Notice of Convocation

The 120th Ordinary General Meeting of Shareholders

[**Disclaimer**: Please note that the following purports to be an accurate and complete translation of the original Japanese version prepared for the convenience of our shareholders with voting rights outside Japan for reference. In the case of any discrepancy between the translation and the Japanese original, the latter shall prevail. Please be advised that certain expressions for domestic voting procedures that are not applicable to the aforesaid shareholders are omitted or modified to avoid confusion. Please also be advised that this material will not facilitate your status as a registered shareholder, who is authorized to physically attend the ordinary general meeting of shareholders in person, unless presenting the original Notice of Convocation and the Voting Form in Japanese to the receptionist at the place of the meeting.]

SHISEIDO

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SHISEIDO

Securities Code: 4911
March 6, 2020

Notice of Convocation
The 120th Ordinary General Meeting of Shareholders

Dear Shareholders:

We express our deep appreciation to each of the shareholders for their extraordinary daily support.

You are cordially invited to attend the 120th ordinary general meeting of shareholders of Shiseido Company, Limited (the "Company"). The meeting will be held as described on page 4.

If you are unable to attend the meeting, you may exercise your voting rights in writing or through website voting. Please examine the accompanying "Reference Document Concerning the General Meeting of Shareholders" and exercise your voting rights.

Yours very truly,

Shiseido Company, Limited



Masahiko Uotani

Representative Director,
President and CEO

Registered Head Office:
5-5, Ginza 7-chome, Chuo-ku, Tokyo
Principal Business Office:
6-2, Higashi-Shimbashi 1-chome,
Minato-ku, Tokyo

(VOTING PROCEDURE FOR REGISTERED SHAREHOLDERS IN JAPAN)[1]

When you exercise your voting rights via the Internet etc., please access to Proxy Voting Website (https://www.web54.net). Please refer to "Notes to the Use of the Exercise of Voting Rights via the Internet" (omitted).

[1] Please note that shareholders outside Japan shall not use these voting procedures.

SHISEIDO

PARTICULARS

Date and Time of the Meeting:

Wednesday, March 25, 2020 at **10:00 a.m.**

Place of the Meeting:

IMPERIAL Hotel, 2F, Kujyaku Room (Main venue of the event)

1-1, Uchisaiwai-cho 1-chome, Chiyoda-ku, Tokyo, Japan

Matters to Be Dealt with at the Meeting:

Matters for Reporting:

Report on the business report, the consolidated financial statements and non-consolidated financial statements, and the results of the audits of consolidated financial statements by the accounting auditor and the Audit & Supervisory Board for the fiscal year ended December 31, 2019 (January 1, 2019 to December 31, 2019).

Matters for Resolution:

First Item of Business:	Dividends of Retained Earnings
Second Item of Business:	Election of Eight (8) Directors
Third Item of Business:	Election of One (1) Audit & Supervisory Board Member
Fourth Item of Business:	Determination of Long-Term Incentive-Type Remuneration (LTI) to Directors

Contents and details of each item are described in the "Reference Document Concerning the General Meeting of Shareholders" on and after page 110.

Matters Related to Exercise of Voting Rights:

1. Validity of the voting in the event of exercise of voting rights by one and the same shareholder via both return mail and via website

   In the event that one and the same shareholder exercises voting rights via both return mail and via website, the exercise of voting rights via website shall be considered valid.

   Moreover, in the event that one and the same shareholder exercises voting rights via website several times, the last exercise of voting rights via website shall be considered valid.

2. Requirement for exercise of voting rights through proxy

   Shareholders may exercise voting rights through a proxy who shall be a shareholder with voting rights of the Company. In this case, the shareholder or the proxy shall be required to submit a document certifying the power of representation to the Company at the general meeting of shareholders.

SHISEIDO

Business Report

(Fiscal Year from January 1, 2019 to December 31, 2019)

1. Matters Concerning the Shiseido Group

1.1 Business Overview

(1) Progress and Results

1) Overview

■ Progress and Results in the Fiscal Year Ended December 2019

In the fiscal year ended December 31, 2019, economic conditions in Japan continued along a path of moderate recovery underpinned by improvement in employment and income gains. At the same time, the consumption tax hike from October and typhoons and other natural disasters led to continued uncertainty over the outlook for consumer spending. In the domestic cosmetics market, inbound demand from foreigners visiting Japan, which continued to trend upward, remained firm, and the overall recovery trend continued despite the last-minute surge in demand prior to the consumption tax hike and the subsequent pullback. In the overseas cosmetics market, performance was weak in Europe, where demand varied by country, and the negative growth in the makeup market also continued in the Americas, resulting in weak delivery overall. China and the rest of Asia were affected by the tough market environments in Hong Kong and other factors. However, growth remained firm overall.

In the fiscal year ended December 31, 2015, the Shiseido Group (hereinafter "the Group") launched its medium-to-long-term strategy VISION 2020 in a bid to ensure that it remains vital for the next 100 years. In order to "Be a Global Winner with Our Heritage," we are shifting all of our activities toward a consumer-oriented focus and working to globally enhance our brand value.

The period is the second fiscal year in the final three-year period that represents Phase 2 of VISION 2020, and we have implemented a new strategy to accelerate growth. To achieve this, we concentrated marketing investments on prestige brands, a key driver of growth, along with made-in-Japan cosmetics and personal care brands, and promoted greater investments in digital marketing and innovation. In addition, we worked on building supply capability and improving profitability in the Americas and EMEA, both of which were challenges that needed to be addressed.

As a result, net sales, operating profit, and net profit attributable to owners of parent reached record highs in the fiscal year. Net sales increased 5.7% year on year on a local currency basis. The prestige brands in which the Company has increased strategic investment drove overall results. Like-for-like growth was 6.8% excluding the impact of withdrawal from the amenity goods business in the previous fiscal year, the application of U.S. accounting standard ASC 606 to the current fiscal year, and the acquisition of the U.S. skincare brand *Drunk Elephant*. When converted into Japanese yen, consolidated net sales reached ¥1,131.5 billion, 3.4% higher than the previous fiscal year.

Operating profit rose 5.1% year on year to ¥113.8 billion, due to higher margins accompanying growth in sales and other factors, which compensated for greater investments in marketing, research and development, and personnel.

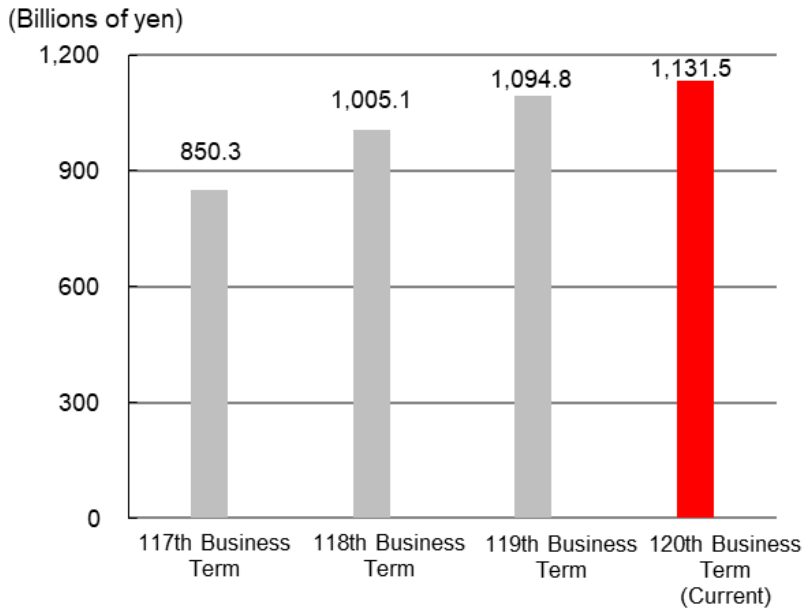
Net profit attributable to owners of parent rose to ¥73.6 billion, an increase of 19.8% year on year, thanks to a decline in tax expenses and other factors on top of the increase in operating profit.

For the fiscal year, the consolidated operating profit margin was 10.1%. Consolidated ROE (return on equity) was 15.6%, and consolidated ROIC (return on invested capital) was 12.9%. The major foreign currency exchange rates applicable to income and expense accounting line items in the Company's financial statements are US$1: ¥109.1, €1: ¥122.1, and CNY1: ¥15.8 for the fiscal year.

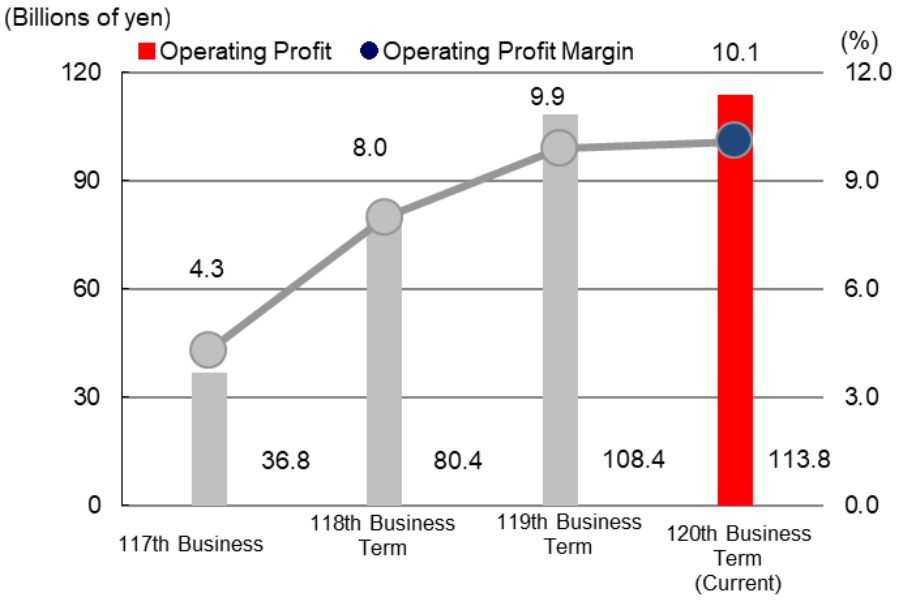
■ Consolidated Results

Net Sales

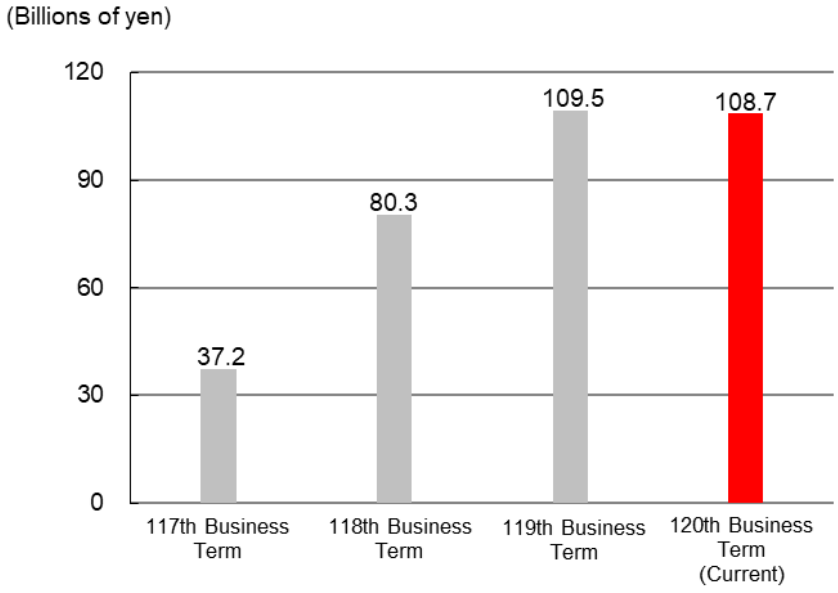
Fiscal 2019: **¥1,131.5 billion**
Year-on-year change: +3.4%
(Local currency basis: +5.7%)
Organic growth rate: +6.8%



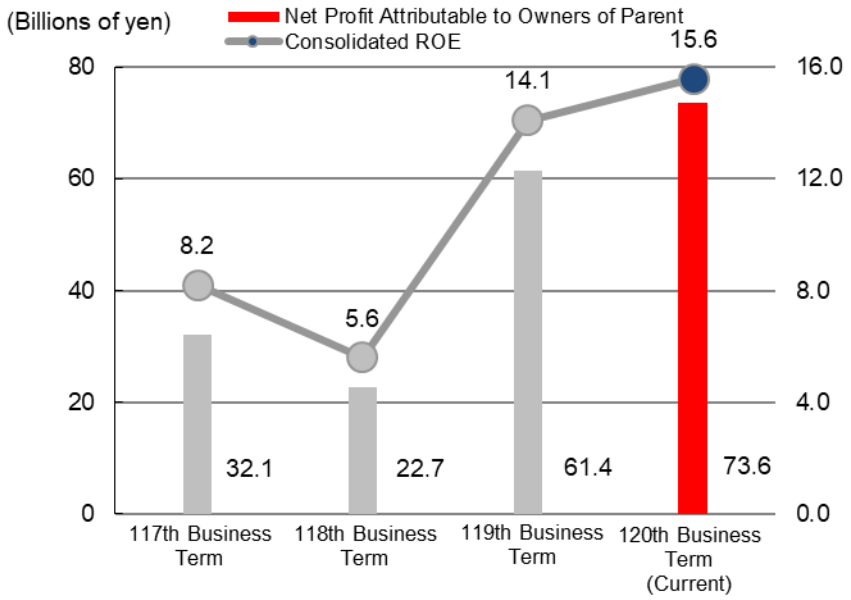
Operating Profit	Operating Profit Margin
Fiscal 2019: **¥113.8 billion** Year-on-year change: +5.1%	Fiscal 2019: **10.1%** Year-on-year change: +0.2 points



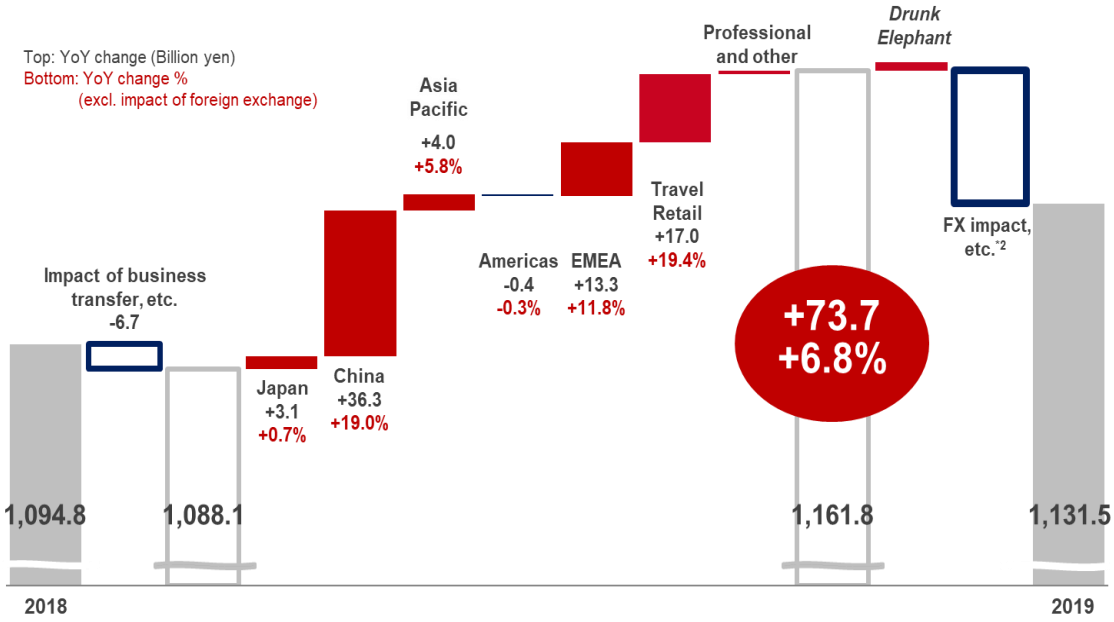
Ordinary Profit
Fiscal 2019: **¥108.7 billion** Year-on-year change: -0.7%



Net Profit Attributable to Owners of Parent	Consolidated ROE
Fiscal 2019: **¥73.6 billion** Year-on-year change: +19.8%	Fiscal 2019: **15.6%**



■ Changes in net sales by reportable segment



*1: YoY change (%) for each business was calculated based on the prevailing exchange rates.
*2: "FX impact, etc." includes (1) the FX impact of negative ¥26.1 billion, (2) the impact of applying U.S. GAAP (ASC 606) in the Americas in 2019, (3) the impact of withdrawal from dermatologic agent brands *FERZEA* and *Encron* in Japan in 2019.

■ **Operating profit (loss) by reportable segment**

(Billions of yen)

	119th Business Term	Operating Profit Margin (%)	120th Business Term (Current)	Operating Profit Margin (%)	Increase/ decrease	Percentage increase/decrease (%)
Japan Business	91.3	18.8	91.1	18.3	-0.2	-0.3
China Business	24.5	12.8	29.2	13.5	+4.7	+19.2
Asia Pacific Business	7.8	11.1	7.4	10.2	-0.4	-4.9
Americas Business	(14.8)	(8.7)	(11.4)	(6.9)	+3.4	—
Profit Before Amortization of Goodwill, etc.	(9.5)	(7.2)	(5.7)	(4.6)	+3.8	—
EMEA Business	(8.0)	(6.4)	(2.2)	(1.7)	+5.8	—
Profit Before Amortization of Goodwill, etc.	(6.2)	(5.5)	(0.4)	(0.4)	+5.8	—
Travel Retail Business	17.6	20.0	22.1	21.5	+4.5	+25.5
Professional Business	0.4	2.7	0.3	2.2	-0.1	-15.9
Other	(5.5)	(3.9)	(11.1)	(7.1)	-5.6	—
Adjustments	(5.0)	—	(11.6)	—	-6.6	—
Total	108.4	9.9	113.8	10.1	+5.5	+5.1

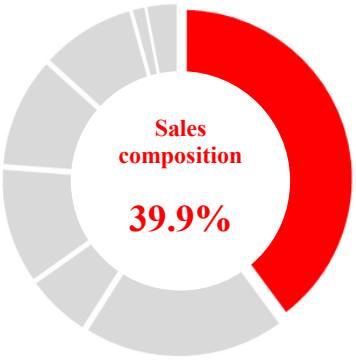
Notes:

1. Group subsidiaries that use U.S. accounting standards have applied ASC 606, Revenue from Contracts with Customers, to the consolidated financial statements from the fiscal year. Subsidiaries subject to application of this standard are private companies in the U.S. and are therefore applying the standard to the consolidated financial statements for the fiscal year, as specified in the U.S. standard. Under this standard, some customer payments that had been treated conventionally as SG&A expenses are excluded from net sales for the fiscal year. In addition, some expenses that were treated conventionally as SG&A expenses are recorded in cost of sales and inventory assets. In applying this standard, we have adopted the method of recognizing the impact from this accounting standard from the date on which application commenced as a permitted transitional measure, and have not revised the previous fiscal years for comparison.
2. The Group has revised its reportable segment classification method in line with its internal management structure, effective from the fiscal year. Shiseido Beauty Salon Co., Ltd., which was previously included in the Professional Business, and Shiseido Astech Co., Ltd. and Hanatsubaki Factory Co., Ltd., which were previously included in the Japan Business, are now included in the Other segment. The segment information for the previous fiscal year has been restated in line with the new method of classification.
3. The Other segment includes head office administration departments, IPSA Co., Ltd., Shiseido Beauty Salon Co., Ltd., manufacturing operations, the Frontier Science business and the Restaurant business, etc.
4. The ratio of operating profit (loss) to net sales shows operating profit as a percentage of total sales including intersegment sales, or sales including internal transfers between accounts.
5. The operating profit (loss) adjustment amount is mainly the elimination of transactions between segments.

