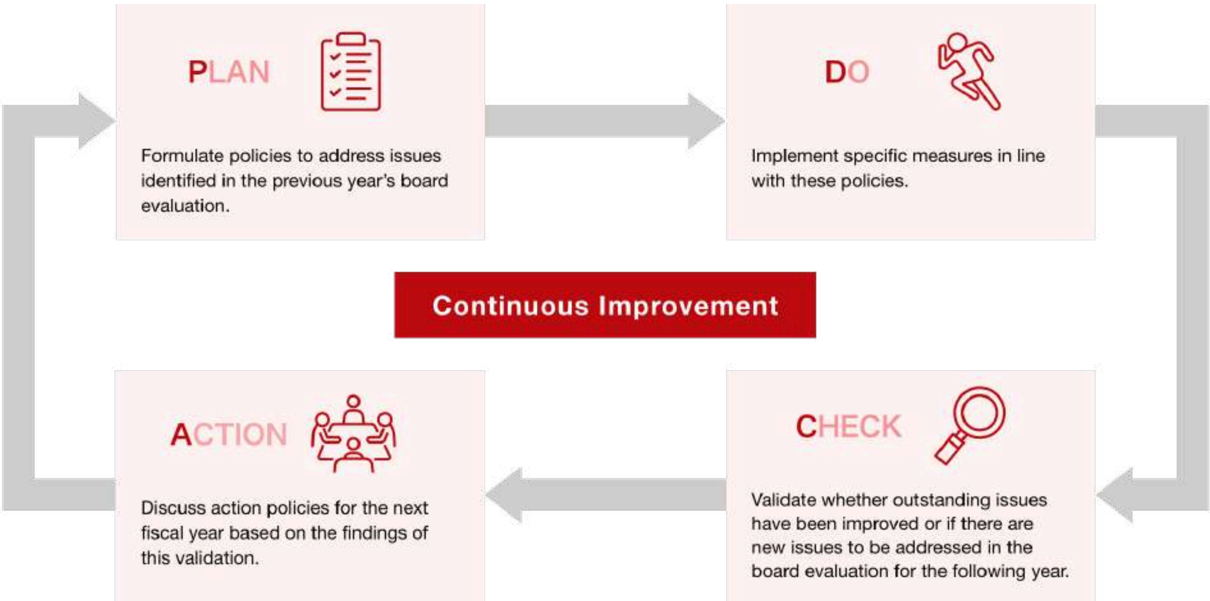
- Medium- and Long-Term Management Strategies, including Action Plan 2025-2026
- Structural Reforms, M&A
- FOCUS* Operation Status
- Shiseido Group's Material Risks
- IR activity report, capital market reaction
- Reports from Nominating, Compensation and Audit Committees

*Operational reform project through the establishment and introduction of an integrated core system

〔Evaluation of the Effectiveness of the Board of Directors〕

Our Approach

Shiseido conducts an annual evaluation of the effectiveness of the Board of Directors to identify issues and areas for improvement and evolve into a more effective board. Based on the findings of the board evaluation, we are hard at work to strengthen the functions and improve the Board's effectiveness through the following PDCA cycle.



Evaluation Process

From April to June each year, we conduct questionnaires and interviews targeting all directors to evaluate and analyze the Board of Directors and the Nomination & Remuneration Advisory Committee* for the period between each annual Ordinary General Meeting of Shareholders.
The secretariat of the Board of Directors then compiles, analyzes, and extracts the issues. The extracted issues and opinions are reported to the Board of Directors, and measures and responses thereto are formulated and implemented as necessary.
In addition, third-party organizations regularly (approximately once every three years) check and evaluate our effectiveness to ensure transparency and objectivity.

*Based on a resolution passed at the ordinary general meeting of shareholders on March 26, 2024, Shiseido has transitioned to a structure with three statutory committees: the Nominating Committee, Compensation Committee, and Audit Committee.

Initiatives for 2023-24, evaluation findings, and future plans

The evaluation was conducted for the period between the end of the Ordinary General Meeting of Shareholders in March 2023 and the beginning of the Ordinary General Meeting of Shareholders in March 2024. Below, we outline the main performance dimensions and findings for initiatives during the evaluation period. Based on these findings, we will implement the following measures from 2024 to 2025 to further accelerate the improvement of the Board's effectiveness.

Initiatives for FY2023

- Further improvements in the clarity of materials (organizing key points and clarifying main points)
- Enhancing ways of pre-BoD briefing
- Establishing an annual agenda for the Board of Directors that takes strategic importance into account
- Regular progress reports on strategy
- Further improvement of meetings with external directors and better exchanges and collaborations between external directors and external audit and supervisory board members
- Continued onboarding of new external directors
- Further efforts to deliver opinions from the frontlines to external directors

Evaluation Perspective

1. composition and operation of the Board of Directors;
2. selection of agenda items and deliberation content;
3. oversight functions of the Board of Directors;
4. succession plans for the CEO and external directors;
5. exchange of opinions with the executive side;
6. self and peer assessment regarding directors and their roles and responsibilities;
7. dialogue with stakeholders;
8. and the state of governance.

Evaluation Findings

The evaluation indicated that board effectiveness is adequately ensured.

Areas of Excellence

- Board meeting materials have become clearer and more concise in conveying key points, issues, and facts.
- In-depth discussions were held on current issues and their countermeasures (e.g., structural reform).
- Candidates were carefully selected, and thorough discussions were held when considering CEO succession.
- Visits to offices and businesses by external directors effectively deepened their understanding of frontline issues and Shiseido's operations.
- Each external director shared their specialized perspectives, leading to constructive discussions.
- The transition to a company with three statutory committees is commendable as Shiseido seeks to further evolve its corporate governance.

Key Initiatives for FY2024

1. Discussion on global growth strategies	Establish forums for more in-depth discussion of global medium-to-long-term growth strategies. Share issues and countermeasures as appropriate and deepen discussions by drilling down to the points that need deliberation by the Board of Directors.
2. Board composition and external director succession for in-depth discussion and better oversight	Further the discussion on the expected roles and qualities sought in external directors and deliberate and formulate plans related to securing the right people and other issues with an eye for the future.
3. CEO succession	Initiate efforts to complete the CEO succession and consider actions for the following succession plans.
4. Strengthening executive communication with external directors and advancing frontline understanding	Share information in a timely and appropriate manner on matters important to the execution of the oversight function, both within and outside the Board of Directors meetings, and set up opportunities to comprehend noteworthy frontline issues and themes this fiscal year.
5. Further enhancement of stakeholder dialogue	Regularly conduct and improve dialogue between external directors and stakeholders, including institutional investors.

(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 four (4) External Directors and its chairperson is selected from the committee members with the resolution of the Nominating Committee.

We held the Nominating Committee meetings eight (8) times in 2024.
It mainly discussed the succession of Directors, made resolutions regarding the selection of Director candidates to be submitted to the shareholders' meeting, and monitored the implementation status of the CEO succession. Additionally, it deliberated on matters related to the appointment of the CEO, the selection of the Representative Corporate Executive Officers and Corporate Executive Officers, and the determination of the areas of responsibility for the Corporate Executive Officers, providing recommendations to the Board of Directors.

(iii) Compensation Committee

The Compensation Committee resolves policies on decisions regarding remuneration of Directors and Corporate Executive Officers, designs of the remuneration policy for Directors and Corporate Executive Officers, and details of remuneration to individual Directors and Corporate Executive Officers, etc.
The committee is composed of four (4) External Directors and its chairperson is selected from the committee members with the resolution of the Compensation Committee.