2) Activities by Business Segment

Japan Business

Driving the Group with stable profitability



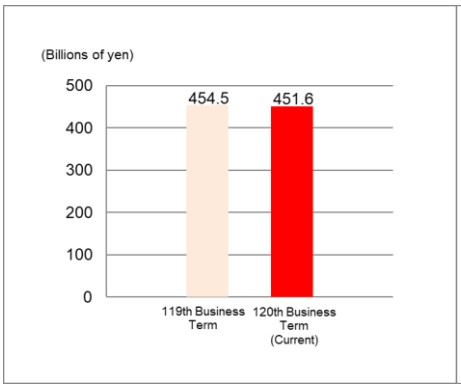


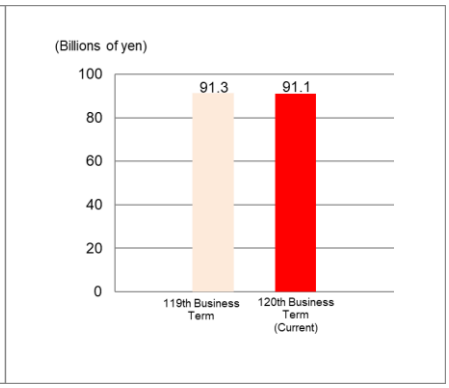
Advertisement for
"Medicated Care-Hybrid Foundation"

In the Japan Business, we continued to focus on the skin trinity category of skincare, base makeup, and sun care, where we have strengths, in order to achieve sustainable growth. Strong sales of *ULTIMUNE* serum and foundation in the *SHISEIDO* brand largely contributed to growth in sales. *HAKU* and *d program* also achieved sales growth with launches of "Medicated Care-Hybrid Foundation" products that promote both a more beautiful complexion and a beautiful finish. In addition, stronger cross-border marketing throughout the Asian region steadily captured the growing demand from inbound tourists visiting Japan. However, rush demand ahead of the consumption tax hike was followed by weakness in consumer sentiment after the hike, and unfavorable weather also had a negative effect.

The factors mentioned above led to a 0.6% decrease in sales in the Japan Business compared with the previous fiscal year, to ¥451.6 billion. Net sales growth excluding such factors as the impact of withdrawal from the amenity goods business, or like-forlike, was 0.7%. Operating profit fell 0.3% year on year to ¥91.1 billion, due to lower margins accompanying a decline in sales and increased investment.

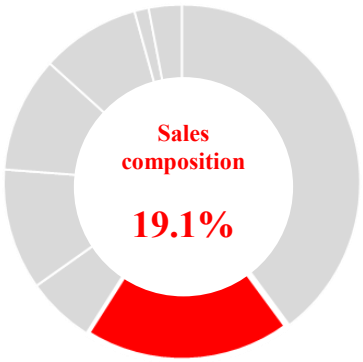
Net Sales: ¥451.6 billion Year-on-year change: -0.6% Organic growth rate: +0.7%	Operating Profit: ¥91.1 billion Year-on-year change: -0.3%





China Business

Accelerated growth in sales and profits thanks to made-in-Japan brands



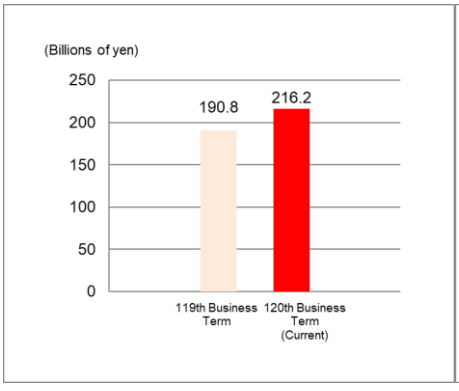


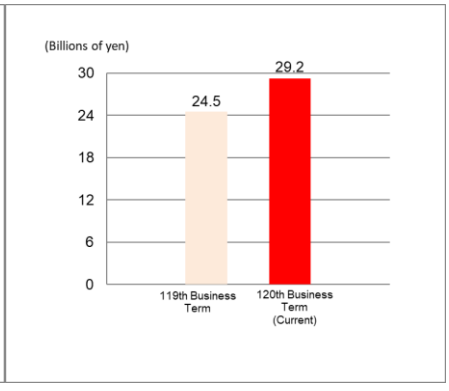
Shiseido supported WTA Finals Shenzhen, women's professional tennis tournament held in China, as the title sponsor

In the China Business, the strong performance of prestige brands such as *SHISEIDO*, *Clé de Peau Beauté*, *IPSA* and *NARS* continued. Sales of the madeinJapan cosmetics brands *ELIXIR* and *ANESSA* increased substantially. E-commerce sales recorded strong growth from the roll-out of digital marketing and stronger collaboration with major local Chinese online platforms, in addition to an aggressive launch schedule for products in the prestige and cosmetics categories. High consumer demand in mainland China persisted despite the impact of harsh market conditions in Hong Kong in the latter half of 2019.

The factors mentioned above resulted in sales growth of 19.0% year on year on a local currency basis, to ¥216.2 billion, an increase of 13.3% year on year, after conversion into yen. Operating profit grew 19.2% year on year to ¥29.2 billion due to higher margins accompanying growth in sales, which compensated for the increased investments in digital marketing.

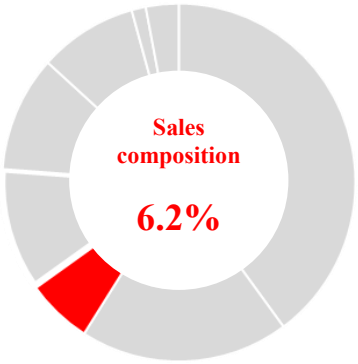
Net Sales: ¥216.2 billion Year-on-year change: +13.3% (Local currency basis: +19.0%)	Operating Profit: ¥29.2 billion Year-on-year change: +19.2%





Asia Pacific Business

Robust sales of prestige brands continued, further growth achieved in Southeast Asia

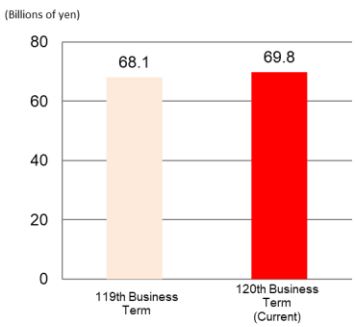
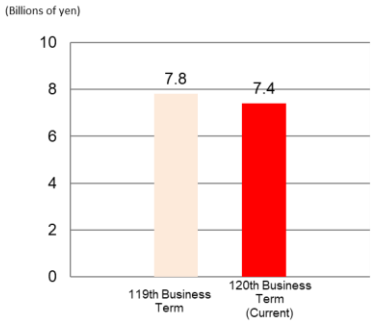




Fragrance brand *Dolce&Gabbana* operating in Thailand

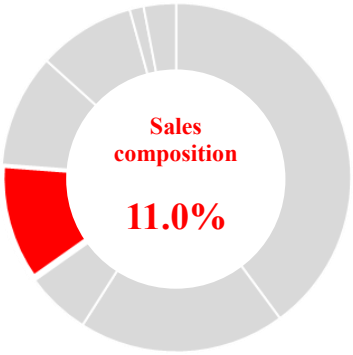
In the Asia Pacific Business, sales of the prestige brands *LAURA MERCIER* and *Clé de Peau Beauté* remained strong amid uncertain economic conditions, and sales of *ELIXIR*, *ANESSA* and the fragrance brand *Dolce&Gabbana* grew significantly. Conditions in South Korea were tough due to changes in the market environment; however, sales performance in the Southeast Asian region was strong due to expansion of the number of free-standing stores and increased investment in marketing.

The above factors resulted in sales growth of 5.8% year on year on a local currency basis, and 2.5% year on year to ¥69.8 billion when converted into yen. Operating profit fell 4.9% year on year to ¥7.4 billion, mainly due to increased marketing investments, despite higher margins in line with a sales increase.

Net Sales: ¥69.8 billion Year-on-year change: +2.5% (Local currency basis: +5.8%)	Operating Profit: ¥7.4 billion Year-on-year change: -4.9%
	

Americas Business

Stepped up measures to improve profitability amid severe market condition



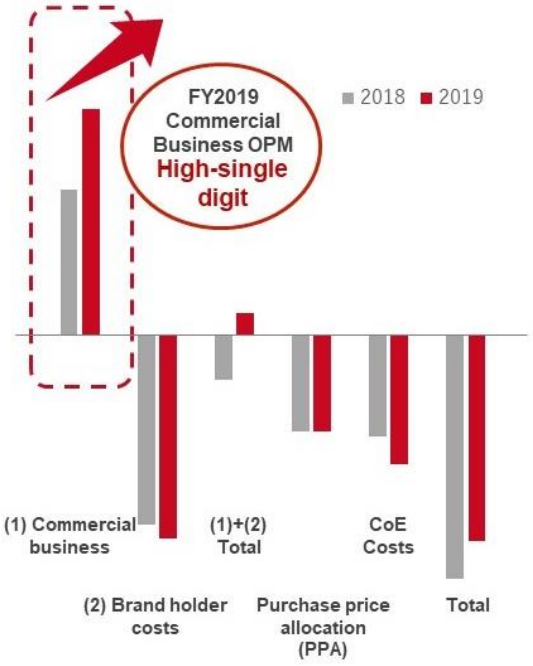


U.S.-based skincare brand
Drunk Elephant acquired in November 2019

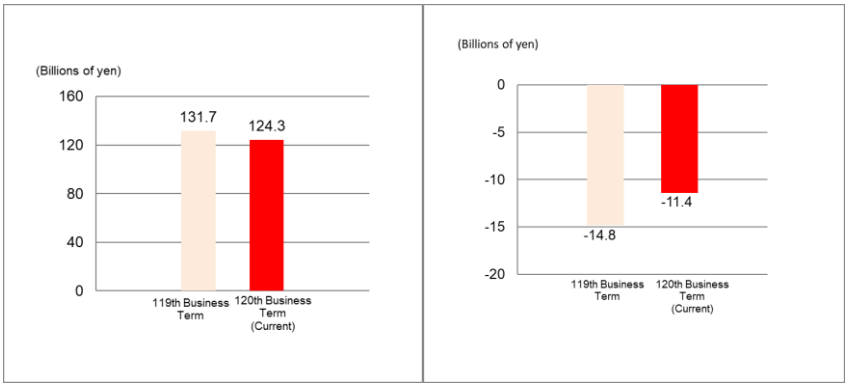
In the Americas Business, sales of *SHISEIDO* and *Dolce&Gabbana* continued to grow in spite of the severe market environment. In the *bareMinerals* brand, the company continued to make progress on closing unprofitable boutiques and other structural reforms. We also acquired the *Drunk Elephant* skincare brand in November 2019, which is continuing to see rapid growth, primarily in the U.S. market. The addition of this U.S.-based brand, for which expansion of global demand is anticipated, will further prioritize and expand our core prestige skincare business. It will also strengthen the revenue base of the Americas Business.

The above factors resulted in a sales decline of 3.9% year on year on a local currency basis. Net sales excluding the impact from application of U.S. accounting standard ASC 606 and the acquisition of *Drunk Elephant* declined 0.3% year-on-year on a like-for-like basis. Net sales declined by 5.6% year on year to ¥124.3 billion when converted into yen. Lower structural reform expenses and other factors resulted in an operating loss of ¥11.4 billion, an improvement of ¥3.4 billion compared to last fiscal year. Broken down by function, the Americas Business consists of the commercial business in the Americas, the makeup brand holder function aimed at global-scale brand development, and the Center of Excellence* function that serves as the value creation base for makeup, digital, and technology. The Americas Business assumes the cost of strategic investment in these global functions. The operating margin in the commercial business was in the high-single digit range and the Americas Business successfully produced a profit after absorbing the brand holder costs. We will pursue reforms of *bareMinerals* and cultivate *Drunk Elephant* in order to further improve profitability in the future.

[Profit Structure of the Americas Business (Excluding *Drunk Elephant*)]



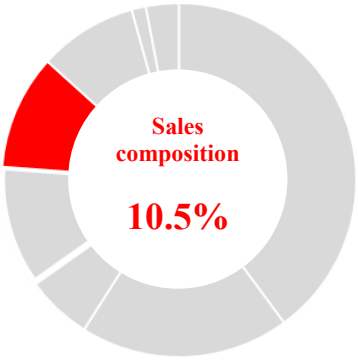
Net Sales: ¥124.3 billion Year-on-year change: -5.6% (Local currency basis: -3.9%) Organic growth rate: -0.3%	Operating Loss: ¥11.4 billion Year-on-year change: –



* "Center of Excellence" (COE) refers to Shiseido Group's global system for strategy formulation and product development in each category. Under this system, the region that is most advanced in each category on a global basis hosts the Center of Excellence and leads strategy formulation and product development for that category. Japan hosts the COE for skincare; the Americas, for makeup and digital; and EMEA, for fragrances.

EMEA Business

Further expansion toward steady improvement in profitability



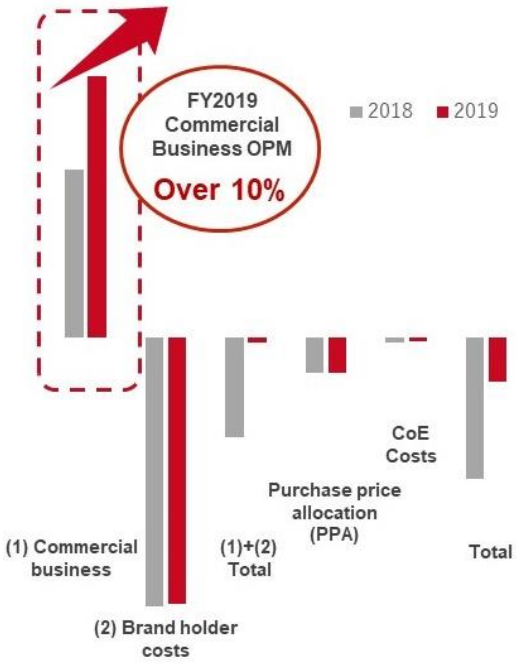


Newly opened *Clé de Peau Beauté* counter in
a London department store

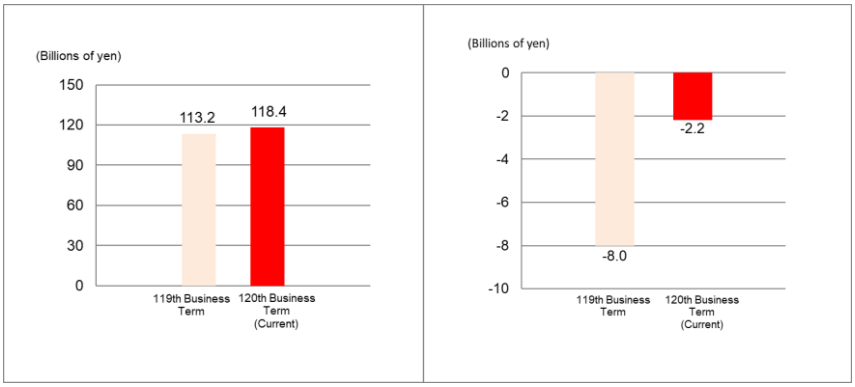
In the EMEA Business, fragrance brands such as *Dolce&Gabbana* and *narciso rodriguez* saw sales growth due to strong performance of new products. *SHISEIDO* makeup products performed well, and *NARS* sales also continued to grow. *Clé de Peau Beauté* opened a boutique in London, U.K., in October and will pursue further expansion in Europe in the future.

These efforts resulted in sales growth of 11.8% year on year on a local currency basis, and sales rose 4.6% year on year to ¥118.4 billion when converted into yen. The operating loss significantly improved by decreasing ¥5.8 billion compared to the previous fiscal year, to ¥2.2 billion, due to higher margins accompanying growth in sales and other factors. Broken down by function, the EMEA Business consists of the commercial business in EMEA, the fragrance brand holder function, and the Center of Excellence function for fragrances. The EMEA Business assumes the cost of strategic investment in these global functions. The commercial business achieved a double-digit operating margin, and for the fiscal year the EMEA Business improved to the break-even point, absorbing the brand holder costs. We will further improve profitability in the future as we expand sales while accelerating the pace of skincare development in addition to fragrances.

[Profit Structure of EMEA Business]

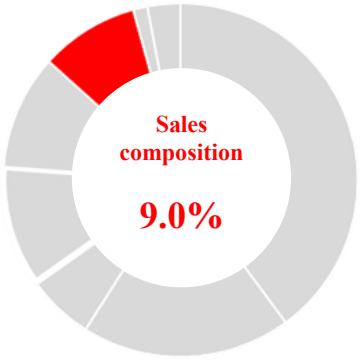


Net Sales: ¥118.4 billion Year-on-year change: +4.6% (Local currency basis: +11.8%)	Operating Loss: ¥2.2 billion Year-on-year change: –



Travel Retail Business

Profitability remains high amid substantial growth driven by Asia





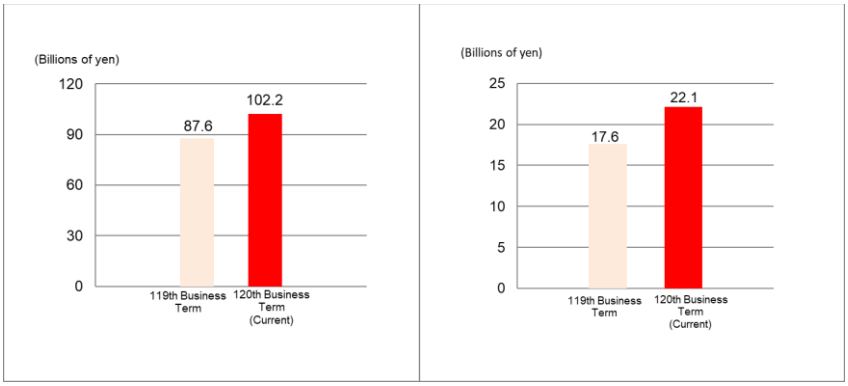
SHISEIDO Forest Valley
at Singapore Changi Airport

The Travel Retail Business (sale of cosmetics and fragrances through airport duty-free stores and other such channels) market is expanding with the increase in travelers, mainly in Asia. We are working actively to strengthen it as one of our most important businesses to further reinforce Shiseido's position in the global prestige domain because we recognize the potential for further growth of this business.

During the fiscal year, we actively engaged in marketing investment such as promotions and advertising in airports around the world. This resulted in continued high growth compared with the previous fiscal year in sales of *SHISEIDO*, *Clé de Peau Beauté*, *NARS*, and *ANESSA*, mainly in South Korea, China, Thailand, and other countries in Asia. To accelerate growth, we expanded the introduction of the *IPSA* and *ELIXIR* brands and strengthened strategic retail counters.

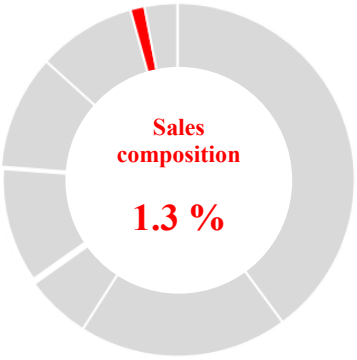
These efforts resulted in sales growth of 19.4% year on year on a local currency basis, and sales grew 16.6% year on year to ¥102.2 billion when converted into yen. Operating profit surged 25.5% year on year to ¥22.1 billion, due to higher margins accompanying growth in sales and other factors.

Net Sales: ¥102.2 billion Year-on-year change: +16.6% (Local currency basis: +19.4%)	Operating Profit: ¥22.1 billion Year-on-year change: +25.5%



Professional Business

Accelerated growth in China and Asia Pacific regions



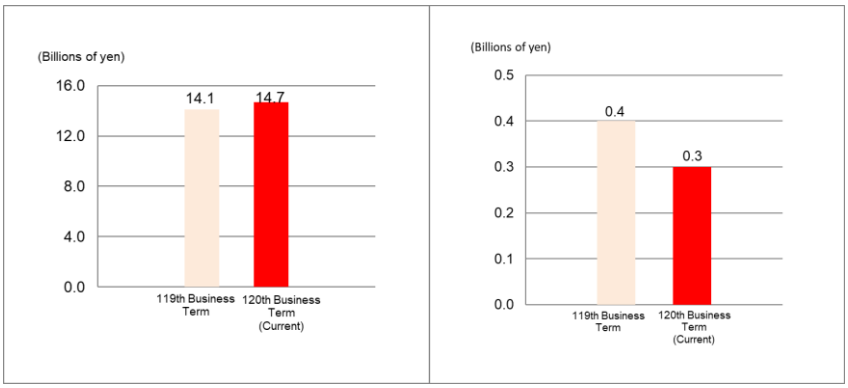


Shiseido Professional's *SUBLIMIC* brand for hair and scalp care

In the Professional Business, we sell professional products such as hair care, hair styling products, hair color, and hair-perming products to hair salons. During the fiscal year, we worked to strengthen products and marketing. This contributed to high growth in China and strong performance in Malaysia, Singapore, and other countries as well.