We held the Compensation Committee ten (10) times. It mainly discussed and resolved matters regarding the design of the CEO's compensation, changes to the performance indicators for long-term incentives, and the compensation of Directors and Corporate Executive Officers. Additionally, it oversaw the determination of compensation for Executive Officers other than Directors and Corporate Executive Officers.

(iv) Audit Committee

The Audit Committee conducts audit and prepares audit reports on performance of duties of Directors and Corporate Executive Officers, etc., 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 three (3) External Directors and two (2) full-time Audit Committee members, and its chairperson is an External Director selected from the committee members with the resolution of the Audit Committee.

Click here for the activities of the Audit Committee in fiscal year 2024

■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.
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, this committee deliberates on group policies, organizational transformations, new businesses/brand launches and other particularly import 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 Risk Management & Compliance Committee

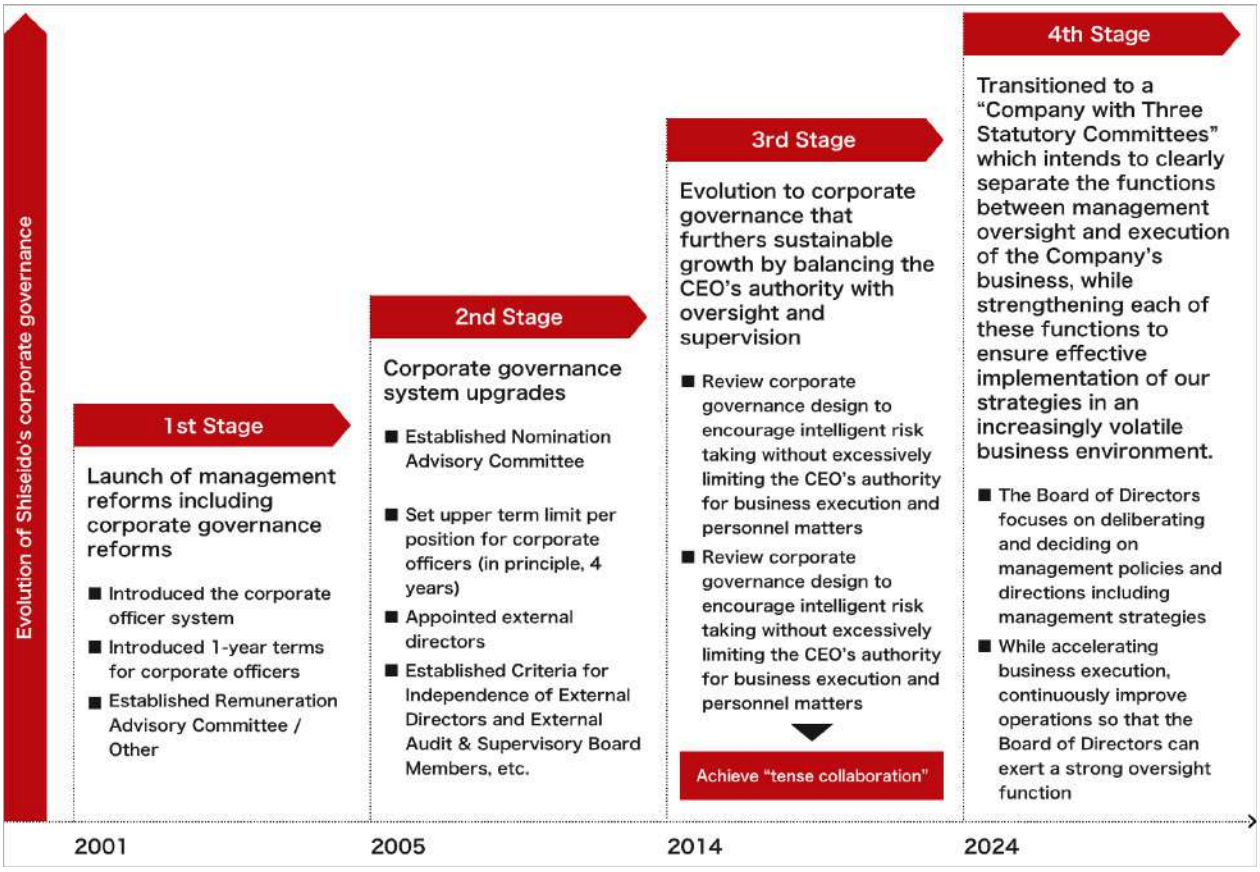
The committee aims to accurately grasp global and regional social changes and the current situation of the Group. Based on this, it identifies management risk factors, deliberates prioritized material risks and countermeasures against the risks as well as the important matters regarding ethics and compliance.

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.

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 functions. 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 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. 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.

Ratio of External Directors

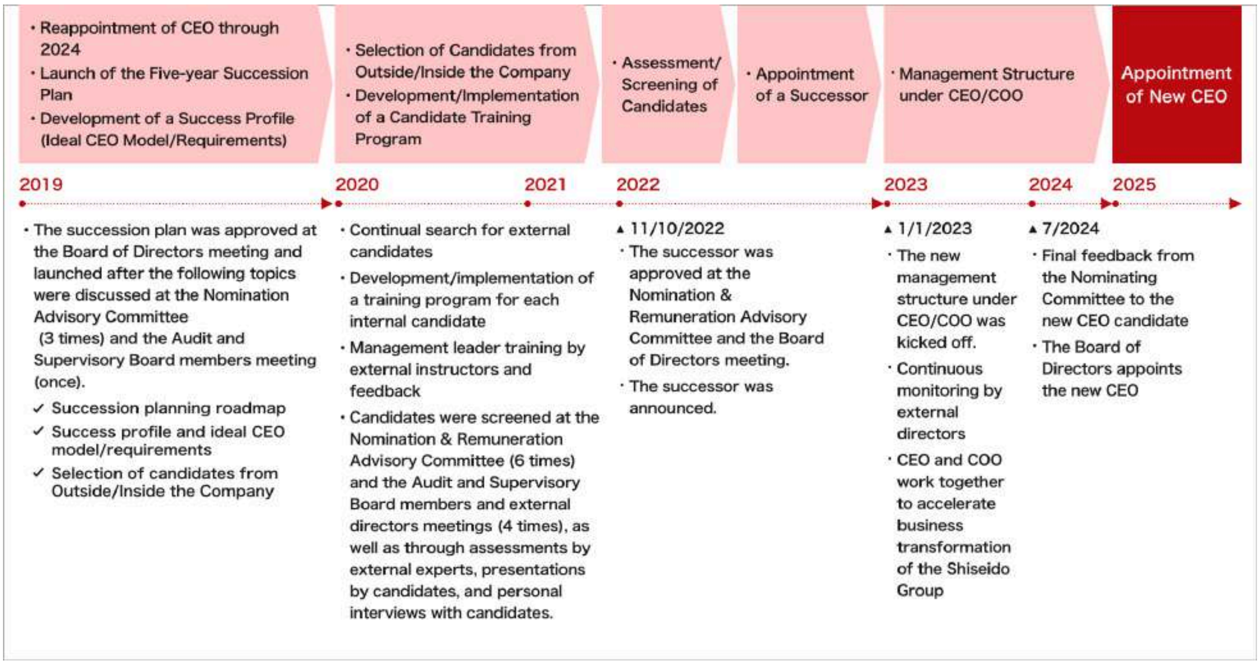
The Company's Articles of Incorporation set the maximum number of directors at fourteen (14). The optimum number of directors for appropriate management oversight is determined based on this upper limit and such factors as the Company's business portfolio and scale.
In addition, from the perspective of ensuring of effectiveness of the oversight function, in principle, the majority of the Board of Directors shall be composed of independent External Directors.
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 Nominating Committee and the CEO 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 is committed to ensuring adequate time and a structured process for the selection, development, evaluation, and assignment of responsibilities necessary for qualified CEO candidates. 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.

Process of CEO Succession Examples



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

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, business 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.

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.

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

Last Update : April 10, 2025

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.

・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.

・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.

・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.

・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.

・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.

・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.

・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.

・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.

・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 (*shintaku ginko*) and/or custodial institutions to consider such possibility.

・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.

・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.

・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.

・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.

・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 *kansayaku* should carefully examine their necessity and rationale in light of their fiduciary responsibility to shareholders, ensure appropriate procedures, and provide sufficient explanation to shareholders.

・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.

・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 *kansayaku* 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.

・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.

・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. 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.

・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.

・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.

・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 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.

・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.

・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 through our brands and regional businesses. Sustainability Committee was set up to ensure timely management decisions related to sustainability efforts and their proper implementation across the Group, the committee is held regularly. The Sustainability Committee makes decisions on specific action plans, including strategic actions and policies related to sustainability for the entire Shiseido Group, risks and opportunities associated with climate change and the natural environment, and initiatives to address human rights. The committee also monitors the progress of medium- to long-term targets within our sustainability strategy. The committee consists of the Representative Corporate Executive Officers and Executive Officers in charge of Corporate Strategy, Finance, R&D, Supply Network, Human Resources, DE&I, Corporate Communications, and our brand holders, as well as other corporate officers from different fields, allowing us to discuss a range of issues from different perspectives. In addition, important matters in the execution of business, which require approvals are proposed or reported to the Global Strategy Committee or the Board of Directors. In order to ensure executing and promoting of sustainability actions, a Sustainability TASKFORCE was set up under the Sustainability Committee, consisting of the heads of key relevant functions. At the Sustainability TASKFORCE, practical approaches to achieve our long-term targets are discussed with relevant functions, 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.

・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.

・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 actively employing them 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 2025, approximately 3% of managers at Shiseido Group in Japan were foreign nationals, and approximately 36%—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.

・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 *kansayaku*). In addition, rules should be established to secure the confidentiality of the information provider and prohibit any disadvantageous treatment.

・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 has established 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 the Audit Committee 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 the Audit Committee 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.

・We strive to optimize pension asset management by implementing the following initiatives enabling us to perform the functions expected of an asset owner.
① 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.
② 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.
③ 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.

・Our Pension Fund has expressed its acceptance of the 'Asset Owner Principles,' which is believed to be beneficial for fulfilling our responsibility to manage pension assets in consideration of the best interests of beneficiaries as an asset owner.

・In addition, in order to appropriately fulfill its stewardship responsibilities as a responsible institutional investor, our Pension Fund has also expressed its acceptance of the Principles of Responsible Institutional Investors (the 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, promoting efforts to enhance corporate value and address sustainability issues.

Section 3

Section 3: Ensuring Appropriate Information Disclosure and Transparency	
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	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: i) Company objectives (e.g., business principles), business strategies and business plans; ii) Basic views and guidelines on corporate governance based on each of the principles of the Code; iii) Board policies and procedures in determining the remuneration of the senior management and directors; iv) Board policies and procedures in the appointment/dismissal of the senior management and the nomination of directors and *kansayaku* candidates; and v) Explanations with respect to the individual appointments/dismissals and nominations based on iv).

・See below

Supplementary Principle 3.1.1	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.

・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	Bearing in mind the number of foreign shareholders, companies should, to the extent reasonable, take steps for providing English language disclosures. In particular, companies listed on the Prime Market should disclose and provide necessary information in their disclosure documents in English.

・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	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. 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.

・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 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.

・Our R&D expenses included in the selling, general, and administrative expenses for 2024 amounted to 27.2 billion yen, representing 2.7% of sales. In addition to fundamental research that generates future seeds, we are increasing investments in research and development in new areas such as beauty devices and inner beauty. The results of these investments are detailed in the disclosure materials below.

・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.

・See below

Supplementary Principle 3.2.1	The *kansayaku* 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.

・At the Company, the appointment and dismissal of the accounting auditor by the Audit Committee is evaluated by the CFO (Representative Corporate Executive Officer), as well as the heads of departments related to financial accounting and auditing. The decision is made through discussions involving all Audit Committee members and is implemented based on their unanimous agreement.

・The Company's policy for determining the 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 Board of Directors 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 appropriateness of the auditor, quality control, independence and professional competence of the audit team, appropriateness of the audit plan, communication with the Audit Committee and other relevant parties, status of the accounting auditor's remuneration, and processes.

Supplementary Principle 3.2.2	The board and the *kansayaku* 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 *kansayaku* (including attendance at the *kansayaku* 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.

・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 Audit Committee receives reports bimonthly on the internal audits conducted by the Internal Audit Department, and receives audit result reports of each domain semi-annually from the Quality Management Department and the Information Security Department.

・The Audit Committee has implemented measures to enhance the effectiveness of the three-way audit framework, which involves the Audit Committee, the Internal Audit Department, and the accounting auditor. As part of this initiative, the accounting auditor provides reports on the status of audits on a quarterly basis. Additionally, the Audit Committee holds biannual discussions on key management issues and convenes three-way audit liaison meetings. These efforts ensure audit findings and responses are shared among the three parties in a timely manner to improve the overall effectiveness of the audit process under the leadership of the Audit Committee.

・The Audit Committee receives quarterly reports from the accounting auditor on the status of accounting audits, and it shares information and exchanges views with the accounting auditor on major key audit matters (KAM) that are considered to have a significant impact on areas of the financial statements due to important decisions made by Company management.

Section 4

Section 4: Responsibilities of the Board	
General Principle 4	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: (1) Setting the broad direction of corporate strategy; (2) Establishing an environment where appropriate risk-taking by the senior management is supported; and (3) Carrying out effective oversight of directors and the management (including *shikkoyaku* and so-called *shikkoyakuin*) from an independent and objective standpoint. Such roles and responsibilities should be equally and appropriately fulfilled regardless of the form of corporate

	organization–i.e., Company with *Kansayaku* Board (where a part of these roles and responsibilities are performed by *kansayaku* and the *kansayaku* board), Company with Three Committees (Nomination, Audit and Remuneration) or Company with Supervisory Committee.

・See below

Principle 4.1	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.

・We define our corporate philosophy, THE SHISEIDO PHILOSOPHY, with the aim of becoming a company that continues to shine for the next 100 years and is trusted by diverse people around the world. Regardless of country, region, organization, or brand, we always use THE SHISEIDO PHILOSOPHY as our foundation, striving to be a globally competitive Japanese beauty company.

・While holding this THE SHISEIDO PHILOSOPHY as our corporate philosophy, our Board of Directors has formulated the "Action Plan 2025-2026" in response to the significant changes in the external environment we have recently experienced.

・The "Action Plan 2025-2026" aims to establish a resilient business structure that can achieve stable profit growth even in rapidly changing markets. It sets forth our top priorities and specific measures for 2025-2026 regarding "strengthening the foundation of brand power," "establishing a high-profit structure," and "enhancing business management." In light of changes in the market environment, we will implement structural reforms while maintaining our strategy, resetting the target for core operating profit margin to 7% by 2027. Additionally, we will practice management with an awareness of capital costs, aiming to achieve the following financial targets:
2026 ROIC: 5% ROE: 7%

Supplementary Principle 4.1.1	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.