These efforts resulted in a sales growth of 6.0% year on year on a local currency basis, and a 3.8% year on year increase in sales to ¥14.7 billion when converted into yen. Operating profit fell 15.9% year on year to ¥0.3 billion, mainly due to increased marketing investments.

Net Sales: ¥14.7 billion Year-on-year change: +3.8% (Local currency basis: +6.0%)	Operating Profit: ¥0.3 billion Year-on-year change: -15.9%



(2) Capital Expenditures

	Investment (Millions of yen)	Purpose of Investment
Property, Plant and Equipment	112,033	Renovation and renewal of production facilities Completion of Shiseido Nasu Factory Construction of Osaka Ibaraki Factory and Fukuoka Kurume Factory
Intangible Assets	22,345	Global expansion of core IT system
Long-Term Prepaid Expenses	8,366	Installations of sales counters and fixtures
Total	142,746	

Note: Capital expenditures: Capital expenditures, and investments in property, plant and equipment, intangible assets (excluding goodwill and trademarks) and long-term prepaid expenses.

(3) Financing

The Company arranged financing via bank loans of approximately ¥160 billion during the fiscal year to raise necessary funds for the above capital expenditures and for the acquisition of Drunk Elephant Holdings, LLC, the owner of the *Drunk Elephant* brand.

(4) Summary of Consolidated Profit and Assets of the Shiseido Group

(Millions of yen, unless otherwise noted)

	117th Business Term (1/1/2016 - 12/31/2016)	118th Business Term (1/1/2017 - 12/31/2017)	119th Business Term (1/1/2018 - 12/31/2018)	120th Business Term (Current term) (1/1/2019 - 12/31/2019)
Net Sales	850,306	1,005,062	1,094,825	1,131,547
Operating Profit	36,780	80,437	108,350	113,831
Operating Profit Margin (%)	4.3	8.0	9.9	10.1
Ordinary Profit	37,174	80,327	109,489	108,739
Net Profit Attributable to Owners of Parent	32,101	22,749	61,403	73,562
Net Earnings per Share (Yen)	80.41	56.95	153.74	184.18
Return on Equity (%)	8.2	5.6	14.1	15.6
Comprehensive Income	8,978	42,456	43,775	72,653
Total Assets	934,590	949,425	1,009,618	1,218,795
Net Assets	413,870	445,872	468,462	517,857
Net Assets per Share (Yen)	984.13	1,059.84	1,123.19	1,242.85
Equity Ratio (%)	42.0	44.6	44.4	40.7
Price/Earnings Ratio (Times)	36.8	95.6	44.8	42.3
Cash Flows from Operating Activities	59,129	95,392	92,577	75,562
Cash Flows from Investing Activities	(70,640)	(1,061)	(103,112)	(202,823)
Cash Flows from Financing Activities	22,378	(53,117)	(29,722)	113,678
Cash and Cash Equivalents at End of Year/Period	113,122	156,834	111,767	97,466

Note: Summary of Non-Consolidated Profit and Assets

(Millions of yen)

	117th Business Term (1/1/2016 - 12/31/2016)	118th Business Term (1/1/2017 - 12/31/2017)	119th Business Term (1/1/2018 - 12/31/2018)	120th Business Term (Current term) (1/1/2019 - 12/31/2019)
Net Sales	202,774	220,407	270,789	303,663
Operating Profit	6,968	7,883	19,930	22,002
Ordinary Profit	26,468	23,778	42,163	51,816
Net Profit (Loss)	37,805	(55,232)	37,613	98,506
Total Assets	620,984	582,589	674,102	790,009
Net Assets	397,318	334,665	352,688	427,838

(5) Capital Policy

1) Fundamental Approach to Capital Policy (As of December 31, 2019)

The Company endeavors to maintain its shareholders' equity at a certain level in order to invest promptly and decisively when considered necessary in order to ensure sustainable growth. In addition, the Company regards free cash flow and the cash conversion cycle as important, and practices management focused on ensuring capital efficiency by reinforcing its management of cash flows and its balance sheet.

The Company arranges financing making timely use of optimal financing methods taking into account the market environment and other factors, and accordingly targets a debt-to-equity ratio of 0.3 and an interest-bearing debt to EBITDA ratio of 1.0 in order to maintain a single-A credit rating which enables it to obtain financing on favorable terms. However, upon considering the Company's future earnings ability and capability to generate cash flows, we will review these indices in conjunction with the shareholder return policy in order to develop an optimal capital structure that contributes to further heightening capital efficiency.

Our total shareholder return policy emphasizes maximizing returns to shareholders through direct means in addition to generating medium- and long-term share price gains. Based on this approach, our fundamental policy is not only to give highest priority to strategic investments to realize sustainable growth for the purpose of maximizing corporate value but also enhance the efficiency of investment capital while focusing on capital cost, which will lead to medium-to-long-term increases in dividends and higher share prices.

We focus on consolidated performance and free cash flow in determining dividends, and have set a dividend on equity ratio (DOE) of 2.5% or higher as one indicator that reflects our capital policy to ensure stable and consistent growth in shareholder returns over the long term.

Our policy with respect to share buybacks is to remain flexible and make such decisions based on the market environment.

2) Profit Distribution

	117th Business Term (1/1/2016 - 12/31/2016)	118th Business Term (1/1/2017 - 12/31/2017)	119th Business Term (1/1/2018 - 12/31/2018)	120th Business Term (Current term) (1/1/2019 - 12/31/2019)	
Annual cash dividends per share (Yen)	20	27.50	45	60	(Plan)
Annual dividends (Millions of yen)	7,985	10,986	17,970	23,965	(Plan)
Consolidated payout ratio (%)	24.9	48.3	29.3	32.6	(Plan)
DOE (%)	2.0	2.7	4.1	5.1	(Plan)

Note: Annual cash dividends per share and annual dividends for the 120th Business Term (current term) are predicated on the approval of the First Item of Business (Dividends of Retained Earnings) as originally proposed at the ordinary general meeting of shareholders to be held on March 25, 2020.

(6) Issues to Address

1) Corporate Philosophy and Medium-to-Long-Term Strategy VISION 2020

THE SHISEIDO PHILOSOPHY (Corporate Philosophy)

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.

THE SHISEIDO PHILOSOPHY is built upon OUR MISSION, DNA and PRINCIPLES.

1. OUR MISSION defines our purpose.
2. OUR DNA embodies our unique heritage of over 140 years.
3. OUR PRINCIPLES serve as the working principles we live by.

THE SHISEIDO PHILOSOPHY



OUR MISSION

BEAUTY INNOVATIONS FOR A BETTER WORLD

In an ever-changing global environment, we must keep our fingers on the pulse to perceive and respond to people's profound need for betterment.

We strive to create a better world through beauty innovations. A world where people live in happiness, and beauty is limitless, loving and alive.

For details of THE SHISEIDO PHILOSOPHY, please refer to "ABOUT US > THE SHISEIDO PHILOSOPHY" in our corporate information website (https://corp.shiseido.com/en/company/philosophy/).

Medium-to-Long-Term Strategy VISION 2020

The Company put in place a medium-to-long-term strategy, VISION 2020, positioning 2020 as a milestone and with a view to building a foundation that will enable the Company to remain vital for the next 100 years. By firmly positioning ourselves as a company transforming to "Be a Global Winner with Our Heritage," we focus all our activities on the consumer, enhancing marketing and innovation, and working to employ diverse human resources and build the global organization to support these efforts. VISION 2020 sets forth aims to achieve by 2020: to be a company "filled with energy," "overflowing with youthfulness," "always much talked about," "that the younger generations adore" and "a multi-cultural company."

Specifically, under VISION 2020, our strategy consists of two phases from 2015 to 2017 and from 2018 to 2020, the first of which are dedicated to rebuilding our business foundation, and the latter three years to pursuing new strategies to accelerate growth. We are moving forward with our activities while having steadily achieved the following milestones.

At the time of its formulation, the initial targets under VISION 2020 were net sales of ¥1 trillion or more, operating profit of ¥100 billion or more, and consolidated ROE of 12% or higher for 2020. We achieved our target for net sales three years ahead of plan in 2017 and our target for operating profit and consolidated ROE two years early in 2018. Considering our growth momentum, aiming for further heights, we revised our quantitative targets upward in March 2018 and February 2019.

In the current unclear environment, the forecast for 2020 was revised as shown below. Nevertheless, while both consumers and the social environment are changing day by day, as we strive to be a true global beauty company that contributes to society and people by innovation in beauty business, we are aiming for net sales of ¥2 trillion and operating profit of ¥300 billion in the long term.

2) Plan for 2020, the final year in VISION 2020

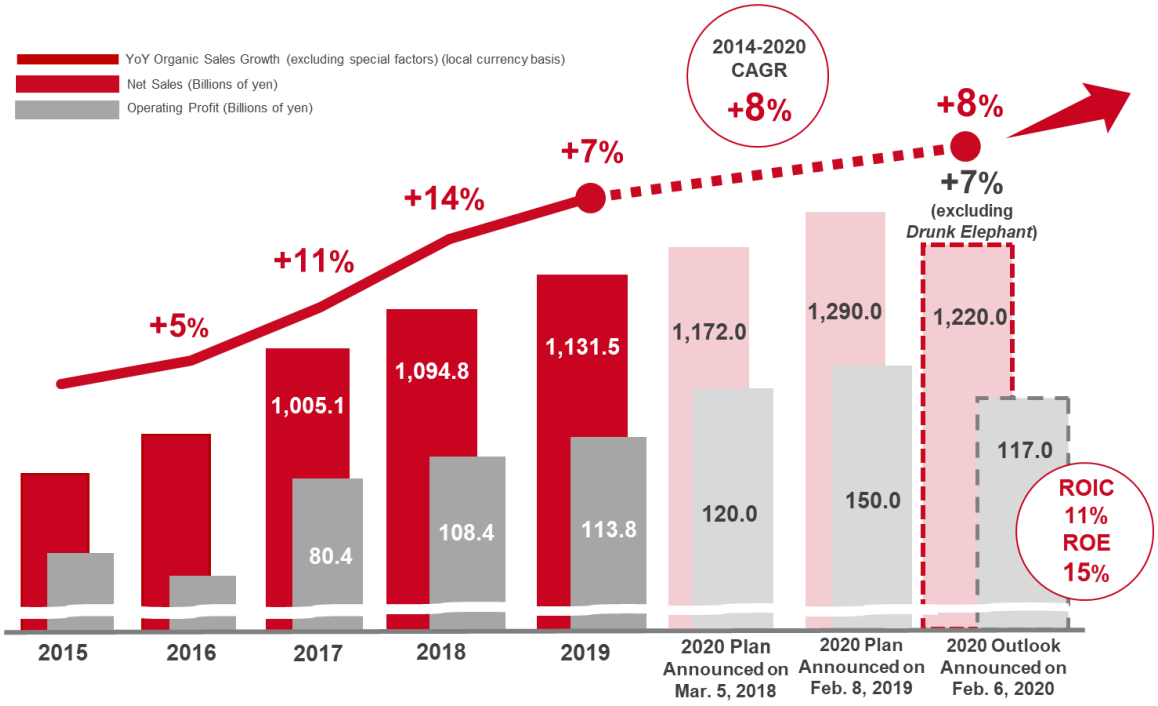
Regarding the business for 2020, we initially planned to accelerate growth by sustaining growth in prestige brands, expanding the China and Travel Retail Businesses, improving profitability in the Americas and EMEA Businesses, steadily growing the Japan Business, establishing a stronger supply base, and integrating and expanding *Drunk Elephant*, which is continuing to see rapid growth.

However, from the second half of 2019, the economic environment remained uncertain due to deterioration in the Hong Kong and South Korean markets, the impact of trade friction between the U.S. and China, and fluctuations in the exchange rate. In addition, the Japan Business fell below our plan before and after the consumption tax hike.

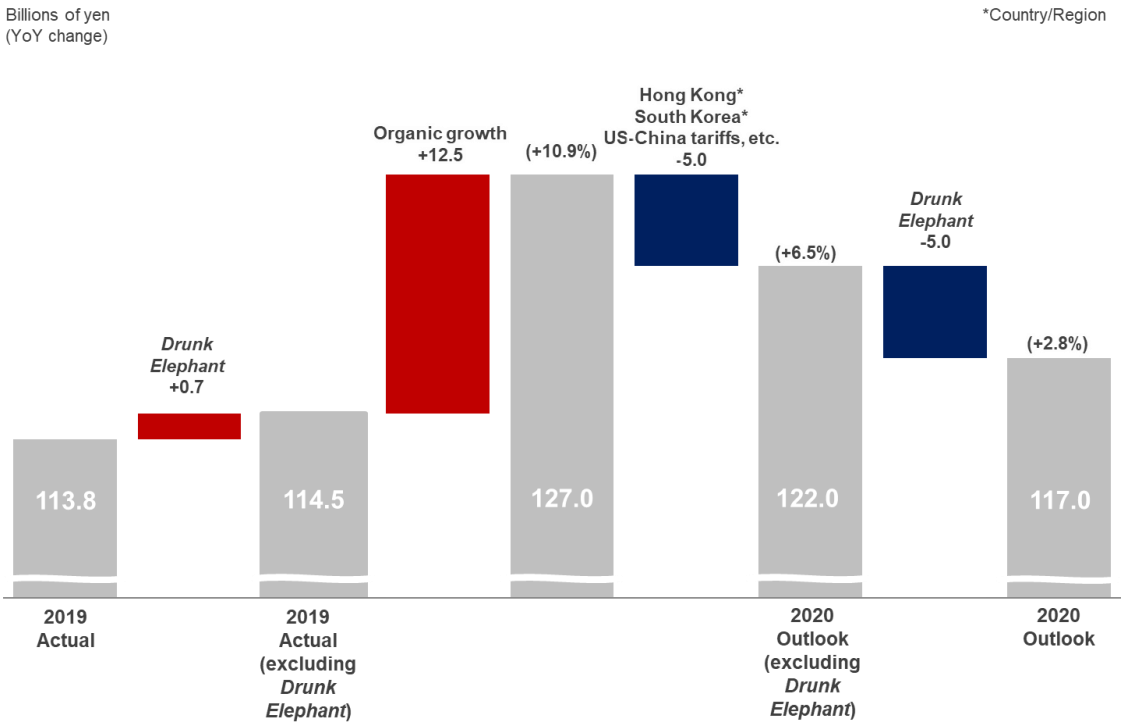
In response to these changes in the business environment, taking into account the impact of *Drunk Elephant*, which was acquired in November 2019, we forecast consolidated net sales of ¥1,220 billion and operating profit of ¥117 billion for the fiscal 2020.

It should be noted that the above forecast does not take into account the spread of a novel coronavirus which has become a worldwide concern since the end of January 2020. We are evaluating the impact on our business and companies in Japan, China, and Travel Retail. We plan to more carefully assess this impact, reflect it in our business forecasts and disclose at appropriate timing.

Outlook for 2020 (Announced in February 2020)



Breakdown of Operating Profit Outlook for 2020 (Announced in February 2020)



Concentration of investment in key brands

With the “Prestige First” strategy, we are globally enhancing the prestige category, a strength of the Company. In particular, *SHISEIDO*, the brand bearing the Company’s name, grew to over ¥200 billion* in net sales, marking a compound average growth rate of 17% from 2014 to 2019. We will continue investing in prestige brands that promise further expansion of growth and profitability, including *SHISEIDO*, *Clé de Peau Beauté* and *NARS*.

In addition, we have further strengthened our global brand portfolio through acquisition of *Drunk Elephant*, a prestige skincare brand that is growing at an exponential pace in the U.S., in November 2019, to respond to the global trend of seeking products that are “clean” for both the human body and the environment. Leveraging its outstanding digital marketing capabilities, in 2019, this brand reached net sales of over ¥10 billion in only seven years after its market entry. This acquisition allows us to better serve a growing consumer demand across geographies. Demand for “clean” is not limited to the United States, as the movement is already apparent in Europe and based on our survey results, “clean” has high acceptance in China as well. We intend to leverage our cross-border marketing expertise and global platform including Asia to nurture *Drunk Elephant* into a global brand that plays a significant role in our prestige skincare business.

As for *ELIXIR* and *ANESSA,* which have been gaining high recognition for many years mainly in Japan, we will strengthen investment with the aim of accelerating growth in Asia, Europe and the U.S., to cultivate them as global brands.

*Like-for-like basis excluding the impact of the new revenue recognition standard ASC 606 in the U.S.



Prestige brand *SHISEIDO*

Future Strategies in Key Regions

<Japan Business>

Amidst the declining inbound demand and weakness in consumer sentiment after the consumption tax hike, we will make sure to capture changes in values and purchasing behavior of Japanese consumers and re-focus our efforts on the Japanese local consumers and refrain from depending on growth in inbound sales. We will also rebuild the management structure to promote reforms with the concerted efforts of the Company and Shiseido Japan Co., Ltd. We will proceed with structural reforms and clarify the position of the Japan Business, which is the foundation for the entire Group, aiming for stable earnings growth going forward.

<China Business>

In order to maintain the strong growth, we will concentrate the investment on prestige brands *SHISEIDO* and *Clé de Peau Beauté*, as well as Japanese brands *ELIXIR* and *ANESSA*. In addition, we will reinforce our efforts at physical stores and further enhance e-commerce by deepening our strategic cooperation with major online distributors. Going forward, we will make timely investment decisions while keeping track of market conditions and seize time when the market recovers to enhance marketing activities.



ELIXIR in China

<Americas and EMEA Businesses>

We will strive to improve the operation respectively in the Americas and EMEA, where profitability has been our concern. In the Americas, we will close unprofitable boutiques of *bareMinerals*, which have been undergoing structural reforms, while expanding the brand in Europe. We will also commence the full-fledged operation of *Drunk Elephant* and *Tory Burch*, which have high growth potential in the global prestige domain, to realize profit increase.

In Europe, where fragrance is a growth driver, we will further enhance the strong *Dolce & Gabbana* and *narciso rodriguez* brands. Furthermore, we will put our energies into developing skincare brands, such as *SHISEIDO* and *Clé de Peau Beauté*, aiming to steadily improve profitability with sales growth.

<Travel Retail Business>

We will continue aggressive marketing investment for Travel Retail, the most important business in further strengthening our position in the global prestige domain. Our Travel Retail Business now allows for cooperation on a global scale, as a result of integrating the businesses at airport duty-free stores and other outlets in Japan in 2020. We will enhance our negotiation power with major operators, strengthen sales counters, and actively engage in cross-border marketing to maintain high growth potential.

Shift to a supply chain structure that can respond quickly to market changes

As a result of strengthening our efforts to achieve VISION 2020, we are experiencing increasing demand for our products in Japan and global markets. Especially, we are seeing growth in demand from overseas consumers who find strong value in high quality made-in-Japan products. To respond to this trend, in 2019, we have reinforced the facilities of existing factories as short-term measures, and together with cooperation from outsourcing partners, etc., we were able to reduce opportunity loss by half compared to the previous year.

Meanwhile, we have decided to newly construct three factories in Japan in the medium to long term, with the Nasu Factory commencing operations in December 2019. In December 2020, the Osaka Ibaraki Factory will start operations, and thereafter the Fukuoka Kurume Factory is also set to kick off production in the first half of 2022. Unlike conventional factories, these new factories use digital and IoT technologies to ensure production efficiency. In addition, we will improve productivity by global procurement of raw materials and re-development of logistics systems, to build a supply chain system that can respond quickly to changes in the market.



Manufacturing *HAKU* at Nasu Factory that started operations in December 2019

Accelerating Innovation to Support Growth

We will continue to focus on innovation that will support future growth. We have developed the world's first technology to increase the effect of UV protection when the applied sunscreen is warmed by heat such as from the sun. We also discovered that preserving healthy capillaries in skin leads to maintaining skin elasticity, by using technological development to visualize the 3-dimensional (3D) structure of capillaries in the skin, and won the top award in the Podium Presentation category at the IFSCC Conference in 2019, the world's largest authoritative meeting where researchers compete with technologies of cosmetic science. Our innovations continue to create a variety of new values in the world of beauty.