・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	Recognizing that a mid-term business plan (*chuuki keiei keikaku*) 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.

・In 2015, Shiseido launched its mid-to-long-term strategy "VISION 2020" aimed at becoming a "global beauty company originating from Japan that can win in the world." The company focused its management resources on prestige brands, strengthened its growth foundation, and established a matrix-style global management system across regions and brands, achieving all quantitative targets ahead of schedule.

・However, in 2020, the impact of the COVID-19 pandemic hit hard. In 2021, Shiseido formulated its 2030 Vision and mid-term management strategy "WIN 2023 and Beyond," which included concentrating management resources in the premium skin beauty sector and restructuring its business portfolio, including the sale or withdrawal of businesses exceeding 200 billion yen in sales scale. At the same time, the company continued to invest in the future, starting operations at three new domestic factories, expanding research and development facilities, and advancing DX investments. As a result, while there were achievements such as an increase in the sales ratio of skin beauty and improved profitability in the Americas and Europe, challenges remained, including a slow recovery from the impact of the pandemic in Japan, where sales and profit composition ratios are significant, as well as responses to geopolitical risks and ongoing inflation.

・In light of these circumstances, Shiseido has been promoting its mid-term management strategy "SHIFT 2025 and Beyond" since 2023.

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.

・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 development 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 successor for the CEO, the Nominating Committee receives full reports from the CEO on the specific nomination for successor candidates from various perspectives. The Nominating Committee members themselves meet and exchange opinions with candidates and evaluate them from an independent perspective taking into consideration of the Company's business challenges. Furthermore, as the Company finalizes the selection of 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 the resolution of the Board of Directors.

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.

・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.

・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 (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 by taking the Company's financial condition into consideration. Matters including remuneration, etc. of individual Directors and Corporate Executive Officers are deliberated on and determined by the Compensation Committee. In the case Directors who also serve as Corporate Executive Officers, remuneration for their service as a Director is not included in this remuneration.

・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 Directors who do not concurrently serve as Corporate Executive Officers of the Company receive only basic remuneration 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.

・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.

・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.

・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 of four (4) 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 candidates, 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.

・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 development 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 successor for the CEO, the Nominating Committee receives full reports from the CEO on the specific nomination for successor candidates from various perspectives. The Nominating Committee members themselves meet and exchange opinions with candidates, evaluate them from an independent perspective taking into consideration of the Company's business challenges. Furthermore, as the Company finalizes the selection of 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 the resolution of the Board of Directors.

・In response to the 5-year extension of the former 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 former CEO. The former CEO and the members of the Nomination Committee (Before March 26, 2024, it was the Nomination and Remuneration Advisory Committee, hereafter abbreviated) had fully discussed the necessary qualifications and requirements for CEO, the focal point of successor selection, development policy, etc., from a medium-to-long-term perspective, and taking into account the Company's business environment, and then examined/implemented development programs for the candidates so that they can fully demonstrate their ability. The members of the Nomination Committee had taken much time to hold in-depth discussions while collecting insights from the former 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 independent External Directors who are not the members of the Nomination Committee. After going through these processes, in July 2024, the Board of Directors appointed the next CEO, who will assume the position on January 1, 2025. The Company will continue to implement a CEO succession plan that contributes to the realization of our corporate mission and the enhancement of corporate value, with the Nomination Committee at the center.

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.

・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.

・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 regularly to the Audit Committee and the Board of Directors, alongside monthly to the Representative Corporate Executive Officer and CEO and Representative Corporate Executive Officer and CFO and weekly to the full-time Audit Committee members.

Principle 4.4	*Kansayaku* and the *kansayaku* 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 *kansayaku* and external auditors, and the determination of auditor remuneration. Although so-called "defensive functions," such as business and accounting audits, are part of the roles and responsibilities expected of *kansayaku* and the *kansayaku* board, in order to fully perform their duties, it would not be appropriate for *kansayaku* and the *kansayaku* 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.

・See below

Supplementary Principle 4.4.1	Given that not less than half of the *kansayaku* board must be composed of outside *kansayaku* and that at least one full-time *kansayaku* must be appointed in accordance with the Companies Act, the *kansayaku* 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, *kansayaku* or the *kansayaku* board should secure cooperation with outside directors so that such directors can strengthen their capacity to collect information without having their independence jeopardized.

・The Audit Committee plays a vital role in fulfilling the oversight functions of the Board of Directors. Its fundamental policy is to conduct audits that contribute to "sound and sustainable growth" and "the enhancement of medium- to long-term corporate value" of the Shiseido Group by establishing "a high-quality corporate governance system that earns the trust of our various stakeholders."
The status of audit activities is as follows.

①Attendance at Board of Directors meetings and other important meetings and committees
・Audit Committee Members utilize their extensive experience and expertise in their respective fields to offer independent advice, recommendations, and opinions and review the execution of duties.
・Global Strategy Committee, Global Risk Management & Compliance Committee, HQ & SJ Compliance Committee, etc.

②Meetings with Representative Corporate Executive Officers
・Exchange opinions on important management issues and share issues based on annual audit activities. Twice a year

③Interviews and on-site visits with Executive Officers, department heads, and office managers, among others
・Exchange opinions on the management and business environment—57 times domestically, 33 times overseas (fiscal year 2024)

④Confirm status of internal audit
・Audit Committee: 7 times (fiscal year 2024)
・Full-time Audit Committee members: weekly

Principle 4.5	With due attention to their fiduciary responsibilities to shareholders, the directors, *kansayaku* 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.

・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.

・We held extensive 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 with Three Statutory Committees 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.

・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.

・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. Out of eleven (11) directors, seven (7) (64%) are 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.

・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 *kansayaku* or the *kansayaku* board by, for example, appointing the lead independent director from among themselves.

・The chair of the Board of Directors, as well as the chairs of the Nominating Committee, Audit Committee and Compensation Committees, are all independent external directors. The independent external director who serves as the chair of the Board coordinates and communicates with the management team, including the President and CEO, while the chairs of each committee play a role in facilitating collaboration among the committees. The chairperson of the Board and the chairs of the committees work together to facilitate smooth corporation opportunities for informal discussions to ensure smooth cooperation, including setting up informal discussion opportunities. Additionally, in the nominating committee and compensation committee, discussions regarding the appointment and dismissal of directors and corporate executive officers, as well as executive compensation, are conducted under the leadership of the independent external director who serves as the chair.

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.

・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.

・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.

・See below

Supplementary Principle 4.10.1	If the organizational structure of a company is either Company with *Kansayaku* 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.

・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 *kansayaku*. In particular, at least one person who has sufficient expertise on finance and accounting should be appointed as *kansayaku*. The board should endeavor to improve its function by analyzing and evaluating effectiveness of the board as a whole.

・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.

・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 independent external director who serves as the chair of the Board of Directors has experience as a top executive at another company, and more than half of the independent external directors have experience in corporate management.

・The Company has set a certain maximum term of office for independent external directors in order to reflect their independent views to our management. 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 *kansayaku*, and other directors and *kansayaku* should devote sufficient time and effort required to appropriately fulfill their respective roles and responsibilities. Therefore, where directors and *kansayaku* also serve as directors, *kansayaku* or the management at other companies, such positions should be limited to a reasonable number and disclosed each year.