In addition, we have already commenced collaboration with startup companies as part of the activities of "*fibona,*" an open innovation program led by the Shiseido Global Innovation Center (GIC), which we opened last year. "*fibona*," which consists of four activity plans, including collaborations with start-up companies and with consumers, is a program of co-creation with external partners in pursuit of creating new value and innovation that goes beyond cosmetics in the beauty field.

Furthermore, we are reinforcing our digital marketing at the "Technology Acceleration Hub," the center for technological development in Austin, U.S. With GIC as the hub, integrating various expertise, information and technologies, in cooperation with overseas research centers that are pursuing value development to meet local consumer needs, we will enhance the delivery of value to consumers around the world.



Research and innovation network with the new GIC (Yokohama) as the hub

Grappling with the uncertain management environment and reinforcing a foundation for growth from a long-term perspective

Uncertainty in the global situation, which has been growing since the second half of 2019, is expected to continue for a while. The novel coronavirus will impact our business in Japan, China, Travel Retail and other related businesses, which have driven the Company's growth to this day. First and foremost, we will work to ensure the health and safety of our customers and employees, and suspend/postpone part of our marketing activities, as necessary, for the time being.

At the same time, as a company whose name "Shiseido" comes from Chinese classic literature and who has been operating in the country since starting a business in Beijing in 1981, we will return the gratitude to China as a friend from a neighboring country. We made donations of CNY 10 million (approximately ¥150 million) in February 2020 to help offer medical treatment and exercise infection control precaution on site in China. Moreover, we will work on the "Relay of love Project" in which we implement various supportive measures to help restore people's vitality with the power of cosmetics, making donations and providing products by dedicating 1% of our sales in the Asian region for the six months starting from February 2020. In addition, we will implement appropriate strategies, including strengthening E-commerce and cross-border E-commerce, and increase and strengthen marketing activities after the coronavirus situation is resolved. In this manner, we will efficiently manage group-wide expenses throughout the year and optimize the costs.

Through these initiatives, we will strengthen the growth foundation from a long-term perspective and unwaveringly continue on the growth trajectory, while grappling with the continuously uncertain management environment.

Relay of love
爱心接力
SHISEIDO

"Relay of love Project"

3) Enabling Shiseido to remain vital for the next 100 years

Our mission is not only to grow as a corporation, but also to use the beauty business, our core business, as a means to solve social issues and realize a sustainable society in which people find happiness. In January 2019, we established the Social Value Creation Division with the intention to realize the said missions and accelerate social value creation regarding the environment, society and culture.

Aiming for further sustainable growth, we have set and disclosed reduction targets and their achievement periods for environmental loads on items such as CO_2 emissions, palm oil usage, paper and water resources. In addition, we aim to attain a 40% ratio of women in managerial positions in Japan during 2020, to promote diversity. In our Board of Directors, if the proposals for election at the Ordinary General Meeting of Shareholders to be held in March 2020 are approved and adopted, the ratio of women among Directors and Audit & Supervisory Board Members will be 46.1%.

On May 1, 2019, the "30% Club (Thirty Percent Club)," which was established in 2010 in the U.K. for the purpose of raising the proportion of women among corporate executives, set up the "30% Club Japan" and officially started activities in Japan. In support of its mission, Masahiro Uotani, Representative Director, President and CEO of Shiseido, became the first chair of the "30% Club Japan." Going forward, we will support women's empowerment not only internally but also externally, and accelerate our efforts to eliminate the gender gap in the Japanese society.

[Major items targeted for environmental load reduction]

Item	Target	Achievement period
CO_2 emissions	Carbon-neutral	2026
Palm oil	Sustainable palm oil (RSPO MB certified or higher) usage at 100%	2026
Paper	Sustainable paper (such as certified paper and recycled paper) usage at 100% *1	2023
Water	Water consumption reduced by 40% (compared to 2014)*2	2026
Waste	Zero landfill *3	2022

*1: In products
*2: At all business facilities of the Shiseido Group, on usage intensity by net sales basis
*3: Limited to factories owned by Shiseido

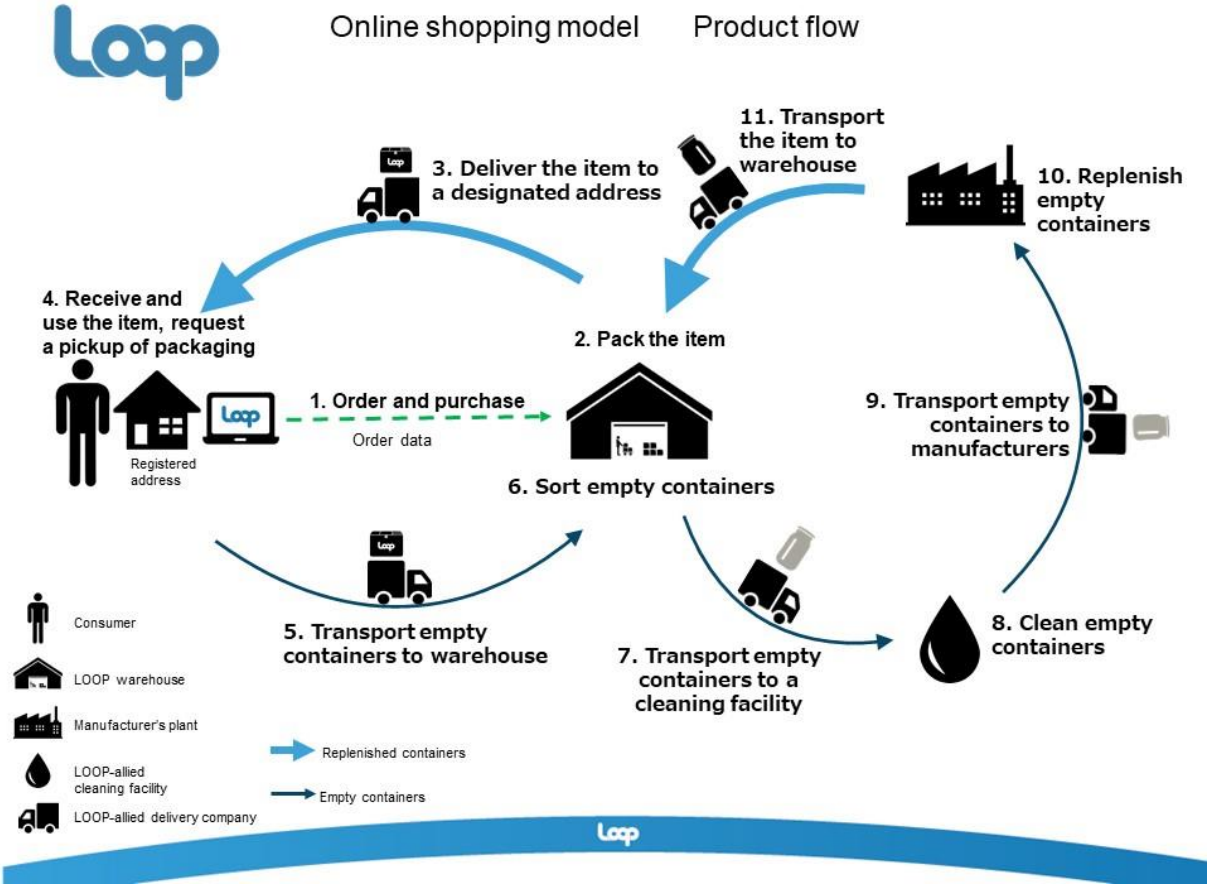
Promoting the development of environmentally friendly packaging

With the aim of transitioning to a circular economy, we have been actively promoting the 3Rs (reduce, reuse, recycle) and developing biodegradable technologies. In particular, plastics, an indispensable material in our daily lives, are convenient but are contributing to marine waste, one of the major global environmental issues. Amid such circumstances, there is a growing interest in environmentally friendly materials. As one of our initiatives to address this issue, in April 2019 we embarked on a joint development with KANEKA CORPORATION, intending to apply Kaneka Biodegradable Polymer PHBH*, a novel material with high biodegradability in seawater, to cosmetic containers. We are aiming for early commercialization of biodegradable containers with less environmental impact by combining Kaneka's proprietary polymer material development technology and Shiseido's long years of expertise in developing containers for cosmetics.

In December 2019, we announced our intention to participate as a partner company in the launch in Japan of "Loop," a circular shopping platform designed with collection and re-use of containers as prerequisite, developed by TerraCycle, Inc. (New Jersey, U.S.). The service is to commence in Tokyo before the end of 2020. In addition, as a participant in "SPICE," an international initiative for cosmetic containers, we are working on the development of a guidance that summarizes assessment methods for packaging, with the aim of establishing industry standards

for environmentally-friendly packaging. In this manner, we aim to minimize environmental impact by developing containers that realize not only good usability and beautiful design, but also environmental friendliness through unique technologies and collaborations outside the company.

* Kaneka Biodegradable Polymer PHBH:
Biopolymer originally developed by KANEKA CORPORATION and produced by a microorganism fermentation process, in which plant oils and other biomass are used as a primary raw material. It is expected to have excellent biodegradability in a wide range of environments.

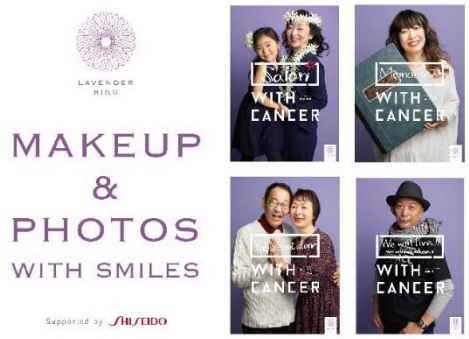


TerraCycle's LOOP system

Supporting people with skin concerns with the power of beauty and creativity

We opened the Shiseido Life Quality Beauty Center in Singapore in May 2019 to give makeup advice for those who have skin concerns such as discoloration including birthmarks and vitiligo, skin unevenness and appearance changes due to the side effects of cancer treatment. The first Center was opened in 2006 in Ginza, Tokyo, the birthplace of Shiseido. Following the opening in Shanghai and Taiwan (2008) and Hong Kong (2011), we continue to develop the activities globally, in a bid to support people with various skin concerns and fulfill their day-to-day lives.

Today, due to the advancement in treatment technology and early detection, cancer patients tend to live with cancer for a longer period of time, and the number of patients who continue to work while receiving medical treatment is increasing. To respond to such trend, we started the LAVENDER RING MAKEUP & PHOTOS WITH SMILES project in 2017 to support the rehabilitation of cancer patients with the power of beauty and creativity. In December 2019, this project received a Gold Award in the category of Social Design in the IAUD International Design Awards presented by the International Association for Universal Design (IAUD). Together with volunteers among Shiseido's employees, in cooperation with companies and organizations from diverse sectors and medical institutions that agreed with the purpose of this activity, we aim to realize a society where people with cancer can continue living with a smile.



LAVENDER RING MAKEUP & PHOTOS WITH SMILES project supports the rehabilitation of cancer patients with the power of beauty and creativity



Shiseido Life Quality Beauty Center in Singapore

Communicating corporate culture, art and beauty, aspiring toward a better world

Shiseido Gallery, our art gallery located in Ginza, Tokyo, celebrated its 100th anniversary in December 2019. In 2018, a solo exhibition by artist Shuta Hasunuma titled "*Hasunuma Shuta: ～ing*" was held at the Gallery, receiving high acclaim. As a result, this artist was commended by the Agency for Cultural Affairs in 2019, receiving a New Face Award in Media Arts presented by the Minister of Education, Culture, Sports, Science and Technology.

In addition, "*Daru-chan,*" an online manga series first published on the web-based version of Shiseido's cultural magazine *Hanatsubaki,* gained large attention on the Internet, resonating especially with the minds of young people sympathizing with the female lead's struggles in her quest for the meaning of happiness. Printed version of this series, published by Shogakukan, has a total circulation of over 100,000 copies. *Hanatsubaki,* having a history spanning 82 years, is now published in two media, a quarterly magazine and a web-based version, providing modern women with tips for achieving a fulfilling life. The theme for the Spring 2020 issue is "SAVE THE BEAUTY OF EARTH." This issue approaches environmental issues from various angles, introducing images that capture the nature with children, animals and cities, as well as initiatives by the younger generation promoting sustainability. We continue to introduce new value to the world through activities to support the arts and culture with the philosophy of "discovering and creating new value," with the aim of innovation through arts.



Shiseido's cultural magazine *Hanatsubaki*



Interior of Shiseido Gallery circa 1934

Through these activities the Company is continuing efforts to remain vital for the next 100 years, upholding its vision to "Be a Global Winner with Our Heritage." We ask our shareholders for their continued unwavering support.

1.2 Outline of the Shiseido Group (As of December 31, 2019)

(1) Principal Businesses of the Shiseido Group

Segment	Principal Business
Japan Business	Cosmetics business in Japan (sale of cosmetics, cosmetic accessories, and toiletries, etc.) and Healthcare business in Japan (sale of health & beauty foods and over-the-counter drugs), etc.
China Business	Cosmetics business in China (production and sale of cosmetics, cosmetic accessories, and toiletries), etc.
Asia Pacific Business	Cosmetics business in Asia and Oceania excluding Japan and China (production and sale of cosmetics, cosmetic accessories, and toiletries), etc.
Americas Business	Cosmetics business in the Americas (production and sale of cosmetics and cosmetic accessories), etc.
EMEA Business	Cosmetics business in Europe, Middle East and Africa (production and sale of cosmetics and cosmetic accessories), etc.
Travel Retail Business	Cosmetics business in worldwide duty-free stores excluding Japan (sale of cosmetics and cosmetic accessories), etc.
Professional Business	Sale of beauty salon products in Japan, China and the rest of Asia, etc.
Other	Manufacturing business, Frontier Science business and Restaurant business, etc.

(2) Major Business Hubs

Registered Head Office (Ginza Office): 5-5, Ginza 7-chome, Chuo-ku, Tokyo

Principal Business Office (Shiodome Office): 6-2, Higashi-Shimbashi 1-chome, Minato-ku, Tokyo

Factories:

Name	Location
Shiseido Kakegawa Factory	Kakegawa-shi, Shizuoka Pref.
Shiseido Osaka Factory	Higashi-Yodogawa-ku, Osaka-shi, Osaka Pref.
Shiseido Kuki Factory	Kuki-shi, Saitama Pref.
Shiseido Nasu Factory	Ohtawara-shi, Tochigi Pref.
Shiseido Vietnam Inc.	Bien Hoa, Dong Nai Province, Vietnam
Shiseido Citic Cosmetics Co., Ltd.	Shanghai, China
Shiseido Liyuan Cosmetics Co., Ltd.	Beijing, China
Taiwan Shiseido Co., Ltd. Hsinchu Factory	Hsinchu County, Taiwan
Shiseido America, Inc. East Windsor Factory	East Windsor, New Jersey, U.S.A.
Shiseido International France S.A.S. Unité du Val de Loire	Ormes, Loiret, France
Shiseido International France S.A.S. Unité de Gien	Gien, Loiret, France

Laboratories:

Name	Location
Shiseido Global Innovation Center	Nishi-ku, Yokohama-shi, Kanagawa Pref.
Shiseido Cell-Processing & Expansion Center	Chuo-ku, Kobe-shi, Hyogo Pref.
Shiseido China Research Center Co., Ltd. (China Innovation Center)	Beijing, China
Shiseido China Research Center Co., Ltd., Shanghai Branch	Shanghai, China
Shiseido Asia Pacific Innovation Center	Singapore
Shiseido Americas Innovation Center	East Windsor, New Jersey, U.S.A.
Shiseido Technology Acceleration Hub	Austin, Texas, U.S.A.
Shiseido Europe Innovation Center	Ormes, Loiret, France

(3) Major Subsidiaries and Affiliated Companies of the Shiseido Group

Company Name	Location	Paid-in Capital	Ownership Percentage of Voting Rights	Principal Business
Shiseido Japan Co., Ltd.	Chuo-ku, Tokyo	(million JPY) 100	% 100.0	Sale of cosmetics, etc.
FT Shiseido Co., Ltd.	Chuo-ku, Tokyo	(million JPY) 100	100.0	Sale of toiletries
The Ginza Co., Ltd.	Chuo-ku, Tokyo	(million JPY) 100	98.2	Sale of cosmetics, etc.
Shiseido Pharmaceutical Co., Ltd.	Chuo-ku, Tokyo	(million JPY) 100	100.0	Sale of over-the-counter drugs, etc.
Shiseido International Inc.	Chuo-ku, Tokyo	(million JPY) 30	100.0	Sale of cosmetics, etc.
Shiseido FITIT Co., Ltd.	Chuo-ku, Tokyo	(million JPY) 10	100.0	Sale of cosmetics, etc.
Shiseido China Co., Ltd.	Shanghai, China	(thousand CNY) 565,093	100.0	Holding company and sale of cosmetics, etc. in China
Shiseido Hong Kong Ltd.	Hong Kong, China	(thousand HKD) 123,000	100.0	Sale of cosmetics, etc.
Shiseido Liyuan Cosmetics Co., Ltd.	Beijing, China	(thousand CNY) 94,300	32.0 (65.0)	Production and sale of cosmetics, etc.
Taiwan Shiseido Co., Ltd.	Taipei, Taiwan	(thousand TWD) 1,154,588	51.0	Holding company and production and sale of cosmetics, etc. in Taiwan
Shiseido Asia Pacific Pte. Ltd.	Singapore	(thousand SGD) 49,713	100.0	Marketing of cosmetics and professional products and support for operating activities in Asia Pacific region
Shiseido Americas Corporation	Delaware, U.S.A.	(thousand USD) 403,070	100.0	Holding company and sale of cosmetics, etc. in Americas
Shiseido America, Inc.	New York, U.S.A.	(thousand USD) 28,000	— (100.0)	Production of cosmetics, etc.
Drunk Elephant Holdings, LLC	Delaware, U.S.A.	(USD) —	— (100.0)	Holding company of the Drunk Elephant Group

Company Name	Location	Paid-in Capital	Ownership Percentage of Voting Rights	Principal Business
Drunk Elephant, LLC	Delaware, U.S.A.	(USD) —	— (100.0)	Sale of cosmetics, etc.
Beauté Prestige International S.A.	Paris, France	(thousand EUR) 32,937	— (100.0)	Sale of cosmetics, etc.
Shiseido Group Italy S.p.A.	Milan, Italy	(thousand EUR) 5,036	— (100.0)	Sale of cosmetics, etc.
Shiseido Germany GmbH	Düsseldorf, Germany	(thousand EUR) 8,700	— (100.0)	Sale of cosmetics, etc.
Shiseido (RUS), LLC.	Moscow, Russia	(thousand Russian ruble) 106,200	— (100.0)	Sale of cosmetics, etc.
Shiseido International France S.A.S.	Paris, France	(thousand EUR) 36,295	— (100.0)	Production of cosmetics, etc.
Shiseido Europe S.A.	Paris, France	(thousand EUR) 257,032	100.0	Holding company in Europe
Shiseido Travel Retail Asia Pacific Pte. Ltd.	Singapore	(thousand USD) 48	— (100.0)	Sale of cosmetics, etc.
Shiseido Professional Co., Ltd.	Chuo-ku, Tokyo	(million JPY) 250	100.0	Sale of beauty salon products, etc.
Shiseido Beauty Salon Co., Ltd.	Chuo-ku, Tokyo	(million JPY) 100	100.0	Operation of beauty salons
IPSA Co., Ltd.	Minato-ku, Tokyo	(million JPY) 100	100.0	Sale of cosmetics, etc.
Shiseido Parlour Co., Ltd.	Chuo-ku, Tokyo	(million JPY) 100	99.3	Operation of restaurants, etc.
Shiseido Citic Cosmetics Co., Ltd.	Shanghai, China	(thousand CNY) 418,271	26.2 (92.6)	Production of cosmetics, etc.
Shiseido Vietnam Inc.	Dong Nai Province, Vietnam	(million VND) 1,061,993	100.0	Production of cosmetics, etc.
Selan Anonymous Association	Chiyoda-ku, Tokyo	(million JPY) 11,600	— [100.0]	Management of real estate, etc.

Note: Figures in parentheses ( ) in the Ownership Percentage of Voting Rights column include the share of indirect ownership. Those in brackets [ ] indicate share of related or approved parties.

(4) Matters Concerning Employees of the Group

Business Segment	Number of Employees		Comparison with the Corresponding Period of the Previous Fiscal Year	
Japan Business	12,043	[4,748]	+302	[+72]
China Business	8,735	[151]	+597	[+26]
Asia Pacific Business	3,294	[447]	+46	[+18]
Americas Business	3,753	[64]	-310	[-34]
EMEA Business	4,077	[491]	-109	[-41]
Travel Retail Business	249	[4]	+31	[-4]
Professional Business	627	[33]	+158	[+2]
Corporate staff	7,222	[2,192]	+645	[-18]
Total	40,000	[8,130]	+1,360	[+21]

Notes:

1. The number of employees shown is the number of full-time employees. The annual average number of temporary employees is shown in [ ]. Temporary employees include contract employees and part-time workers; dispatched employees are excluded.
2. As a revision of the reportable segment classification method was carried out, and partial changes to the aggregation method were made, the numbers of employees after these changes are shown above for the fiscal year under review and corresponding period of the previous fiscal year.
3. The ratio of female employees in the Shiseido Group worldwide is 84.0%, while in Japan the ratio is 82.7%.

(5) Main Suppliers of Loans to the Group

Lender	Outstanding Balance
Mizuho Bank, Ltd.	131,578 million JPY 415 million USD 75 million EUR 30 million THB

2. Matters Concerning Shares Issued by the Company (As of December 31, 2019)

(1) Total Number of Shares Authorized to Be Issued:

1,200,000,000 shares

(2) Number of Shares Issued and Outstanding:

400,000,000 shares (including 564,455 shares of treasury stock)

(3) Number of Shareholders:

61,402

(4) Principal Shareholders:

Shareholders	Investment in the Company	
	Number of Shares Held	Percentage of Shareholding
The Master Trust Bank of Japan, Ltd. (Trust Account)	(thousand shares) 45,436	% 11.37 <11.35>
Japan Trustee Services Bank, Ltd. (Trust Account)	23,330	5.84 <5.83>
BNYM TREATY DTT 15	12,189	3.05 <3.04>
Mizuho Trust & Banking Co., Ltd. re-trusted to Trust & Custody Services Bank, Ltd. Employees Pension Trust for Mizuho Bank	10,000	2.50 <2.50>
Japan Trustee Services Bank, Ltd. (Trust Account 7)	8,876	2.22 <2.21>
Japan Trustee Services Bank, Ltd. (Trust Account 5)	8,061	2.01 <2.01>
THE BANK OF NEW YORK 134104	7,537	1.88 <1.88>
SSBTC CLIENT OMNIBUS ACCOUNT	6,770	1.69 <1.69>
JP MORGAN CHASE BANK 385151	6,258	1.56 <1.56>
STATE STREET BANK WEST CLIENT-TREATY 505234	6,228	1.55 <1.55>

Notes:

1. Calculations of percentage of shareholding, including below Notes are based on the total number of issued and outstanding shares excluding treasury stock. Calculations of percentage of shareholding indicated in < > are based on the total number of issued and outstanding shares including treasury stock.
2. All shares held by The Master Trust Bank of Japan, Ltd. (Trust Account) and Japan Trustee Services Bank, Ltd. (Trust Account, Trust Account 5, and Trust Account 7) are in connection with the respective bank's trust business.
3. A report of amendment to large shareholdings from BlackRock Japan Co., Ltd., that on November 21, 2018, it held 24,051 thousand shares through joint holdings (Percentage of shareholding: 6.02%), of which 8,130 thousand shares (2.03%) are held by BlackRock Japan Co., Ltd., has been filed with the Director-General of the Kanto Finance Bureau.

   However, BlackRock Japan Co., Ltd. has been excluded from the above principal shareholders, as the actual number of shares held by the said company has not been confirmed by the Company as of the end of the fiscal year.

   4. A report of amendment to large shareholdings from Sumitomo Mitsui Trust Bank, Limited, that on August 6, 2019, it held 26,354 thousand shares through joint holdings (Percentage of shareholding: 6.59%), of which 14,217 thousand shares (3.55%) and 10,137 thousand shares (2.53%) are held by Sumitomo Mitsui Trust Asset Management Co., Ltd. and Nikko Asset Management Co., Ltd., respectively, has been filed with the Director-General of the Kanto Finance Bureau. However, Sumitomo Mitsui Trust Bank, Limited has been excluded from the above principal shareholders, as the actual number of shares held by the above two companies has not been confirmed by the Company as of the end of the fiscal year.A report of amendment to large shareholdings from Sumitomo Mitsui Trust Bank, Limited, that on February 6, 2020, it held 23,481 thousand shares through joint holdings (Percentage of shareholding: 5.87%), of which 13,457 thousand shares (3.36%) and 10,023 thousand shares (2.50%) are held by Sumitomo Mitsui Trust Asset Management Co., Ltd. and Nikko Asset Management Co., Ltd., respectively, has been filed with the Director-General of the Kanto Finance Bureau.
5. A report of large shareholdings from Nomura Securities Co., Ltd., that on October 23, 2019, it held 21,617 thousand shares through joint holdings (Percentage of shareholding: 5.41%), of which 21,316 thousand shares (5.33%) are held by Nomura Asset Management Co., Ltd., has been filed with the Director-General of the Kanto Finance Bureau.

However, Nomura Securities Co., Ltd. has been excluded from the above principal shareholders, as the actual number of shares held by the said company has not been confirmed by the Company as of the end of the fiscal year.

6. A report of amendment to large shareholdings from Mitsubishi UFJ Financial Group, Inc., that on November 5, 2019, it held 29,018 thousand shares through joint holdings (Percentage of shareholding: 7.26%), of which 22,632 thousand shares (5.66%) are held by Mitsubishi UFJ Trust and Banking Corporation, has been filed with the Director-General of the Kanto Finance Bureau.

However, Mitsubishi UFJ Financial Group, Inc. has been excluded from the above principal shareholders, as the actual number of shares held by the said company has not been confirmed by the Company as of the end of the fiscal year.

7. A report of amendment to large shareholdings from Mizuho Bank, Ltd., that on December 20, 2019, it held 28,239 thousand shares through joint holdings (Percentage of shareholding: 7.06%), of which 16,092 thousand shares (4.02%) are held by Asset Management One Co., Ltd., has been filed with the Director-General of the Kanto Finance Bureau. However, Mizuho Bank, Ltd. has been excluded from the above principal shareholders, as the actual number of shares held by the said company has not been confirmed by the Company as of the end of the fiscal year. A report of amendment to large shareholdings from Mizuho Bank, Ltd., that on February 7, 2020, it held 31,288 thousand shares through joint holdings (Percentage of shareholding: 7.83%), of which 15,872 thousand shares (3.97%) are held by Asset Management One Co., Ltd., has been filed with the Director-General of the Kanto Finance Bureau.

3. Matters Concerning Shares Held by the Company (As of December 31, 2019)

(1) The Company's Policy with Regard to Reduction of Strategic Shareholdings:

The Company conducts strategic shareholdings in accordance with the policy below, and keeps such shareholdings at the minimum level necessary.

- The Company holds the minimum amount of shareholdings necessary, only when it determines that such shareholdings would contribute to its sustainable growth and medium- to long-term improvement of corporate value.
- 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.
- 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.

Of shares of strategic shareholdings (listed companies' stock), the Company sold all of its holdings in 23 stocks and part of its holdings in two stocks during the fiscal year 2019, consequently holding six stocks as of December 31, 2019, having reduced the book value of its holdings approximately to 37% of the book value as of the end of the fiscal year 2018. The Company also holds unlisted companies' shares of strategic shareholdings, including those of investee companies of Shiseido Venture Partners, a specialized in-house organization that makes investments in new ventures that develop and operate innovative businesses that are expected to create new value through innovation with our company, and those held under investment projects in response to societal and cultural demand.

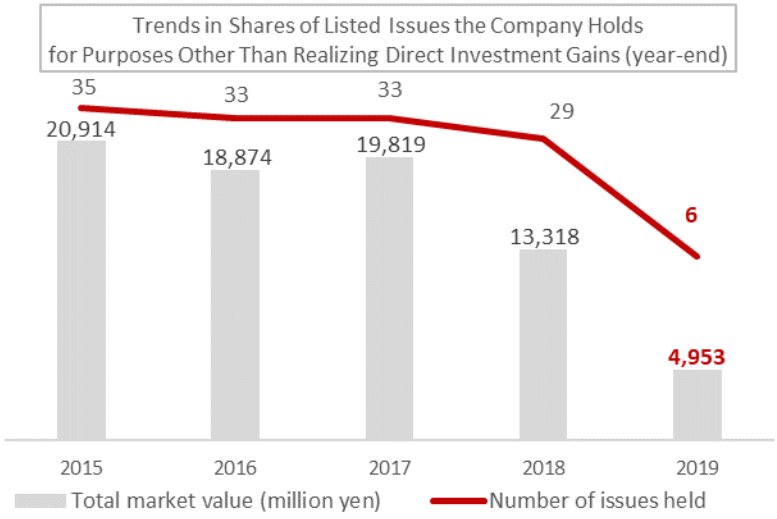
(2) The Company's Criteria for Exercising Voting Rights with Regard to Strategic Shareholdings:

When exercising its voting rights with regard to shares of strategic shareholdings, the Company confirms whether the proposed item of business would lead to impairment of shareholder value. It then considers the situation of an investee company and other factors to determine its approval or disapproval before exercising its voting rights.

If the Company wishes to confirm the intent of an item of business, etc., it will discuss the matter with the investee company in accordance with the purport of Japan's Stewardship Code and Japan's Corporate Governance Code.

(3) Number of Shareholdings the Company Holds for Purposes Other Than Realizing Direct Investment Gains and Total Amount on the Balance Sheet:

Number of Issues	Amount on Balance Sheet
	(million yen)
52 (of which 6 are listed issues)	5,945 (of which 4,953 million yen accounts for listed issues)



(4) Complete List of Shareholdings of Publicly Listed Companies Which the Company Holds for Purposes Other Than Realizing Direct Investment Gains (Including Publicly Listed Companies of Which Amounts Reported on the Balance Sheet Exceed One Percent of Capital):

Company	FY2019	FY2018	Purpose of holding, quantitative holding effects, and reasons for increase in the number of shares	Holding of the Company's shares
	Number of Shares (thousand shares)	Number of Shares (thousand shares)		
	Amount on Balance Sheet (million yen)	Amount on Balance Sheet (million yen)		
PALTAC CORPORATION	550	600	The Company makes transactions of product sales with this company. In order to maintain and strengthen the favorable business relationship with this company, the Company holds its shares in accordance with "The Company's Policy with Regard to Reduction of Strategic Shareholdings." While quantitative holding effects are not stated from the viewpoint of business information management and other related factors, the Company determines as at the end of the fiscal year that there is reasonability of holdings based on the policy and verification as described above.	Yes
	2,882	3,114		
NIPPON FINE CHEMICAL CO., LTD.	670	670	The Company makes such transactions as purchase of raw materials with this company. In order to maintain and strengthen the favorable business relationship with this company, the Company holds its shares in accordance with "The Company's Policy with Regard to Reduction of Strategic Shareholdings." While quantitative holding effects are not stated from the viewpoint of business information management and other related factors, the Company determines as at the end of the fiscal year that there is reasonability of holdings based on the policy and verification as described above.	Yes
	866	689		
PLANET, INC.	300	300	The Company makes such transactions as outsourcing development of product distribution systems with this company. In order to maintain and strengthen the favorable business relationship with this company, the Company holds its shares in accordance with "The Company's Policy with Regard to Reduction of Strategic Shareholdings." While quantitative holding effects are not stated from the viewpoint of business information management and other related factors, the Company determines as at the end of the fiscal year that there is reasonability of holdings based on the policy and verification as described above.	No
	468	554		

Company	FY2019	FY2018	Purpose of holding, quantitative holding effects, and reasons for increase in the number of shares	Holding of the Company's shares
	Number of Shares (thousand shares)	Number of Shares (thousand shares)		
	Amount on Balance Sheet (million yen)	Amount on Balance Sheet (million yen)		
AEON CO., LTD.	203	203	The Company makes transactions of product sales with subsidiaries of this company. In order to maintain and strengthen the favorable business relationship with this company, the Company holds its shares in accordance with "The Company's Policy with Regard to Reduction of Strategic Shareholdings." While quantitative holding effects are not stated from the viewpoint of business information management and other related factors, the Company determines as at the end of the fiscal year that there is reasonability of holdings based on the policy and verification as described above.	Yes
	458	436		
Zeria Pharmaceutical Co., Ltd.	126	126	The Company makes such transactions as outsourcing manufacturing of products with this company. In order to maintain and strengthen the favorable business relationship with this company, the Company holds its shares in accordance with "The Company's Policy with Regard to Reduction of Strategic Shareholdings." While quantitative holding effects are not stated from the viewpoint of business information management and other related factors, the Company determines as at the end of the fiscal year that there is reasonability of holdings based on the policy and verification as described above.	Yes
	266	249		
HARIMA-KYOWA CO., LTD.	6	13	The Company makes transactions of product sales with this company. In order to maintain and strengthen the favorable business relationship with this company, the Company holds its shares in accordance with "The Company's Policy with Regard to Reduction of Strategic Shareholdings." While quantitative holding effects are not stated from the viewpoint of business information management and other related factors, the Company determines as at the end of the fiscal year that there is reasonability of holdings based on the policy and verification as described above.	Yes
	11	18		

Notes:

1. The Company does not hold shares for the purpose of realizing direct investment gains.
2. For the top 2 companies listed above, the amounts reported on the balance sheet exceed one percent of the amount of capital of the Company.

4. Matters Concerning Stock Acquisition Rights (As of December 31, 2019)

The Company issues stock acquisition rights for directors and corporate officers, etc. These are stock options for directors and corporate officers, etc., which are offered as a long-term incentive.

Total number of shares that are the object of all stock acquisition rights issued as of December 31, 2019 and the percentage thereof to the total number of shares issued and outstanding as of the same date, excluding treasury stock are as follows:

Total Number of Shares that are the Object of Stock Acquisition Rights	Percentage of Total Number of Shares Issued and Outstanding (Excluding Treasury Stock)
Shares	%
423,800	0.10

These stock acquisition rights were granted as stock options in order to link remuneration of the directors and corporate officers, etc. of the Company with an increase in its shareholder value on a long-term basis, while placing emphasis on their sharing interests with its shareholders. All stock options are stock compensation-type stock options whose amount payable is set at ¥1 when exercising stock acquisition rights as one type of performance-linked remuneration for the remuneration system for directors and corporate officers since fiscal 2008.

The Company revised the directors and corporate officers remuneration policy in fiscal 2015, and implemented the revised procedure to increase or decrease the number of the stock compensation-type stock options as long-term incentive-type remuneration to be allotted by using the performance indicators for annual bonus after approval of the maximum number to be allotted at the general meeting of shareholders and the business performance for the business year relevant to the remuneration is fixed.

Furthermore, given that the Company has achieved some of its financial targets set forth in its VISION 2020 quantitative targets three years ahead of schedule, in 2018, it set new long-term targets of consolidated net sales of ¥2 trillion and consolidated operating profit of ¥300.0 billion, geared to further achieving sustainable growth over the long run with its sights set on goals further off into the future. As such, in fiscal 2019 the Company has introduced performance-linked stock remuneration as a new long-term incentive (LTI), wherein performance share units will replace the existing stock compensation-type stock options.

The status of the stock acquisition rights issued in the fiscal year 2019 as remuneration for fiscal year 2018 is shown below.

No stock acquisition rights are allotted to external directors and audit & supervisory board members.

■ Stock Acquisition Rights Issued during the Fiscal Year 2019

Issue Date of Stock Acquisition Rights	Grantees of Stock Acquisition Rights	Amount Paid for Stock Acquisition Rights	Amount Contributed upon Exercise of Stock Acquisition Rights	Exercise Period of Stock Acquisition Rights	As of December 31, 2019	
					Holding Condition and Number of the Stock Acquisition Rights	Class and Number of Shares to Be Issued Upon Exercise of Stock Acquisition Rights
March 27, 2019	Directors, corporate officers, etc. of the Company 18 persons	7,864 yen	1 yen per share	From September 1, 2021 to February 28, 2034	Directors of the Company (excluding external directors) 3 persons 272 rights	Common stock of the Company 27,200 shares
					Corporate officers who do not serve as director of the Company 10 persons 231 rights	23,100 shares
					Directors and corporate officers of wholly-owned subsidiaries of the Company (excluding directors and corporate officers of the Company) 2 persons 41 rights	4,100 shares
					Others 3 persons 47 rights	4,700 shares

Note: The number of allotted stock acquisition rights and allotted persons and class and number of shares to be issued upon exercise of the stock acquisition rights are shown under “Holding Condition and Number of the Stock Acquisition Rights” and “Class and Number of Shares to Be Issued Upon Exercise of Stock Acquisition Rights” as of December 31, 2019.

■ Stock Acquisition Rights Issued in the Past Fiscal Years

Issue Date of Stock Acquisition Rights	Grantees of Stock Acquisition Rights	Amount Paid for Stock Acquisition Rights	Amount Contributed upon Exercise of Stock Acquisition Rights	Exercise Period of Stock Acquisition Rights	As of December 31, 2019	
					Holding Condition and Number of the Stock Acquisition Rights	Class and Number of Shares to Be Issued Upon Exercise of Stock Acquisition Rights
August 30, 2010	Directors and corporate officers of the Company 18 persons	1,757 yen	1 yen per share	From August 1, 2013 to July 31, 2020	Director of the Company (excluding external director) 1 person 39 rights	Common stock of the Company 3,900 shares
					Others 1 persons 54 rights	Common stock of the Company 5,400 shares
August 30, 2011	Directors and corporate officers of the Company 17 persons	1,294 yen	1 yen per share	From August 1, 2014 to July 31, 2026	Director of the Company (excluding external director) 1 person 53 rights	Common stock of the Company 5,300 shares
					Others 4 persons 152 rights	15,200 shares

Issue Date of Stock Acquisition Rights	Grantees of Stock Acquisition Rights	Amount Paid for Stock Acquisition Rights	Amount Contributed upon Exercise of Stock Acquisition Rights	Exercise Period of Stock Acquisition Rights	As of December 31, 2019	
					Holding Condition and Number of the Stock Acquisition Rights	Class and Number of Shares to Be Issued Upon Exercise of Stock Acquisition Rights
August 30, 2012	Directors and corporate officers of the Company 19 persons	1,001 yen	1 yen per share	From August 1, 2015 to July 31, 2027	Director of the Company (excluding external director) 1 person 68 rights	Common stock of the Company 6,800 shares
					Others 6 persons 369 rights	36,900 shares
August 29, 2013	Directors and corporate officers of the Company 16 persons	1,434 yen	1 yen per share	From August 1, 2016 to July 31, 2028	Director of the Company (excluding external director) 1 person 38 rights	Common stock of the Company 3,800 shares
					Others 7 persons 306 rights	30,600 shares
August 28, 2014	Directors, corporate officers, etc. of the Company 18 persons	1,898.5 yen	1 yen per share	From August 1, 2017 to July 31, 2029	Director of the Company (excluding external director) 1 person 45 rights	Common stock of the Company 4,500 shares
					Corporate officers who do not serve as director of the Company 1 person 23 rights	2,300 shares
					Others 8 persons 361 rights	36,100 shares
March 30, 2016	Directors, corporate officers, etc. of the Company 18 persons	2,515.5 yen	1 yen per share	From September 1, 2018 to February 28, 2031	Directors of the Company (excluding external directors) 3 persons 233 rights	Common stock of the Company 23,300 shares
					Corporate officers who do not serve as director of the Company 1 person 30 rights	3,000 shares
					Others 8 persons 221 rights	22,100 shares

Issue Date of Stock Acquisition Rights	Grantees of Stock Acquisition Rights	Amount Paid for Stock Acquisition Rights	Amount Contributed upon Exercise of Stock Acquisition Rights	Exercise Period of Stock Acquisition Rights	As of December 31, 2019	
					Holding Condition and Number of the Stock Acquisition Rights	Class and Number of Shares to Be Issued Upon Exercise of Stock Acquisition Rights
March 30, 2017	Directors, corporate officers, etc. of the Company 24 persons	2,990 yen	1 yen per share	From September 1, 2019 to February 29, 2032	Directors of the Company (excluding external directors) 3 persons 369 rights	Common stock of the Company 36,900 shares
					Corporate officers who do not serve as director of the Company 6 persons 196 rights	19,600 shares
					Directors and corporate officers of wholly-owned subsidiaries of the Company (excluding directors and corporate officers of the Company) 1 person 31 rights	3,100 shares
					Others 12 persons 397 rights	39,700 shares
March 28, 2018	Directors, corporate officers, etc. of the Company 21 persons	6,615 yen	1 yen per share	From September 1, 2020 to February 28, 2033	Directors of the Company (excluding external directors) 3 persons 326 rights	Common stock of the Company 32,600 shares
					Corporate officers who do not serve as director of the Company 8 persons 170 rights	17,000 shares
					Directors and corporate officers of wholly-owned subsidiaries of the Company (excluding directors and corporate officers of the Company) 1 person 18 rights	1,800 shares
					Others 9 persons 148 rights	14,800 shares

Note: The number of allotted stock acquisition rights and allotted persons in the past fiscal years and class and number of shares to be issued upon exercise of the stock acquisition rights are shown under “Holding Condition and Number of the Stock Acquisition Rights” and “Class and Number of Shares to Be Issued Upon Exercise of Stock Acquisition Rights” as of December 31, 2019.