・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.

・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.

・Additionally, the Company also evaluates the effectiveness of its Audit Committee. The objective of this evaluation is to maintain and enhance the effectiveness of the Audit Committee. To this end, the Committee reviews its annual audit activities and conducts an effectiveness assessment after discussions within the Audit Committee. As a result of our evaluation, we conclude that the Audit Committee functioned effectively during the current fiscal year.

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.

・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.

・Materials for the Board of Directors' meetings are distributed in advance, and pre-briefings are provided to independent external directors. In the pre-briefing any questions raised by the directors are addressed by the Board secretariat, and if necessary, shared with the management and proposers/reporters to ensure that sufficient explanations are provided during the Board meeting.

・We strive to provide materials for the Board of Directors that are well-organized around key issues. During the Board meeting, proposers and reporters are expected to explain the materials concisely, followed by a question-and-answer session to ensure that sufficient information necessary for deliberation is provided.

・The representative corporate executive officers communicate to 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 annual agenda are planned in advance through discussions among the chair of the Board, President and CEO, and the Board secretariat.

・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 *kansayaku* 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 *kansayaku*, including providing sufficient staff. The board and the *kansayaku* board should verify whether information requested by directors and *kansayaku* is provided smoothly.

・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, *kansayaku*, including outside *kansayaku*, should collect information appropriately, including the use of their statutory investigation power.

・Materials for Board of Directors' meetings are shared with all directors in advance, and a system has been established to enable timely exchanges via email or other means when there are questions or points of clarifications from them.

・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 *kansayaku* should consider consulting with external specialists at company expense, where they deem it necessary.

・The Compensation Committee, composed solely of independent external directors, invites external experts to provide advice on the design of executive compensation and other related matters. Furthermore, we will continue invite external experts as needed to facilitate opportunities for discussion and information gathering with external directors.

Supplementary Principle 4.13.3	Companies should ensure coordination between the internal audit department, directors and *kansayaku* by establishing a system in which the internal audit department appropriately reports directly to the board and the *kansayaku* 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 *kansayaku*. 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 *kansayaku* are appropriately processed.

・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 the audits are reported regularly to the Audit Committee and the Board of Directors, alongside monthly to the Representative Corporate Executive Officer and CEO and Representative Corporate Executive Officer and CFO and weekly to the full-time Audit Committee members.

Principle 4.14	New and incumbent directors and *kansayaku* 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 *kansayaku* along with financial support for associated expenses. The board should verify whether such opportunities and support are appropriately provided.

・See below

Supplementary Principle 4.14.1	Directors and *kansayaku*, including outside directors and outside *kansayaku*, 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.

・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 on annual business strategies and business management issues.

Supplementary Principle 4.14.2	Companies should disclose their training policy for directors and *kansayaku*.

・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

Section 5: Dialogue with Shareholders	
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.

・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 kansayaku, should have a basic position to engage in dialogue (management meetings) with shareholders.

・The CEO　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	At minimum, policies for promoting constructive dialogue with shareholders should include the following: 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; 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; iii) Measures to promote opportunities for dialogue aside from individual meetings (e.g., general investor meetings and other IR activities); iv) Measures to appropriately and effectively relay shareholder views and concerns learned through dialogue to the senior management and the board; and v) Measures to control insider information when engaging in dialogue.

・We have established and disclosed our "Basic Policy on Information Disclosure and Dialogue with Shareholders and Investors." This policy outlines our basic principles for information disclosure, standards, methods, and organizational structure, as well as measures for constructive dialogue with shareholders and investors and the management of insider information. Additionally, in response to the Tokyo Stock Exchange's request for disclosure regarding "the status of dialogue with shareholders," we have detailed the implementation of dialogue between management and shareholders in the previous fiscal year under "Status of Dialogue with Shareholders and Investors," including an overview of the dialogue partners and topics, the number of meetings held, and our main representatives and departments involved.

・The above URL includes related links on our corporate information site, and we have also set up related pages within our corporate information site for various briefings held for investors and shareholders, where we share the content of these briefings using videos and other materials as needed.

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.

・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.

・See below

・In response to the disclosure request from the Tokyo Stock Exchange regarding "actions towards achieving management that is conscious of capital costs and stock prices," our company has disclosed the ROIC and ROE figures for the most recent fiscal year 2024, as well as the target values for 2026 aimed at improving capital efficiency, on our corporate information website as part of the Action Plan 2025-2026.

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.

・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 determined 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 of the Company has resolved its policy on decisions regarding matters including remuneration, etc. 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 matters including remuneration, etc. 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. Matters including remuneration, etc. of individual Corporate Executive Officers are deliberated on and determined by the Compensation Committee.
All of the Company's Corporate Executive Officers concurrently serve as Executive Officers, and their remuneration is determined based on their Grade as Executive Officers, among other factors. On the other hand, Directors who do not concurrently serve as Corporate Executive Officers of the Company receive only basic remuneration and do not receive

variable remuneration such as performance-linked remuneration. In addition, in the case of Directors who also serve as Corporate Executive Officers, compensation for their service as a Director is not included in this remuneration.

〔The proportion of each remuneration element by remuneration type for Corporate Executive Officers〕

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

<table>
<tr><th rowspan="3">Title of Corporate Executive Officers</th><th colspan="4">Composition of Remuneration for Directors and Executive Officers</th></tr>
<tr><th rowspan="2">Basic Remuneration</th><th colspan="2">Performance-linked Remuneration</th><th rowspan="2">Total</th></tr>
<tr><th>Annual Incentive</th><th>Long-Term Incentive-Type Remuneration</th></tr>
<tr><td>President and CEO</td><td>20.0%</td><td>20.0%</td><td>60.0%</td><td rowspan="2">100%</td></tr>
<tr><td>Corporate Executive Officers excluding Chairman and CEO</td><td>42.0%</td><td>29.0%</td><td>29.0%</td></tr>
</table>

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.

■ Basic remuneration

Basic remuneration is deliberated and determined by the Compensation Committee and is paid in equal installments every month.
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.

■ 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 the 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 items for the annual incentive in accordance with the scope of responsibility of Corporate Executive Officers 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 all the 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 remains 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 based on the deliberations and decisions by 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 all 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 to realize sustainable growth, to evaluation criteria.
Annual incentive is paid once a year.

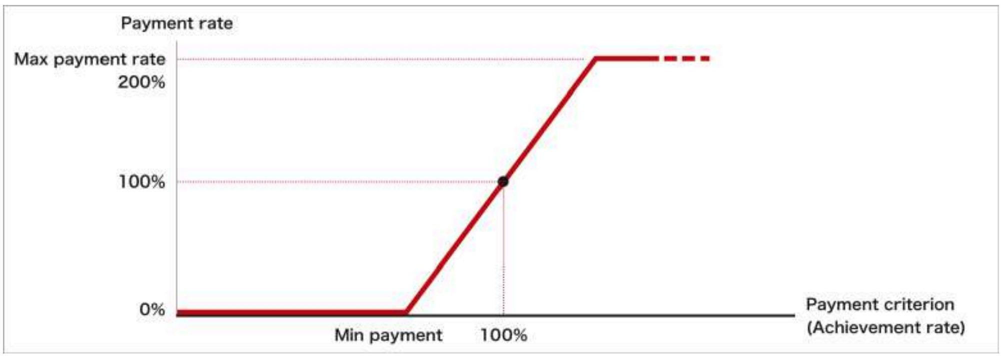
〔Performance indicators and evaluation weights for annual incentive for Corporate Executive Officers determined by the area of responsibility〕

Evaluation Item	Performance Indicators	Evaluation Weight							
		President and CEO		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%		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 evaluation	–		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 and own growth goals							

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 grants. 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.