5. Matters Concerning Status of Corporate Governance and Directors, Audit & Supervisory Board Members and Corporate Officers of the Company (As of December 31, 2019)

(1) Corporate Governance Policy

The Shiseido Group including the Company sets out "BEAUTY INNOVATIONS FOR A BETTER WORLD" as THE SHISEIDO PHILOSOPHY, and defines corporate governance as our "platform to realize sustainable growth through fulfilling the corporate mission."

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

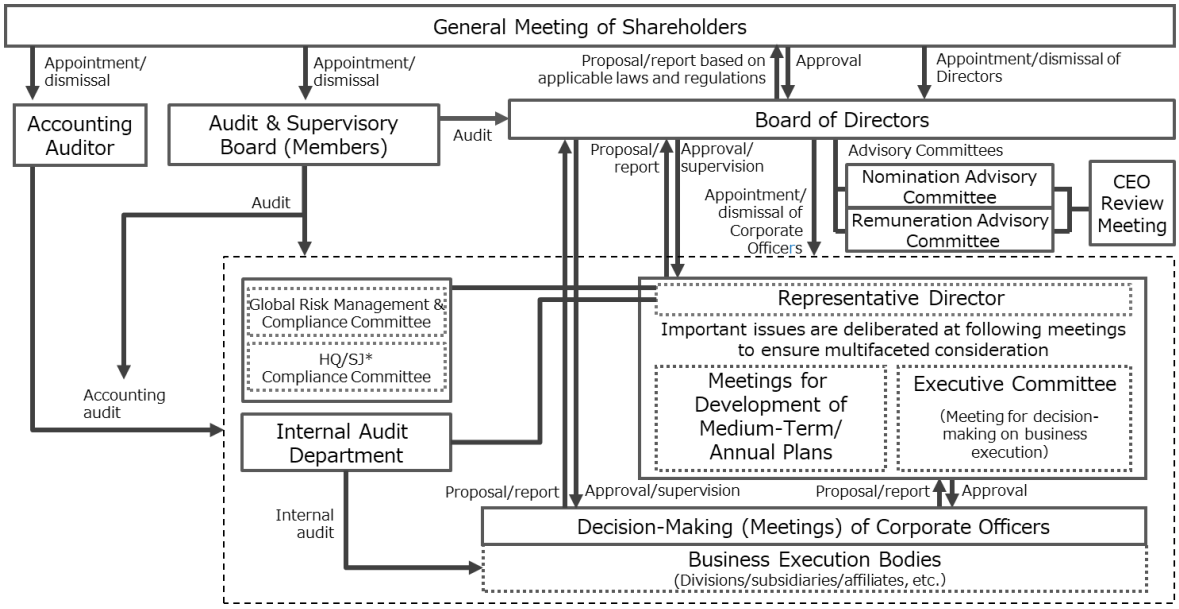
■ **Progress of Shiseido's Corporate Governance Policy**

Clarifying the allocation of responsibility	2001 Introduced the corporate executive officer system 2001 Introduced 1-year term for directors 2006 Set upper term limit per position 2006 Formulated rules governing demotions of corporate officers 2006 Lowered upper age limit per position for holding office 2017 Abolished the Counselor/Advisor system 2019 Formulated regulations regarding the appointment and dismissal of corporate officers, directors and audit & supervisory board members	Enhancing management transparency and soundness	2001 Established the Remuneration Advisory Committee 2005 Established the Nomination Advisory Committee
Reinforcing supervisory and auditing functions	2005 Increased number of external audit & supervisory board members from 2 to 3 2006 Invited external directors 2011 Increased number of external directors from 2 to 3 2012 Established criteria for independence 2015 Developed views on the ratio of external directors (establishing the target of electing half or more of the directors from outside) 2016 Increased number of external directors from 3 to 4 (3 external directors as of December 31, 2019)	Strengthening decision-making function	2001 Established Corporate Executive Officer Committee (currently Executive Committee) and Policy Meeting of Corporate Officers 2002 Reduced number of directors

(2) Outline of the Company's System for the Management and Execution of Business

1) Corporate Governance Framework of the Company

Corporate governance framework of the Company as of December 31, 2019 is as



* For definitions of HQ and SJ, please refer to the description of the activities of the HQ/SJ Compliance Committee on page 49.

SHISEIDO

<Structure of Organizations Relating to the Execution of Business and Corporate Governance>

Position	Name	Board of Directors	Nomination Advisory Committee	Remuneration Advisory Committee	CEO Review Meeting	Audit & Supervisory Board	Executive Committee	Meetings for Development of Medium-Term/Annual Plans	Global Risk Management & Compliance Committee	HQ/SJ Compliance Committee
Representative Director	Masahiko Uotani	◎	○	○			◎	◎	◎	
	Yoichi Shimatani	○					○	○	○	○
Director	Jun Aoki	○					○	○	○	○
External Director	Yoko Ishikura	○	◎	○	○					
	Shinsaku Iwahara	○	○	○	○					
	Kanoko Oishi	○	○	◎	○					
Audit & Supervisory Board Member (Full-time)	Takeshi Yoshida	○				◎	△	△	△	△
	Akiko Uno	○				○		△	△	△
External Audit & Supervisory Board Member	Yasuko Gotoh	○			○	○				
	Hiroshi Ozu	○			○	○				
	Eiko Tsujiyama	○			○	○				
Corporate Officers										
Executive Corporate Officer	Shigekazu Sugiyama						○	○	○	○
	Norio Tadakawa	△					○	○	○	○
Corporate Officer	Jean-Philippe Charrier							○	○	
	Michael Coombs	△					○	○	○	
	Kentaro Fujiwara							○	○	
	Katharina Höhne									
	Kiyomi Horii									○
	Mitsuru Kameyama									
	Yoshiaki Okabe									
	Yoshihiro Shiojima									
	Yukari Suzuki									
	Naomi Yamamoto									
	Terufumi Yorita	△					○		○	◎
	Katsunori Yoshida									

Notes:

1. The above table lists those who are legally mandated to attend meetings of each organization and those who are required to attend every meeting. Of those organizations, the Executive Committee, Meetings for Development of Medium-Term/Annual Plans, Global Risk Management & Compliance and HQ/SJ Compliance Committee consist of the Company's employees, as well as directors, corporate officers and employees of the Company's domestic and overseas subsidiaries, etc. Nevertheless, the above table lists the Company's directors, audit & supervisory board members and corporate officers only.
2. In the above table, a double circle (◎) is shown for a Chair and those who serve in a position equivalent thereto, while a single circle (○) is shown for other members. In addition, a triangle (△) is shown for attendees and observers.
3. External director Ms. Yoko Ishikura is well-known by the name Ishikura, and that name is therefore presented here, but her name as recorded on the official family register is Ms. Yoko Kurita (the same applies hereinafter).

<Details of Activities of Voluntarily Established Organizations Relating to the Execution of Business and Corporate Governance>

Nomination Advisory Committee:

Makes reports to the Board of Directors on matters including the selection of candidates for directors and corporate officers and their promotions and demotions. In fiscal 2019, six meetings were held. In addition to reporting on the selections of candidates for directors and audit & supervisory board members and the appointment of corporate officers, etc., the committee discussed a succession plan of the President and CEO and the formulation of regulations on the appointment and dismissal of directors, audit & supervisory board members and corporate officers.

Remuneration Advisory Committee:

Makes reports to the Board of Directors regarding the remuneration policy for directors, audit & supervisory board members and corporate officers as well as the details of remuneration payment based on the evaluation of their performance. In fiscal 2019, seven meetings were held. In addition to discussing bonuses for directors and corporate officers for fiscal 2018, remuneration for individual directors and corporate officers for fiscal 2019, and the remuneration policy for fiscal 2019, the committee discussed the remuneration design for the President and CEO.

CEO Review Meeting:

Established as a deliberation body common to the Nomination Advisory Committee and the Remuneration Advisory Committee, for the appointment of the President and CEO and the evaluation of his remuneration. The body's activities, etc. are described in page 78 "Framework to ensure objectivity, fairness and transparency of evaluation that serves as a basis of calculation for remuneration." In fiscal 2019, two meetings were held.

Executive Committee:

A meeting body that is responsible for deliberation over particularly important matters from various viewpoints prior to decision-making by the President and CEO. The committee met at least once a month in fiscal 2019.

Meetings for Development of Medium-Term/Annual Plans:

A meeting body that is responsible for developing and resolving business plans and brand strategies. The meeting body met four times in fiscal 2019.

Global Risk Management & Compliance Committee:

Accurately grasps global and local social changes as well as the current situation within the Shiseido Group and correspondingly identifies management risk factors, and discusses a priority of material risks and countermeasures against those risks as well as the actual status and countermeasures of ethics and compliance in regions across the globe. In fiscal 2019, two meetings were held.

HQ/SJ Compliance Committee:

Grasps the current situation of ethics, compliance and incidents and measures at the Shiseido Group companies located in Japan, including the Company (HQ) and Shiseido Japan Co., Ltd. (SJ). In fiscal 2019, one meeting was held.

2) Reasons for Adopting the Current Framework

The Company has adopted the framework of a company with the audit & supervisory board system, which exercises the dual checking functions whereby business execution is supervised by the Board of Directors and audited for legality and appropriateness by the audit & supervisory board members. In order to maintain and improve management transparency, fairness and speed that are provided in the basic policy for corporate governance within the framework, the Company has incorporated superior functions of a company with a nominating committee, etc. and a company with an audit and supervisory committee, reinforcing supervisory functions of the Board of Directors.

Effective January 2016, the Shiseido Group has launched full-scale operations of a matrix-type organizational system with five brand business categories and six regions combined. Under the organizational system, the Company as the global headquarters is responsible for supervising the overall group and providing necessary support, and is promoting localization of responsibility and authority by delegating many of the authorities that used to be retained by the Company to respective regional headquarters of Japan, China, Asia, the Americas, EMEA, and Travel Retail. Under the management structure, the Board of Directors held repeated discussions with regard to an ideal state of the Company's corporate governance system that includes composition and operation of the Board of Directors. As a result, the Board of Directors concluded adopting the "monitoring board-type" would be appropriate to ensure sufficiently effective supervisory functions over the Shiseido Group overall, and resolved to implement the "monitoring board-type corporate governance" while leveraging advantages of the company with the audit & supervisory board system.

3) Diversity of Directors and Audit & Supervisory Board Members

The Company believes that the Board of Directors of the Company should be composed of directors with various viewpoints and backgrounds, on top of multilateral sophisticated expertise, for effective supervision over the execution of business as well as decision-making on critical matters. Furthermore, the Company believes that audit & supervisory board members should have the same diversity and sophisticated expertise as the directors as they have a duty to attend meetings of the Board of Directors and state opinions as necessary.

When considering the diversity, it is a policy of the Company to appoint appropriate persons based on their personality and insight irrespective of gender, age, and nationality, etc., to stress not only diversity of these attributes, but also diversity in terms of tasks including professional knowledge and experiences in various fields related to the business management. In addition, the Company has set a certain maximum term of office for external directors and external audit & supervisory board members in order to reflect their views, which are free from the Company's

existing structure, to the management of the Company, and by allowing a handover period from long-serving external directors and audit & supervisory board members to newly-appointed external directors and audit & supervisory board members to ensure appropriate transition.

4) Ratio of External Directors at the Board of Directors

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 would adopt the "monitoring board-type corporate governance," the Company established its view on the ratio of external directors on the Board of Directors.

In the Company's Articles of Incorporation, the maximum number of directors is set at 12. Respecting this upper limit and in consideration of the Company's business portfolio and scale, an optimum number of directors are elected such that they are able to appropriately supervise the management.

For external directors, the number is set at three or above to allow such members a certain degree of influence within the board. In addition, the Company has established the target of electing half or more of its directors from outside.

For selecting external directors, high priority is given to independence. Our basic principle is that candidates for external directors and audit & supervisory board members are required to meet the Company's "Criteria for Independence of External Directors and Audit & Supervisory Board Members" as well as possess highly independent thinking.

5) Criteria for Independence of External Directors and Audit & Supervisory Board Members

The Company establishes its own "Criteria for Independence of External Directors and Audit & Supervisory Board Members" (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 and audit & supervisory board members.

In connection with selecting candidates for external directors and audit & supervisory board members, 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 the independence in accordance with the Criteria.

The overview of the Criteria is as follows. The full text of the Criteria including specific numerical values is posted as items voluntarily disclosed relating to business report on our corporate information website: INVESTORS / General Meeting of Shareholders (https://corp.shiseido.com/en/ir/shareholder/).

■ **Overview of Criteria for Independence of External Directors and Audit & Supervisory Board Members**

i	He/She is not originally from Shiseido Co., Ltd. (the "Company") or an affiliated company (collectively the "Shiseido Group");
ii	He/She is not a principal counterparty of the Shiseido Group or originally therefrom;
iii	He/She is not a person whose principal counterparty is the Shiseido Group or originally therefrom;
iv	He/She is not a large shareholder of the Company or originally therefrom;
v	He/She is not an executive of a company whose large shareholder is the Shiseido Group or originally therefrom;
vi	He/She is not a lawyer, consultant or the like receiving a large sum of remuneration from the Shiseido Group;
vii	He/She is not a person receiving a large amount of donation from the Shiseido Group or originally therefrom;
viii	He/She is not an accounting auditor of the Company or originally therefrom;
ix	He/She has no one falling under i to viii above among their close relatives;
x	He/She does not belong to any company, etc. where such person is in a state of "cross-assumption of Offices of Directors, etc." with the Company;
xi	He/She is not in any other circumstances in which duties imposed on an independent External Director and Audit & Supervisory Board Member are reasonably deemed not to be achieved.

6) Actual Composition of Directors and Audit & Supervisory Board Members

Of six directors who are currently in office as of December 31, 2019, three directors (50.0%) are highly independent external directors who meet the "Criteria for Independence of External Directors and Audit & Supervisory Board Members" of the Company. The other three directors who serve concurrently as corporate officers include two with career background in management outside the Shiseido Group, and one with career background in the Shiseido Group. The directors include two females (33.3%).

Of five audit & supervisory board members, three members (60.0%) are highly independent external audit & supervisory board members and two are full-time members with career background in the Shiseido Group. The members include three females (60.0%).

Of the total 11 directors and audit & supervisory board members, six members (54.5%) are highly independent external directors or external audit & supervisory board members, and five members are female (45.4%).

7) Succession for President and CEO

The Company considers that the selection of candidates to replace the President and CEO requires the involvement of the incumbents themselves, and that the responsibility for the development of the succession plan is also borne by the incumbents. On the other hand, in the event that the current President and CEO themselves have an option of reappointment, the necessity of the reappointment shall be considered only by the committee members who are the Chair or external directors in the Nomination Advisory Committee in order to ensure the fairness of deliberations. The Nomination Advisory Committee receives full reports from the President and CEO on the succession plan and the specific nomination for successor, then exchanges opinions and discusses the matter in light of an evaluation to the President and CEO from an independent perspective as well as the Company's management issues, and provides feedback. For the evaluation of the specific successor candidate, based on a candidate proposal selected by the President and CEO, the CEO Review Meeting, which consists of external directors and external audit & supervisory board members, makes a judgment from an independent and objective viewpoint as to whether the candidate is suitable. The function of the Nomination Advisory Committee, which includes the CEO Review Meeting, is to perform an important function of the Board of Directors. Therefore, the Board of Directors respects the committee's judgement. Furthermore, when actually selecting the President and CEO's successor, the Nomination Advisory Committee deliberates fully on matters such as the final candidate and the process employed to

select the final candidate, prior to reporting its opinion. The Board of Directors accords this report the utmost respect in passing a resolution regarding the selection.

In the event that there are problems when the Company's President and CEO selects the successor candidate, the Nomination Advisory Committee may take the leading role in the selection.

In fiscal 2019, the Nomination Advisory Committee consisting of external directors conducted a fair and thorough review regarding the succession plan, including the reappointment of the President and CEO. Its appropriateness was also confirmed by members of the CEO Review Meeting. As a result, considering the difficulty of formulating and executing growth strategies to further accelerate globalization towards achieving the corporate mission and other related aspects, the Board of Directors reached the conclusion that continuing the term of the current President and CEO would be the best choice for all stakeholders. Accordingly, the extension of the term of office of the current President and CEO, the framework of a concrete succession plan, etc. were approved at the Board of Directors meeting held on September 26, 2019.

8) Succession and Training for Directors, Audit & Supervisory Board Members and Corporate Officers

The Company believes that it is important to have a succession plan for not only the President and CEO but also for the external directors and external audit & supervisory board members who play key roles in supervising functions over the business management. For that reason, the matters regarding the succession plan, such as the term of office, clarification of requirements for candidates for successors and further strengthening of diversity, are subject to the review by the Nomination Advisory Committee.

The Company also believes that in addition to appointing personnel having credentials required to serve as directors, audit & supervisory board members and corporate officers, it is also important to provide them with necessary training and information. The Company provides candidates for new directors and candidates for new audit & supervisory board members with training with regard to legal and statutory authorities and obligations, etc. In addition, when a new external director or external audit & supervisory board member is scheduled to come on board, the Company provides training regarding the industry the Company operates business in, the history, business overview, strategy, etc. of the Company.

Furthermore, in respect of the cultivation of the next generation of management, executives who are corporate officer candidates are provided with training programs to nurture their leadership abilities and management expertise required for top management officers.

(3) Systems for Internal Control

The Company resolved to establish "Basic Policy regarding Internal Control Systems" at the Board of Directors meeting on May 12, 2006 in order to build a highly effective internal control system, and operates the internal control system prepared in accordance with the policy, making revisions as necessary. In fiscal 2019, the Company implemented and monitored the internal control system based on the basic policy revised by the resolution of the Board of Directors held on December 26, 2019, reflecting the new corporate philosophy "THE SHISEIDO PHILOSOPHY" and others.

1) System under Which Execution of Duties by Directors Is Ensured to Comply with Laws and Regulations and the Articles of Incorporation of the Company; System under Which Business of the Group Is Ensured to Be Duly Conducted

"Basic Policy Regarding Internal Control Systems" of the Company and the Group is as follows:

(1) System under Which Execution of Duties by Directors and Employees of the Company and All Group Companies Is Ensured to Comply with Laws and Regulations and the Articles of Incorporation of the Company; System under Which the Appropriateness of Business of the Whole Group Is Ensured

The Board of Directors shall determine important matters which will affect the Company and its subsidiaries and affiliates as a Group.