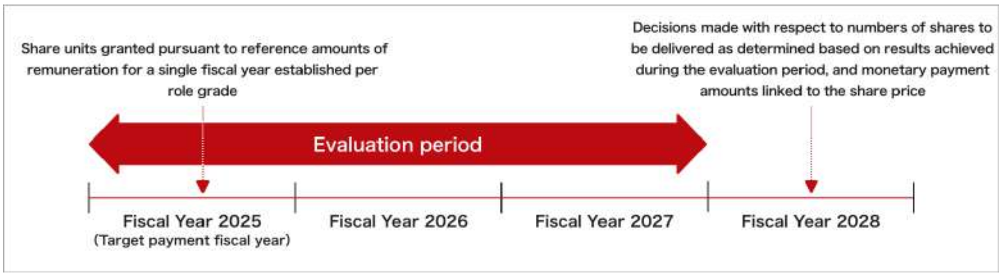
〔Purposes of introducing the LTI〕

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' and Corporate Executive Officers' 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 grant a reference share unit to each of the eligible parties once every fiscal year, and on each annual grant, the number of fiscal years that the payment relates to shall be one fiscal year. To make such grants, 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 2025, as an indicator for economic value of corporate value, the Company has set relative TSR (Total Shareholder's Return) from fiscal year 2025 to fiscal year 2027 with a global peer group, which is an indicator of shareholder value enhancement and ROIC (Return On Invested Capital) which is an indicator of the capital efficiency metric. In addition, as benchmarks pertaining to social value, the Company has adopted multiple internal and external indicators pertaining to the environment, society and governance (ESG). The composition of these performance indicators pushes forward the enhancement of corporate value from both aspects of economic and social values.
To receive payments under the LTI, eligible parties are required to have served continuously in the position of Corporate Executive Officer or Executive Officer during a certain period set in advance.
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〕

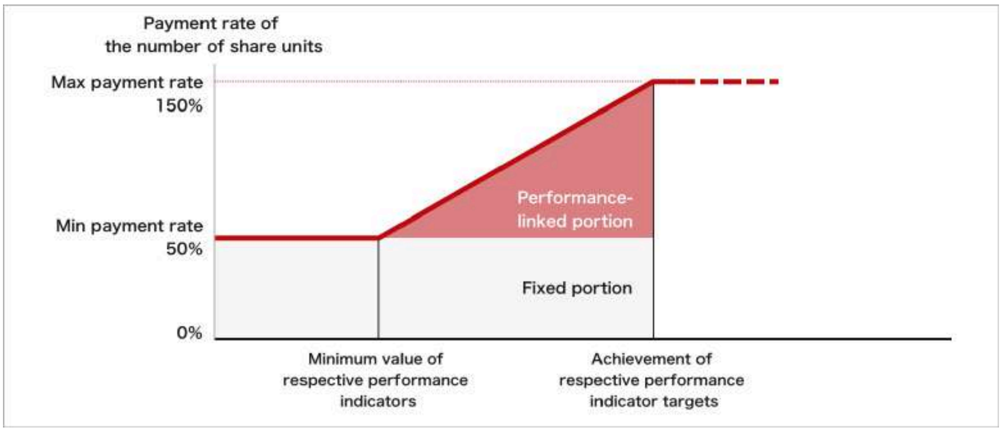


〔Performance indicators and evaluation weights for performance-linked portion of the LTI〕

Evaluation Item	Performance Indicators		Evaluation Weight	
Economic Value	Relative TSR		50%	100%
	ROIC in the final fiscal year of the evaluation period		30%	
Social Value	Environment	Status of the achievement of the CO_2 emissions reduction target	20%	
	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		

*The evaluation in 2025 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, Corporate Executive Officers and Audit & Supervisory Board Members for the Fiscal Year Ended December 31, 2024

(Millions of yen)

Position and number of Directors and Audit & Supervisory Board members (persons)	Breakdown of Remuneration, etc. by type				Total [(a)+(b)]
	Basic Remuneration, etc.	Annual Incentive	Total of the cash remunerations (a)	Long-Term Incentive (Share Compensation) (b)	
Directors (10 persons)	103	32	136	24	160
Of which, External Directors (5 persons)	18	—	18	—	18
Audit & Supervisory Board Members (5 persons)	26	—	26	—	26
Of which, External Audit & Supervisory Board Members (3 persons)	9	—	9	—	9
Total	130	32	162	24	186

*Total remuneration in cash that has been confirmed by March 2025.

Notes:

1. Based on the resolution of the 124th Ordinary General Meeting of Shareholders held on March 26, 2024, the Company has transitioned from a Company with an Audit & Supervisory Board to a Company with Three Statutory Committees, effective the same day. The table above shows the remuneration of directors and Audit & Supervisory Board members who were in office before the Company transitioned to a Company with Three Statutory Committees.
2. 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). 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.
3. The annual incentive of Directors for fiscal 2024 indicated above represent the amounts that will be paid upon the resolution of the Board of Directors based on the resolution of the 118th ordinary general meeting of shareholders, as stated in note 2. Regarding the calculation of those amounts, please refer to the following Performance-linked targets, actual performance and payment percentage, etc. of annual incentive paid to Directors excluding External Directors and Corporate Executive Officers.
4. 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, 2024, on the performance-linked stock compensation (performance share units), 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 -¥5 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).
5. In addition, an adjustment of -¥0.4 million was recorded to the expenses recognized for prior years, on the performance-linked stock compensation (performance share units) delivered to one Director of the Company, at the time the Directors served as Executive Officers or Employee not holding the office of Directors.

(Millions of yen)

Position and number of Directors and Corporate Executive Officers (persons)	Breakdown of Remuneration, etc. by type				Total [(a)+(b)]
	Basic Remuneration, etc.	Annual Incentive	Total of the cash remunerations (a)	Long-Term Incentive (Share Compensation) (b)	
Directors (9 persons)	155	—	155	(5)	149
Of which, External Directors (7 persons)	94	—	94	—	94
Corporate Executive Officers (7 persons)	359	137	496	123	620
Total	514	137	652	117	769

*Total remuneration in cash that has been confirmed by March 2025.

Notes:

1. The Company does not provide Directors' remuneration to Directors who concurrently serve as Corporate Executive Officers. Therefore, the remuneration of the two Directors who concurrently serve as Corporate Executive Officers is included in the "Corporate Executive Officers" category, not the "Directors" category.
2. The amount of long-term incentive-type remuneration (stock compensation) for Directors and Corporate Executive Officers indicated above represents the total amount of the expenses recognized and measured in line with IFRS 2 "Share-based Payment" for the fiscal year ended December 31, 2024, on the performance-linked stock compensation (performance share units) granted in consideration of duties executed by Directors and Corporate Executive Officers. The amount of long-term incentive-type remuneration (stock compensation) for Directors includes the expense recognized for the fiscal year ended December 31, 2024 related to the unvested portion of performance-linked stock compensation (performance share units) for Directors who retired in March 2024. In addition, 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 -¥15 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).

3. In addition, an adjustment of -¥4 million was recorded to the expenses recognized for the fiscal year ended December 31, 2023, on the performance-linked stock compensation (performance share units) delivered to four Corporate Executive Officers of the Company at the time the Corporate Executive Officers held the position of Executive Officer or Employee without concurrently serving as a Director or Corporate Executive Officer.
4. Of the above, the remuneration paid in local currency was translated into Japanese yen using the average internal exchange rate during the fiscal year ended December 31, 2024.