The representative directors of the Company shall regularly report the status of execution of business to the Board of Directors. External directors shall be elected to strengthen and maintain the Board of Directors' supervisory functions in regard to operational execution. The audit & supervisory board members audit legality and appropriateness of the directors' execution of business. Upon request of any audit & supervisory board member, directors and employees shall report the status of execution of business to the audit & supervisory board members.

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 140 years, and OUR PRINCIPLES (TRUST 8), which is a mindset to be shared by each and every Shiseido Group employee in their work. THE SHISEIDO PHILOSOPHY, together with the Shiseido Group Standards of Business Conduct and Ethics, which set out action standards for business conduct with the highest ethical principles, promote corporate activities that are both legitimate and fair. (*)

The Company shall establish a basic policy and rules in line with the Shiseido Group Standards of Business 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 Group Standards of Business 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.

The Committee that oversees compliance and risk management has been set up in the Company, and while coordinating with organizations that have been set up to fulfill 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 corporate quality improvement by enhancing legitimate and fair corporate activities of the Group, and risk management. The Committee shall propose and report important matters and the status of their progress to the Board of Directors through the Representative Director, President and CEO as necessary.

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 and the Committee that oversees compliance and risk management will share information regularly with the persons in charge deployed within each Group company and business site.

For the purpose of detection and remediation of types of conduct within the Group that are in violation of laws, the Articles of Incorporation, and internal regulations of the Shiseido Group, the Company shall set up, as a contact for whistle-blowing, a hotline in each Group company as well as 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 one hotline as an in-house-counselor staffed internal point of contact, and one outside-counselor-staffed external point of contact.

In accordance with the internal regulations of the Company pertaining to internal auditing, internal auditing shall be conducted with respect to the whole Group to audit the appropriateness of business.

The results of audit shall be reported to directors and audit & supervisory board members.

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

The Shiseido Group Standards of Business Conduct and Ethics declare that "we do not have relationships 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 services from such individuals or organizations." A coordination office is established in the department in charge of risk management for the purpose of intensively collecting information, while a manual on how to cope with such forces is maintained on the intranet, among other activities. The Company is strengthening its collection of outside information and cooperation with outside organizations by such means as coordinating with local police offices and having membership in an organization that promotes the exclusion of anti-social forces.

(2) System under Which Directors of the Company and All Group Companies Shall Be Ensured to Efficiently Execute Duties

The Company adopted a corporate executive officer system to realize smooth and highly efficient corporate management, wherein functions of directors, who are responsible for decision-making and overseeing execution of business, are separated from those of corporate officers, who are responsible for business execution.

A representative director shall coordinate and supervise the Group's overall execution of business operations that are directed towards achieving given corporate targets. Corporate executive officers shall fix specified targets in the assigned fields, including all Group companies, and set up a business system by which the targets shall efficiently be achieved.

Furthermore, with respect to the execution of important business, the relevant meeting for decision-making on business execution, consisting of corporate officers, shall deliberate the business execution from various viewpoints.

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

(3) System under Which Information Regarding Execution of Business by the Company's Directors Shall Be Maintained and Managed; System under Which Items Regarding Execution of Business by Directors and Employees of All Group Companies Shall Be Reported to the Company

Important documents such as minutes of the Board of Directors meetings and of relevant meetings for decision-making on business execution shall be managed pursuant to laws and regulations, and these important documents shall be presented to directors and audit & supervisory board members immediately whenever requested for inspection.

In addition, for information with respect to execution of business by directors and employees, internal regulations of the Company regarding protection of information assets and information disclosure shall be formulated, and the information shall be managed in accordance with them.

Important information regarding the execution 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 matters such as reporting to the Company.

(4) Regulations Regarding Control of Risk for Loss at the Company and All Group Companies and Other Regulation Systems

Organizations for the purpose of fulfilling the compliance and risk management functions are set up in the respective regional headquarters located in the major regions across the globe, which 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, countermeasure headquarters shall be set up by the regional headquarters of the region where the emergency occurred, the Company, or both, pursuant to the situation, the seriousness of the impact on the Group and other factors, and that headquarters shall take the countermeasures.

(5) System Related to Employees to Assist Duties of Audit & Supervisory Board Members When Audit & Supervisory Board Members Request to Do So; and Matters Related to the Independence of Such Employees from Directors; Matters Related to Securing the Effectiveness of Instructions from Audit & Supervisory Board Members to Such Employees

The Audit & Supervisory Board Staff Group shall be established, and employees shall be positioned there to assist the Audit & Supervisory Board and audit & supervisory board members.

In order to ensure the independence of the employees in the Audit & Supervisory Board Staff Group from directors and the effectiveness of instructions from audit & supervisory board members to them, the audit & supervisory board members' consent shall be necessary for determination of personnel matters such as appointments, movements and evaluations of these employees.

(6) System under Which Directors and Employees Report to Audit & Supervisory Board Members and Other Systems under Which Any Report Is Made to Audit & Supervisory Board Members; System to Ensure That Persons Are Not Treated Disadvantageously for Making Such Reports to Audit & Supervisory Board Members

Directors and employees shall report the status of their execution of duties to audit & supervisory board members by enabling them to attend meetings of the Board of Directors and other important meetings, and they shall also report results of audit performed by the department in charge of internal auditing to audit & supervisory board members. In addition, the status of business and conditions of assets shall be reported to audit & supervisory board members upon their request.

Separately, the Company shall establish a method through which directors and employees, including those of all Group companies, can directly inform audit & supervisory board members of issues, and shall make this method known throughout the Group.

The Company and all Group companies shall develop internal regulations of the Company to ensure that the said directors and employees are not dismissed, discharged from service or receive any other disadvantageous treatment due to reporting to audit & supervisory board members or informing them of issues, and shall make these regulations known.

(7) Matters Regarding Policy on Handling Advance Payment or Repayment of Expenses Resulting from Audit & Supervisory Board Members' Execution of Duties or Other Expenses or Debts Arising from the Said Execution of Duties

Expenses deemed necessary for the execution of duties by the Audit & Supervisory Board and audit & supervisory board members shall be budgeted for and recorded in advance. However, expenses paid urgently or temporarily shall be handled by repaying them afterwards.

(8) Other Systems under Which Audit by Audit & Supervisory Board Members Is Ensured to Be Performed Efficiently

Opinion exchange meetings shall be held regularly between representative directors and audit & supervisory board members. The Company shall ensure a system under which corporate audits are implemented efficiently. Liaison meeting shall be held among audit & supervisory board members, the accounting auditor and the Internal Audit Department upon request of audit & supervisory board members. In addition, audit & supervisory board members shall be ensured to attend various meetings.

2) Overview of Operation Status of System to Ensure That Execution of Duties by Directors Is in Compliance with Laws and Regulations and the Articles of Incorporation of the Company; System to Ensure That Business of the Group Is Duly Conducted

The Company continues improving and operating the internal control system in accordance with the abovementioned Basic Policy, and operated the system in fiscal 2019 as described below. Overall status of maintenance and operation of the internal control system at the Company and its subsidiaries are included in the scope of the audit by the Audit & Supervisory Board (members) and monitored by the internal audit division.

(1) System to Ensure That Execution of Duties by Directors and Employees of the Company and All Group Companies Is in Compliance with Laws and Regulations and the Articles of Incorporation of the Company; System to Ensure the Appropriateness of Business of the Whole Group

- For the "Compliance Rules Regarding Prevention of Bribery" revised in January 2018 (established in November 2014) and the "Compliance Rules Regarding Prevention of Cartels" (established in April 2011), the Risk Management Department conducted a check on the status of training in various regions around the world at the beginning of the fiscal year.
- The Global Compliance Committee was held in January 2019 to discuss various risks and the countermeasures. In October, the committee was reorganized to branch into two committees of the Global Risk Management & Compliance Committee and the HQ/SJ Compliance Committee. In November, the Global Risk Management & Compliance Committee discussed the material risks of the Shiseido Group and the promotion of Entire-group Risk Management (ERM). In addition, the HQ/SJ Compliance Committee discussed issues on disciplinary cases and consultation room cases in Japan.
- Risk incidents are reported to the Board of Directors quarterly. In Japan, the "Shiseido Group Standards of Business Conduct and Ethics" has been instilled in training at the time of joining the Company and training for all employees on harassment conducted by Corporate Ethics Promotion Leaders. The hotline in the Japan region has three contact points, the Compliance Committee Hotline, the Consultation Office, and the Shiseido External Hotline, thereby establishing the function of a whistleblower contact point.
- In accordance with the "Audit Division Operation Manual (including the "Regulations for Internal Audits")," the Company verified the status of establishment and operation of internal control in the overall Shiseido Group, from the perspectives of effectiveness and efficiency of business operations, reliability of financial reports and compliance with relevant laws, regulations, and internal rules, as well as safeguarding company assets.

<Measures for exclusion of anti-social forces>

The Company applied its preliminary screening system to all new suppliers and business partners of transactions above a prescribed amount of the Company, Shiseido Japan Co., Ltd., and affiliated companies. The Company conducted approximately 2,000 preliminary screenings during the year. Since December 2017, the Company has introduced a preliminary screening system for new customers in the Group. The Company also conducted information gathering through seminars and so forth.

(2) System to Ensure That the Duties of Directors of the Company and All Group Companies Are Executed Efficiently

- On January 1, 2019, the Company appointed 17 corporate officers (including two who serve concurrently as representative directors) and six presidents of regional headquarters (including three who serve concurrently as corporate officers of the Company) and clarified the areas of responsibility for their respective execution of duties. Furthermore, to enhance the appropriateness and properness of final resolutions to be made by the Representative Director, President and CEO over important business execution following multifaceted reviews by relevant corporate officers, presidents of regional headquarters and others, the Company has established the Executive Committee and others (including the People Committee, Innovation Committee, and Supply Network Committee) and Meetings for Development of Medium-term/Annual Plans (Global Leadership Committee). At these meetings, the Company regularly receives reports from respective corporate officers on the status of progress towards targets.

- In addition to holding "J-Meeting" to discuss various issues by five corporate officers with a rank of executive corporate officer or above if necessary, such corporate officers have established their decision-making process within their respective area in charge.

(3) System for Retention and Management of Information Regarding Execution of Duties by the Company's Directors; System for Reporting Items Regarding Execution of Duties by Directors and Employees of All Group Companies to the Company

- The minutes of the Board of Directors meetings are prepared by the Legal and Governance Department and retained permanently, longer than the statutory retention period of 10 years. To make allowance for requests to view the minutes as part of the execution of shareholders' rights, the minutes are stored by the IR Department (the department responsible for dealing with shareholders). Minutes of important meetings of the Executive Committee, etc. related to the execution of business are prepared by the Corporate Strategy Department and the department retains the minutes for 10 years or permanently depending on the meeting body. With regard to protection of information assets, the Company has developed and implemented the "Information System Usage Regulation," "Information System Controlling Regulation," "Information Asset Handling Regulation," "Confidential Information Controlling Regulation," "Privacy Rules," "Personal Information Protection Regulation" and "Specific Personal Information Handling Regulation" under "the Shiseido Group Information Security Management Policy." Furthermore, with regard to information disclosure, the Company has developed and implemented the "Internal Regulation on Internal Information Management and Regulations on Transactions of Internal Personnel (Internal Regulations for Directors, Audit & Supervisory Board Members, Corporate Officers, and Employees)." In addition, the Company has created and implemented a "System for the Process for Disclosing Facts of Decisions Made and Financial Results" and a "System for the Process for Disclosing Facts of Actual Events."

- With regard to important matters relating to every group company, the Company has arranged that corporate officers in charge of respective group company to report at the Executive Committee or the Board of Directors in compliance with the Regulation on the Board of Directors, as well as the Regulation on the Corporate Officers and the like.

(4) Regulations and Systems Regarding Control of Risk for Loss at the Company and All Group Companies

- In major regions around the world, including Japan, a risk assessment for RMOs (Risk Management Officers) was conducted in the first quarter of 2019. The RMOs located at regional headquarters and the BEOs (Business Ethics Officers) of the group companies under the Company were in charge of risk management and compliance in the respective region and worked to grasp group-wide risks. The BEO meetings were also held in each region (EMEA in September, China in October, and Asia Pacific in November). In September 2019, the HQ Business Continuity Plan (BCP) was revised in the face of frequently emerging natural disasters, and the HQ emergency taskforce drills were conducted in December. In addition, the RMO Meeting (in Tokyo) was held in November to announce to beef up the BCP globally.
- In Japan, risk managers have been appointed in 25 divisions of the Company and Shiseido Japan Co., Ltd. that are involved with incident response and at 12 affiliate companies. This has created a support system for response operations to assist with incident control conducted by divisions and business sites where incidents occur. In July 2019, recall response drills were conducted for 63 people in related departments, including risk managers, to strengthen response to product quality problems.

(5) System Related to Employees to Assist Duties of Audit & Supervisory Board Members When Audit & Supervisory Board Members Request to Do So; and Matters Related to the Independence of Such Employees from Directors; Matters Related to Securing the Effectiveness of Instructions from Audit & Supervisory Board Members to Such Employees

- The Company has established the Audit & Supervisory Board Staff Group in the Internal Audit Department directly supervised by Representative Director, President and CEO, to assist duties of Audit & Supervisory Board and its members and has assigned three employees who assist Audit & Supervisory Board and audit & supervisory board members concurrently. The employees assist with gathering information and preparing materials needed for the audit & supervisory board members' audits and carry out secretariat duties for the Audit & Supervisory Board. In addition, in order to secure independence of the employees from the directors, etc. and to secure effectiveness of directions of audit & supervisory board members, decisions on matters relating to appointment, relocation, evaluation and other personnel related matters regarding the employees are made by the director of Internal Audit Department, following consent of a full-time audit & supervisory board member.

(6) System for Directors and Employees to Report to Audit & Supervisory Board Members and Other Systems Related to Reporting to Audit & Supervisory Board Members; System to Ensure That Persons Are Not Treated Disadvantageously for Making Such Reports to Audit & Supervisory Board Members

- In addition to legally mandated attendance at Board of Directors meetings, the Company ensures that the full-time audit & supervisory board members are offered opportunities to attend other important meetings for business execution, such as the meetings of the Executive Committee, and the Global Risk Management & Compliance Committee and the HQ/SJ Compliance Committee meetings, as observers. Through these meetings, reports and information are provided to the other audit & supervisory board members. In addition, upon request from audit & supervisory board members, these committees provide materials and information.
- The Company has established the Reporting E-mail to Audit & Supervisory Board Members as a point of contact for in-house reporting, such that enables audit & supervisory board members to directly receive reports regarding incidents that could pose a threat of damaging people's trust in the Shiseido Group. In Japan, the Company also works to disseminate contents including the Reporting E-mail to Audit & Supervisory Board Members to be ingrained through training offered at the time of joining the Company and training for all employees on harassment conducted by Corporate Ethics Promotion Leaders.

(7) Matters Regarding Policy on Handling Advance Payment or Repayment of Expenses Resulting from Audit & Supervisory Board Members' Execution of Duties or Other Expenses or Debts Arising from the Said Execution of Duties

- The Company budgets expenses based on the annual activity plan at the beginning of every business year. There is also a rule in place that in cases where the disbursement exceeds the budgeted amount and an extra expense is needed, a request for an additional amount may be made.

(8) Other Systems to Ensure That Audits by Audit & Supervisory Board Members Are Performed Effectively

- The representative directors and audit & supervisory board members hold opinion exchange meetings as needed, and the external directors and audit & supervisory board members hold information sharing meetings as needed. In addition, the accounting auditor and audit & supervisory board members hold opinion exchange meetings as needed, and also hold meetings on reporting accounting auditor's audit results on a quarterly basis. Of these quarterly meetings, the external directors also attended the meetings twice a year on a half-yearly basis to promote sharing of information. Full-time audit and supervisory board members receive reports monthly on the internal audits conducted by the Internal Audit Department, and receive audit result reports of each domain semi-annually from the Quality Management Department, the Global ICT Department, the Risk Management Department, and the Management Support Department of Shiseido Japan Co., Ltd.
- Three-party audit liaison meetings are held on a quarterly basis to enable audit & supervisory board members, the accounting auditor, and the Internal Audit Department to share audit information. Furthermore, the full-time audit & supervisory board members also attend important meetings held by the executive division, such as Board of Directors and Executive Committee meetings, to check on the content of deliberations.

3) Framework for Confirmation of Transactions with Related Parties

The Company investigates and specifies related parties that carry the possibility of having an impact on the Company's financial position and operating results based on the "Accounting Standard for Related Party Disclosures" and the "Guidance on Accounting Standard for Related Party Disclosures," confirms the existence of transactions with the said related parties and the importance 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 based on the criteria for judgment of importance stipulated in the "Guidance on Accounting Standard for Related Party Disclosures."

(4) Name, Position and Responsibilities at the Company for Directors and Audit & Supervisory Board Members of the Company

(As of December 31, 2019)

Position	Name	Responsibilities at the Company
Representative Director President and CEO	Masahiko Uotani	Chair of the Board Member of Nomination Advisory Committee Member of Remuneration Advisory Committee Chair of Global Risk Management & Compliance Committee
Representative Director Executive Vice President	Yoichi Shimatani	Chief Innovation Officer Assisting the CEO in general corporate management Member of Global Risk Management & Compliance Committee Member of HQ/SJ Compliance Committee
Director Executive Corporate Officer	Jun Aoki	Chief People Officer Chief Social Value Creation Officer Assisting the CEO in general corporate management Human Resources, Social Value Creation, Facility Management Member of Global Risk Management & Compliance Committee Member of HQ/SJ Compliance Committee
External Director <Independent>	Yoko Ishikura	Chair of Nomination Advisory Committee Member of Remuneration Advisory Committee
External Director <Independent>	Shinsaku Iwahara	Member of Nomination Advisory Committee Member of Remuneration Advisory Committee
External Director <Independent>	Kanoko Oishi	Chair of Remuneration Advisory Committee Member of Nomination Advisory Committee
Audit & Supervisory Board Member (Full-time)	Takeshi Yoshida	Observer of Global Risk Management & Compliance Committee Observer of HQ/SJ Compliance Committee
Audit & Supervisory Board Member (Full-time)	Akiko Uno	Observer of Global Risk Management & Compliance Committee Observer of HQ/SJ Compliance Committee
External Audit & Supervisory Board Member <Independent>	Yasuko Gotoh	—
External Audit & Supervisory Board Member <Independent>	Hiroshi Ozu	—
External Audit & Supervisory Board Member <Independent>	Eiko Tsujiyama	—

(As of January 1, 2020)

Position	Name	Responsibilities at the Company
Representative Director President and CEO	Masahiko Uotani	Chair of the Board Member of Nomination Advisory Committee Member of Remuneration Advisory Committee CEO, Japan Region Representative Director, Chair and President of Shiseido Japan Co., Ltd. Chair of Global Risk Management & Compliance Committee
Representative Director Executive Vice President	Yoichi Shimatani	Chief Innovation Officer Assisting the CEO in general corporate management Member of Global Risk Management & Compliance Committee Member of HQ/SJ Compliance Committee
Director Executive Corporate Officer	Jun Aoki	Chief Social Value Creation Officer Assisting the CEO in general corporate management Social Value Creation, Facility Management, Global Professional Business
External Director <Independent>	Yoko Ishikura	Chair of Nomination Advisory Committee Member of Remuneration Advisory Committee
External Director <Independent>	Shinsaku Iwahara	Member of Nomination Advisory Committee Member of Remuneration Advisory Committee
External Director <Independent>	Kanoko Oishi	Chair of Remuneration Advisory Committee Member of Nomination Advisory Committee
Audit & Supervisory Board Member (Full-time)	Takeshi Yoshida	Observer of Global Risk Management & Compliance Committee Observer of HQ/SJ Compliance Committee
Audit & Supervisory Board Member (Full-time)	Akiko Uno	Observer of Global Risk Management & Compliance Committee Observer of HQ/SJ Compliance Committee
External Audit & Supervisory Board Member <Independent>	Yasuko Gotoh	—
External Audit & Supervisory Board Member <Independent>	Hiroshi Ozu	—
External Audit & Supervisory Board Member <Independent>	Eiko Tsujiyama	—

Notes:

1. There are six directors and five audit & supervisory board members as of December 31, 2019, of which six are male and five are female.
2. Ms. Yoko Ishikura, Mr. Shinsaku Iwahara and Ms. Kanoko Oishi are external directors as provided in Item 15 of Article 2 of the Companies Act of Japan.
3. Ms. Yasuko Gotoh, Mr. Hiroshi Ozu and Dr. Eiko Tsujiyama are external audit & supervisory board members as provided in Item 16 of Article 2 of the Companies Act of Japan.
4. The Company has designated Ms. Yoko Ishikura, Mr. Shinsaku Iwahara, Ms. Kanoko Oishi, Ms. Yasuko Gotoh, Mr. Hiroshi Ozu and Dr. Eiko Tsujiyama as independent directors/audit & supervisory board members as prescribed in Article 436-2 of the Securities Listing Regulations of the Tokyo Stock Exchange. All of these external directors and audit & supervisory board members (collectively the "External Directors and Audit & Supervisory Board Members") meet the Company's "Criteria for Independence of External Directors and Audit & Supervisory Board Members" (Please refer to "Criteria for Independence of External Directors and Audit & Supervisory Board Members," posted as items voluntarily disclosed relating to business report on our corporate information website: INVESTORS / General Meeting of Shareholders (https://corp.shiseido.com/en/ir/shareholder/)) and have sufficient independency.
5. Full-time audit & supervisory board member Ms. Akiko Uno and external audit & supervisory board member Ms. Yasuko Gotoh were newly elected at the 119th ordinary general meeting of shareholders of the Company held on March 26, 2019, and assumed office on the same date. All directors were reelected at the same meeting and reassumed office.
6. Full-time audit & supervisory board member Mr. Takeshi Yoshida has had experience as the director of the Internal Audit Department of the Company, and has respectable knowledge in finance and accounting. Ms. Yasuko Gotoh, the external audit & supervisory board member, has experience as Director, Audit and Supervisory Committee Member after leading the Finance & Accounting Department as the Managing Director and CFO of Kyushu Railway Company, and has knowledge in finance and accounting. In addition, Dr. Eiko Tsujiyama, external audit & supervisory board member, was a professor at the Faculty of Commerce, Waseda University until April 2018 and currently is an emeritus professor of the university. She is an expert in finance, accounting and tax issues qualified as a certified public accountant, and has respectable knowledge in finance and accounting.