■ Amounts of Remuneration, etc. to Representative Directors, Directors and Corporate Executive Officers Whose Total Amount of Remuneration, etc. Exceeded ¥100 Million for the Fiscal Year Ended December 31, 2024

(Millions of yen)

Title and Name	Breakdown of Remuneration, etc. by type				Total [(a)+(b)]
	Basic Remuneration, etc.	Annual Incentive	Total of the left* (a)	Long-Term Incentive (Stock Compensation) (b)	
Masahiko Uotani, Chairman and CEO	169	79	248	68	316
Kentaro Fujiwara President and COO	70	26	96	36	133
Toshinobu Umetsu, China Region CEO (Note.2)	70	22	93	14	108

*Total remuneration in cash that has been confirmed by March 2025.

Notes:

1. The amount of long-term incentive-type remuneration (stock compensation) for Directors and Corporate Executive Officers indicated above represents the total amount of the expenses recognized and measured in line with IFRS 2 "Share-based Payment" for the fiscal year ended December 31, 2024, on the performance-linked stock compensation (performance share units) granted in consideration of duties executed by Directors and Corporate Executive Officers. The said amount of the expenses recognized includes an adjustment of -¥13 million to the expenses recognized based on the achievement rate of performance indicator of the delivered long-term incentive-type remuneration (stock compensation).
2. The above amount, concerning additional expenses, etc. incurred due to the Corporate Executive Officer Mr. Umetsu being stationed abroad, includes the tax adjustments, etc., associated with the international transfer to ensure that the remuneration that would be expected if the corporate executive officer were not stationed overseas is reflected.
3. Of the above, the remuneration paid in local currency was translated into Japanese yen using the average internal exchange rate during the fiscal year ended December 31, 2024.
4. 5. No Director and Corporate Executive Officer above were paid remuneration other than described above (including those described in notes 1. through 3.).

■ Performance-linked targets, actual performance and payment percentage, etc. of annual incentive paid to Directors excluding External Directors and Corporate Executive Officers

(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	990.6	99.1%	(Note 1) 56.0%
Core Operating Profit		55.0	36.4	66.2%	(Note 1) 0.0%
Profit Attributable to Owners of Parent	–	(Note 2)	(10.8)	–	(Note 2)
Performance of Business in Charge	0%–200%	(Note 3)			
Personal Performance Evaluation		(Note 4)	–	–	(Note 4) 90.0% (Average)
				Total payment rate	(Note 5) 47.8%

Notes :

1. With regard to consolidated net sales and core operating profit, in the calculation of the payment factor, adjustments are made to exclude the impact of business transfers, foreign exchange and other factors on targets and actual performance set at the beginning of the period, in order to compare the targets and the actual performance in the practically same situation. The payment factors reflect those adjustments.
2. The Company has set profit attributable to owners of parent as a benchmark for the Compensation Committee to discuss the notion of lowering the payment percentage of the annual incentive based on company-wide performance in the event that profit attributable to owners of parent falls below certain thresholds set. For the fiscal 2024, the profit attributable to owners of parent fell under the thresholds. Following the deliberations of the Compensation Committee, it was decided that

the annual incentive calculated with the payment percentage based on performance should be paid. The Committee determined that a sound connection between performance, which should be emphasized for the annual incentive, and the remuneration to be disbursed is secured.

3. Key performance evaluation indicators such as net sales, profits and cost indices, etc. are set to measure performance of respective business. Specific figures are not disclosed.
4. 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 capabilities.
5. The total payment rate is the ratio of the actual amount paid to the target amount of annual incentive for Directors and Corporate Executive Officers.

■ Performance-linked targets, actual performance and payment percentage, etc. of long term incentive-type remuneration granted for fiscal year 2021 and paid to Directors excluding External Directors

Performance Evaluation Indicators		Fluctuation Range of Payment Percentage (Note 3)	Weight	Targets for Maximum Payment Percentage	Actual Perfor mance	Achievement Rate against Target for Maximum Payment Percentage	Payment Percen tage
Compound average growth rate (CAGR) of consolidated net sales		50% – 150% (including fixed portion 50.0%)	30.0%	Compound average growth rate (CAGR) from 2019: 7.0%	(1.2)%	0.0%	15.0%
Compound average growth rate (CAGR) of consolidated operating profit			60.0%	Consolidate Operating Profit Margin in the final fiscal year of the evaluation period: Operating profit margin: 15.0%	2.9%	0.0%	30.0%
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	40%	100.0%	3.0%
	Ratio of female leaders in overseas		2.0%	50% in the final fiscal year of the three-year period	57%	100.0%	3.0%
	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	100.0%	1.5%
	Dow Jones Sustainability Indices (DJSI)		5.0%	Difference from 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	100%iles	100.0%	7.5%
Consolidated ROE		thresholds	-	Threshold target: Average of 5.0% or more in the past 10 years	7.2%	Achieved	-
				Total payment rate	60.0% (including fixed portion 50.0%)		

Notes :

1. The period of evaluation for the performance-linked stock remuneration (performance share units) granted for fiscal year 2021 is from January 1, 2021 to December 31, 2023.
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 consolidated operating profit margin 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 Compensation 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. The payment rate is calculated by applying the actual results for each item to the prescribed payment percentage table. 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 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 based on THE SHISEIDO PHILOSOPHY1. 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 reporting, compliance with relevant laws and internal regulations, and asset preservation. Additionally, the department assesses the appropriateness and effectiveness of risk management and provides advice and recommendations for improvements.

The Representative Corporate Executive Officer and CEO recognizes that robust governance and proper internal controls are essential to enhance the corporate value of the Shiseido Group and achieve trustworthiness in our business. With significant changes in internal and external environments, the importance of internal audits has grown, and the CEO is committed to providing the Internal Audit Department with the necessary resources to conduct effective audit activities that ensure the adequacy of the Group's governance and internal controls. The internal audit function serves as a driving force for the Company's continuous evolution into an organization guided by strong ethics and integrity, striving to earn the trust of all stakeholders.

2. Organization and Personnel Structure

Following the resolution at the General Meeting of Shareholders on March 26th, 2024 regarding "Transition to a Company with Three Statutory Committees," the Internal Audit Department has been restructured to include a dual reporting line to both the Audit Committee and the Representative Corporate Executive Officer and CEO. The department maintains its independence and objectivity, regularly reporting the status and results of internal audits to the Audit Committee and the Board of Directors, alongside monthly reports to the Representative Corporate Executive Officer and CEO and Representative Corporate Executive Officer and CFO and weekly reports to the full-time Audit Committee members.

In the event of conflicting instructions or decisions between the Representative Corporate Executive Officer and CEO and the Audit Committee, the opinion of the Audit Committee shall prevail.

With regard to internal control over financial reporting, in accordance with the internal control reporting system based on the Financial Instruments and Exchange Act, the Internal Audit Department, as an independent division, compiles and reviews the group-wide assessment of internal control and then conducts a final assessment. The status of audit implementation and evaluation results are reported in the same manner as above.

As of December 31, 2024, we have 21 members of the Internal Audit Department at the headquarters and six members of the Internal Audit Department at offices belonging to the regional headquarters in China, Asia, the Americas and Europe (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, members of the department have an average of five years of experience in the Company's internal auditing and possess extensive knowledge and expertise in the field. The Internal Audit Department also maintains and reviews a skills matrix to ensure a well-balanced composition of personnel. Where specialized expertise is lacking within the department, staff with the required skills are brought in from other departments to strengthen the team's capabilities. 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 17 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 conducted internal audit quality evaluations based on the International Standards for the Professional Practice of Internal Auditing (2017 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 IT systems at the global level, we are taking this chance to enhance data analysis capabilities in the Internal Audit Department to improve audit quality.

Audit Committee's Audits and Initiatives toward Strengthening Its Functions

The Company has five Audit Committee members: two full-time internal members and three external members with no special interest in the Company, and the chairperson is an outside director who has held a number of influential roles including director at government agencies and operating companies. The Company has appointed full-time Audit Committee members to strengthen our internal controls and governance framework. This is achieved through an audit function that incorporates information obtained via regular audit activities, such as interviews with executive officers, reports from the Internal Audit Department, on-site visits of subsidiaries, and participation in key internal meetings.
The Audit Committee has implemented measures to enhance the effectiveness of the three-way audit framework, which involves the Audit Committee, the Internal Audit Department, and the accounting auditor. As part of this initiative, the accounting auditor provides reports on the status of audits on a quarterly basis. Additionally, the Audit Committee holds biannual discussions on key management issues and convenes three-way audit liaison meetings. These efforts ensure audit findings and responses are shared among the three parties in a timely manner to improve the overall effectiveness of the audit process under the leadership of the Audit Committee.
The Audit Committee oversees the Internal Audit Department, receiving regular reports on the progress and outcomes of internal audits based on the internal audit plan. When necessary, the Audit Committee provides directives to the Internal Audit Department regarding internal audit matters. Furthermore, the Audit Committee organizes the "Subsidiary Auditor Liaison Meeting," which comprises auditors from group subsidiaries that have auditors, to facilitate the sharing of management issues and information on internal control risks from each subsidiary. It also monitors the status of business execution across the Group.
Moreover, the Audit Committee has established the "Shiseido Group Audit Committee Whistleblower Hotline" as an internal reporting channel for cases involving suspected misconduct by directors, corporate executive officers, or other members of the leadership team. The committee conducts thorough investigations while ensuring the protection of whistleblowers.

In addition, with the aim of maintaining and improving the effectiveness of the Audit Committee, the Committee conducted an evaluation of its effectiveness by reviewing the annual audit activities based on the following evaluation items and discussing them at the Audit Committee meeting. As a result of our evaluation, we concluded that the Audit Committee functioned effectively during the current fiscal year.

Evaluation Criteria	- Composition and size of the Audit Committee (number of members, number of external members, diversity, etc.) - Operation of the Audit Committee (frequency and duration of meetings, agenda, support for the committee chair, etc.) - Culture of the Audit Committee (chair's leadership, mutual communication, active discussion, etc.) - Roles and functions of the Audit Committee - Monitoring of the development and operation of the internal control system - Corporate governance code compliance - Collaboration with directors and Board of Directors - Cooperation with accounting auditors and the Internal Audit Department, as well as a monitoring system using three-way audits, etc.

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, 2024)

1. Name of the Auditing Firm
KPMG AZSA LLC

2. Years of Continuous Service as Accounting Auditor
The Company appointed KPMG AZSA LLC as its accounting auditor on June 29, 2006, and the current fiscal year marks 19 years since the appointment.

3. Names of Certified Public Accountants Engaged in Audit work
Masakazu Hattori (consecutive auditing period: five years)
Kentaro Hayashi (consecutive auditing period: five years)
Yuki Kodaka (consecutive auditing period: one 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 Assistants involved in the Audit
Assistants involved in the audit consisted of 17 certified public accountants, 10 successful applicants who have passed the Certified Public Accountant Examination, and 42 others (tax and IT auditing)

5. Policy, Reasons, and Evaluation for Selection of Accounting Auditor
At the Company, the appointment and dismissal of the accounting auditor by the Audit Committee is implemented based on unanimous agreement. The decision is made through evaluations by the Representative Corporate Executive Officer and CFO, as well as the heads of departments related to financial accounting and auditing, and discussions involving all Audit Committee members.
The Company's policy for determining 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 the Board of Directors shall submit the proposal at the General Meeting of Shareholders based on the decision.
The Audit Committee evaluated the accounting audits for fiscal year 2024 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 Committee members and other relevant parties, status of the accounting auditor's remuneration, and processes, and resolved to reappoint the accounting auditor for the fiscal year 2025.

Remuneration, etc. to the Accounting Auditor

(Millions of yen)

Category	Amount
Remuneration paid for services rendered as the accounting auditor for the fiscal year ended December 31, 2024	255
Total cash and other remuneration to be paid by the Company and its subsidiaries to the accounting auditor	304

Notes:
1. 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, 2024" above.
2. In addition to the above, the amount of remuneration paid for services rendered as the accounting auditor includes 10 million yen as the amount of additional fees related to the preceding fiscal year.

Reason for Audit Committee to Have Agreed to Remuneration, etc. to the Accounting Auditor

The Audit Committee 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 Audit & Supervisory Board Members 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

The Company entrusted the accounting auditor with the "preparation of 'document from the accounting auditor to the managing underwriting firm' concerning bond issuance," which is a service other than services under Article 2, paragraph (1) of the Certified Public Accountants Act (services other than audit). The amount of remuneration, etc. is 2 million yen, which is included in the "Total cash and other remuneration to be paid by the Company and its subsidiaries to the accounting auditor" under the "Remuneration, etc. to the Accounting Auditor" above.

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 2024, 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, Action Plan 2025-2026 for 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＞

Impact on business	・Quantitative impact on business performance (e.g. topline sales) in case of manifestation ・Qualitative impact on our corporate/brand image and culture
Likelihood	・Likelihood and timing of risk manifestation
Vulnerability	・Preparedness to the risk ・Controllability of the manifestation of the risk due to external factors

Total 21 material risks identified through our risk assessment have been organized into three risk categories: "Consumer & Social-Related," "Operation & Fundamental-Related," and "Others."
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," "Pace of Cutting-Edge Innovation," "New Technology and Speed of Digital Acceleration," "Corporate Culture and Acquisition/Securing

Outstanding People," "Business Structure Transformation," "Operating Infrastructure," "Regulatory," and "Information Security." We are strengthening our implementation of countermeasures for these risks.

＜Summary of Shiseido Group Material Risks＞ ★: Risks for which we particularly strengthen our countermeasures

Consumer & Social-Related	Operation & Fundamental-Related	Others
・Changes in Consumer Values★	・Corporate Culture and Acquisition/ Securing Outstanding People★	・Exchange Rate Fluctuations
・Pace of Cutting-Edge Innovation★	・Business Structure Transformation★	・Business Investment
・New Technology and Speed of Digital Acceleration★	・Operating Infrastructure★	・Material Litigation, etc.
・Corporate and Brand Reputation	・Supply Network	
・Environment (Climate Change, Biodiversity, etc.)	・Compliance	
・Diversity, Equity & Inclusion (DE&I)	・Privacy	
・Natural Disaster, Infectious Disease and Terrorism	・Quality Assurance	
・Geopolitical Tensions	・Regulatory★	
	・Quality Assurance	
	・Governance Structure	
	・Information Security★	

For details, please refer to our Annual Securities Report.

Basic Policy on Internal Control System

Our company's "Basic Policy on Internal Control System" is as follows.
The status of its operation is described in the annual securities report.

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)