(5) Matters Concerning Important Position at Other Organizations Concurrently Assumed by Directors and Audit & Supervisory Board Members

Position	Name	Important Position at Other Organizations Concurrently Assumed
External Director	Yoko Ishikura	Outside Director of SEKISUI CHEMICAL CO., LTD. Outside Director of NISSIN FOODS HOLDINGS CO., LTD.
External Director	Shinsaku Iwahara	Professor, Faculty of Law, Waseda University
External Director	Kanoko Oishi	CEO of MEDIVA Inc. CEO of Seeds 1 Co., Ltd. Outside Director of Ezaki Glico Co., Ltd. Outside Director of Santen Pharmaceutical Co., Ltd.
External Audit & Supervisory Board Member	Yasuko Gotoh	Outside Auditor & Supervisory Board member of DENSO CORPORATION Director, Audit and Supervisory Committee Member of Kyushu Railway Company
External Audit & Supervisory Board Member	Hiroshi Ozu	Director, Ozu Law Office (Attorney) External Audit & Supervisory Board Member of MITSUI & CO., LTD. Outside Audit & Supervisory Board Member of Toyota Motor Corporation Representative Director of Shimizu Scholarship Foundation (general incorporated foundation) President of Criminal Justice Welfare Forum Oasis (general incorporated association) President of Japan Criminal Policy Society
External Audit & Supervisory Board Member	Eiko Tsujiyama	Emeritus Professor of Waseda University Certified Public Accountant Outside Director of ORIX Corporation Outside Corporate Auditor of Lawson, Inc. Outside Audit & Supervisory Board Member of NTT DOCOMO, INC.

Notes:

1. The Company has established “Criteria for Important Concurrent Positions.” The above information is provided in accordance with the criteria. The criteria are posted as items voluntarily disclosed relating to the business report on our corporate information website: INVESTORS / General Meeting of Shareholders (https://corp.shiseido.com/en/ir/shareholder/).
2. External director Ms. Yoko Ishikura retired as Outside Director of NISSIN FOODS HOLDINGS CO., LTD. in June 2019.
3. External audit & supervisory board member Ms. Yasuko Gotoh retired as Director, Audit and Supervisory Committee Member of Kyushu Railway Company in June 2019.

(6) Outline of Execution of Liability Limitation Agreements

The Company established provisions in the Articles of Incorporation enabling the Company to enter into an agreement with external directors and external audit & supervisory board members limiting their liability for compensation of damages through a resolution at the 106th ordinary general meeting of shareholders held on June 29, 2006 for the purpose of inducing external directors and external audit & supervisory board members to fully perform expected roles and enabling the Company to invite competent personnel.

Pursuant to these provisions the Company concluded such an agreement with all of the six external directors and audit & supervisory board members under which his/her liability for compensation of damages shall be limited to the minimum limited liability provided in the laws and regulations.

At present, the Company has no specific need to conclude liability limitation agreements with non-executive directors other than external directors, or audit & supervisory board members other than external audit & supervisory board members. Therefore, the Company has not amended the

Articles of Incorporation to change the scope of those with whom it may conclude liability limitation agreements.

(7) Important Position at Other Organizations Concurrently Assumed by External Directors and Audit & Supervisory Board Members and Relationships between Such Organizations and the Company

	Concurrent Position at Other Organizations	Relationships Between Such Organizations and the Company				
		Transaction Matter, etc.	Vendor, Recipient of Supporting Money, etc.	Purchaser, Provider of Supporting Money, etc.	Percentage of Transaction Value	Value for Comparison
External Director Yoko Ishikura	Outside Director of SEKISUI CHEMICAL CO., LTD.	Raw materials, etc.	SEKISUI CHEMI-CAL Group	Shiseido Group	Less than 1%	Total amount of cost of sales and selling, general and administrative expenses of the Company on a consolidated basis for the fiscal year ended December 31, 2019
					Less than 1%	Consolidated net sales of SEKISUI CHEMICAL CO., LTD. for the fiscal year ended March 31, 2019
	Outside Director of NISSIN FOODS HOLDINGS CO., LTD.	The Company has no special relationships of interest with NISSIN FOODS HOLDINGS CO., LTD.				
External Director Shinsaku Iwahara	Professor of Faculty of Law, Waseda University	The Company is engaged in joint studies, etc. on beauty and health with Waseda University. Mr. Shinsaku Iwahara is not involved in these joint studies.				
External Director Kanoko Oishi	CEO of MEDIVA Inc.	Outsourcing business, etc.	MEDIVA Group	Shiseido Group	Less than 1%	Total amount of cost of sales and selling, general and administrative expenses of the Company on a consolidated basis for the fiscal year ended December 31, 2019
					Less than 1%	Net sales of MEDIVA Inc. for the fiscal year ended December 31, 2019
	CEO of Seeds 1 Co., Ltd.	The Company has no special relationships of interest with Seeds 1 Co., Ltd.				
	Outside Director of Ezaki Glico Co., Ltd.	Snacks, etc. (mail order)	Ezaki Glico Group	Shiseido Group	Less than 1%	Total amount of cost of sales and selling, general and administrative expenses of the Company on a consolidated basis for the fiscal year ended December 31, 2019
					Less than 1%	Consolidated net sales of Ezaki Glico Co., Ltd. for the fiscal year ended March 31, 2019
	Outside Director of Santen Pharmaceutical Co., Ltd.	The Company has no special relationships of interest with Santen Pharmaceutical Co., Ltd.				
External Audit & Supervisory Board Member Yasuko Gotoh	Outside Auditor & Supervisory Board member of DENSO CORPORATION	The Company has no special relationships of interest with DENSO CORPORATION.				
	Director, Audit and Supervisory Committee Member of Kyushu Railway Company	Usage charges for logistics center, etc.	Kyushu Railway Company Group	Shiseido Group	Less than 1%	Total amount of cost of sales and selling, general and administrative expenses of the Company on a consolidated basis for the fiscal year ended December 31, 2019
					Less than 1%	"Operating Revenues" of Kyushu Railway Company on a consolidated basis for the fiscal year ended March 31, 2019
		Cosmetics, etc.	Shiseido Group	Kyushu Railway Company Group	Less than 1%	Consolidated net sales of the Company for the fiscal year ended December 31, 2019
					Less than 1%	"Transportation, other services and cost of sales" of Kyushu Railway Company on a consolidated basis for the fiscal year ended March 31, 2019

	Concurrent Position at Other Organizations	Relationships Between Such Organizations and the Company				
		Transaction Matter, etc.	Vendor, Recipient of Supporting Money, etc.	Purchaser, Provider of Supporting Money, etc.	Percentage of Transaction Value	Value for Comparison
External Audit & Supervisory Board Member Hiroshi Ozu	Director, Ozu Law Office (Attorney)	The Company has no special relationships of interest with Ozu Law Office.				
	External Audit & Supervisory Board Member of MITSUI & CO., LTD.	Outsourcing business, etc.	MITSUI & CO. Group	Shiseido Group	Less than 1%	Total amount of cost of sales and selling, general and administrative expenses of the Company on a consolidated basis for the fiscal year ended December 31, 2019
					Less than 1%	Total revenue of MITSUI & CO., LTD. on a consolidated basis for the fiscal year ended March 31, 2019
	Outside Audit & Supervisory Board Member of TOYOTA MOTOR CORPORATION	Office rent, etc.	TOYOTA Group	Shiseido Group	Less than 1%	Total amount of cost of sales and selling, general and administrative expenses of the Company on a consolidated basis for the fiscal year ended December 31, 2019
					Less than 1%	Total net revenues of TOYOTA MOTOR CORPORATION on a consolidated basis for the fiscal year ended March 31, 2019
	Representative Director of Shimizu Scholarship Foundation (general incorporated foundation)	The Company has no special relationships of interest with Shimizu Scholarship Foundation (general incorporated foundation).				
	President of Criminal Justice Welfare Forum Oasis (general incorporated association)	The Company has no special relationships of interest with Criminal Justice Welfare Forum Oasis (general incorporated association).				
	President of Japan Criminal Policy Society (general incorporated foundation)	The Company has no special relationships of interest with Japan Criminal Policy Society. (general incorporated foundation)				

	Concurrent Position at Other Organizations	Relationships Between Such Organizations and the Company				
		Transaction Matter, etc.	Vendor, Recipient of Supporting Money, etc.	Purchaser, Provider of Supporting Money, etc.	Percentage of Transaction Value	Value for Comparison
External Audit & Supervisory Board Member Eiko Tsujiyama	Emeritus Professor of Waseda University	The Company is engaged in joint studies, etc. on beauty and health with Waseda University. Dr. Eiko Tsujiyama is not involved in these joint studies.				
	Outside Director of ORIX Corporation	Office rent, etc.	ORIX Group	Shiseido Group	Less than 1%	Total amount of cost of sales and selling, general and administrative expenses of the Company on a consolidated basis for the fiscal year ended December 31, 2019
					Less than 1%	Total revenue of ORIX Corporation on a consolidated basis for the fiscal year ended March 31, 2019
	Outside Corporate Auditor of LAWSON, INC.	Raw materials, etc.	LAWSON Group	Shiseido Group	Less than 1%	Total amount of cost of sales and selling, general and administrative expenses of the Company on a consolidated basis for the fiscal year ended December 31, 2019
					Less than 1%	Net sales of LAWSON, INC. on a consolidated basis for the fiscal year ended February 28, 2019
		Cosmetics, etc.	Shiseido Group	LAWSON Group	Less than 1%	Consolidated net sales of the Company for the fiscal year ended December 31, 2019
					Less than 1%	Consolidated cost of sales of LAWSON, INC. for the fiscal year ended February 28, 2019
	Outside Audit & Supervisory Board Member of NTT DOCOMO, INC.	Telecommu-nication services, etc.	NTT DOCO-MO Group	Shiseido Group	Less than 1%	Total amount of cost of sales and selling, general and administrative expenses of the Company on a consolidated basis for the fiscal year ended December 31, 2019
					Less than 1%	Total amount of operating revenues of NTT DOCOMO, INC. on a consolidated basis for the fiscal year ended March 31, 2019

Notes:

1. This table indicates important positions at other organizations concurrently assumed by external directors and external audit & supervisory board members, and the existence of relationships with the Company. Where transactions exist between such organizations and the Company, the table is intended to indicate that the transactions are minimal in terms of scale, and where transactions exist that are in competition with organizations in which positions are concurrently assumed, the table is intended to indicate that the transactions have no negative impact on the interests of shareholders.
2. In the table, the name of the company group at which the external director and audit & supervisory board member holds a concurrent position includes that company itself, as well as parent companies, consolidated subsidiaries, equity-method affiliates, etc. whose names are listed under the “Information on Affiliates” in “1. Overview of the Company” of “Part I. Information on the Company” in the Securities Report submitted by that company in the immediately preceding business year; similarly, “the Shiseido Group” includes Shiseido Co., Ltd, as well as parent companies, consolidated subsidiaries, and equity-method affiliates whose names are listed under the “Information on Affiliates” in “1. Overview of the Company” of “Part I. Information on the Company” in the Securities Report submitted in the immediately preceding business year.
3. The Company has established “Criteria for stating the relationship between the Company and the organizations in which the Company’s External Director holds “Important Concurrent Positions.” The above information is provided in accordance with the criteria. The criteria are posted as items voluntarily disclosed relating to business report on our corporate information website: INVESTORS / General Meeting of Shareholders (https://corp.shiseido.com/en/ir/shareholder/)
4. External director Ms. Yoko Ishikura retired as Outside Director of NISSIN FOODS HOLDINGS CO., LTD. in June 2019.
5. External audit & supervisory board member Ms. Yasuko Gotoh retired as Director, Audit and Supervisory Committee Member of Kyushu Railway Company in June 2019.

(8) Other Main Activities of External Directors and External Audit & Supervisory Board Members

Position	Name	Major Activities
External Director	Yoko Ishikura	Ms. Ishikura attended 20 out of 20 Board of Directors meetings (Attendance rate: 100%). She made remarks from a broad standpoint of international corporate strategies and diversity as necessary and fulfilled a supervisory function in regard to the management. She also served as Chair of the Nomination Advisory Committee and a member of the Remuneration Advisory Committee.
External Director	Shinsaku Iwahara	Mr. Iwahara attended 20 out of 20 Board of Directors meetings (Attendance rate: 100%). Based on his knowledge in the area of the capital market, finance industry and corporate governance, in addition to his legal knowledge as a university professor specializing in legal studies, he made remarks as necessary and fulfilled a supervisory function in regard to the management. Also, he served as a member of the Nomination Advisory Committee and a member of the Remuneration Advisory Committee.
External Director	Kanoko Oishi	Ms. Oishi attended 20 out of 20 Board of Directors meetings (Attendance rate: 100%). She made remarks as necessary based on her experiences and knowledge gained through her career in the business management inside and outside Japan as well as from a standpoint of active manager who is pushing forward patient-centered transformation of the medical industry, and fulfilled a supervisory function in regard to the management. She also served as Chair of the Remuneration Advisory Committee and a member of the Nomination Advisory Committee.
External Audit & Supervisory Board Member	Yasuko Gotoh	Since assuming the office of external audit & supervisory board member in March 2019, Ms. Gotoh attended 16 out of 16 Board of Directors meetings (Attendance rate: 100%) and 11 out of 11 Audit & Supervisory Board meetings (Attendance rate: 100%). Based on her experiences as a public employee inside and outside Japan and her experiences and knowledge gained through her career in charge of the business operation of a listed company, she made remarks as necessary and fulfilled an auditing function.
External Audit & Supervisory Board Member	Hiroshi Ozu	Mr. Ozu attended 19 out of 20 Board of Directors meetings (Attendance rate: 95%) and 15 out of 15 Audit & Supervisory Board meetings (Attendance rate: 100%). Based on his experience and knowledge mainly in the area of legal affairs, he made remarks as necessary and fulfilled an auditing function.
External Audit & Supervisory Board Member	Eiko Tsujiyama	Dr. Tsujiyama attended 20 out of 20 Board of Directors meetings (Attendance rate: 100%) and 15 out of 15 Audit & Supervisory Board meetings (Attendance rate: 100%). Based on her experience and knowledge in finance, accounting and tax issues, she made remarks as necessary and fulfilled an auditing function.

Note: The average attendance rate of three external directors, that of three directors excluding external directors, and that of all six directors at the Board of Directors meetings, are all 100%. In addition, the average attendance rate of the four external audit & supervisory board members, that of the three full-time audit & supervisory board members, and that of all seven audit & supervisory board members at the Board of Directors meetings is 98.3%, 97.5%, and 98.0%, respectively. The average attendance rate of all directors and audit & supervisory board members at the Board of Directors meetings is 99.0%. The attendance rate of audit & supervisory board members noted herein is calculated, including those who retired after the conclusion of the General Meeting of Shareholders held in March 2019.

(9) Name, Position and Responsibilities for Corporate Officers Who Do Not Serve as Director

Position	Name	Responsibilities	
		As of December 31, 2019	As of January 1, 2020
Executive Corporate Officer	Shigekazu Sugiyama	CEO, Japan Region Representative Director, President, Shiseido Japan Co., Ltd. Member of Global Risk Management & Compliance Committee Member of HQ/SJ Compliance Committee	Assisting the Japan Region CEO Representative Director, Vice Chair, Shiseido Japan Co., Ltd. Member of Global Risk Management & Compliance Committee Member of HQ/SJ Compliance Committee
Executive Corporate Officer	Norio Tadakawa	Chief Supply Network Officer SN* Strategy, Supply & Purchasing, Global Initiative, Demand & Supply Planning, Logistics, Production, Factories, Nasu Factory Establishment Member of Global Risk Management & Compliance Committee Member of HQ/SJ Compliance Committee	Chief Supply Network Officer SN Strategy, SN Fundamental Development, Logistics, Production, Purchasing, Global Brands S&OP*, Demand & Supply Planning, Factories Member of Global Risk Management & Compliance Committee Member of HQ/SJ Compliance Committee
Corporate Officer	Jean-Philippe Charrier	CEO, Asia Pacific Region President, Shiseido Asia Pacific Pte. Ltd. Member of Global Risk Management & Compliance Committee	–
Corporate Officer	Michael Coombs	Chief Financial Officer Strategic Finance, Financial Accounting, Investor Relations, Business Development Member of Global Risk Management & Compliance Committee	Chief Financial Officer Strategic Finance, Financial Accounting, Investor Relations, Business Transformation Member of Global Risk Management & Compliance Committee
Corporate Officer	Kentaro Fujiwara	CEO, China Region Chair and President, Shiseido China Co., Ltd. Member of Global Risk Management & Compliance Committee	CEO, China Region Chair and President, Shiseido China Co., Ltd. Member of Global Risk Management & Compliance Committee
Corporate Officer	Katharina Höhne	Senior Vice President, Global Professional Business	–
Corporate Officer	Kiyomi Horii	Chief Beauty Strategy Officer Member of HQ/SJ Compliance Committee	Chief Beauty Strategy Officer Member of HQ/SJ Compliance Committee
Corporate Officer	Mitsuru Kameyama	Chief Information Technology Officer Global ICT*, Information Security	–
Corporate Officer	Yoshiaki Okabe	Chief Brand Officer, brand *SHISEIDO*, Global Prestige Brands *SHISEIDO* Brand	Chief Brand Officer, brand *SHISEIDO*
Corporate Officer	Yoshihiro Shiojima	Chief Quality Officer Quality Management, Regulatory Strategy, Executive & External Relations	Chief Quality Officer Quality Management, Executive & External Relations
Corporate Officer	Yukari Suzuki	Chief Brand Officer, *Clé de Peau Beauté*, Global Prestige Brands *Clé de Peau Beauté* Brand	Chief Brand Officer, *Clé de Peau Beauté*, *IPSA*, *THE GINZA*
Corporate Officer	Naomi Yamamoto	Chief Creative Officer Creative, Beauty Creation, Social Value Creation	Chief Creative Officer Creative, Beauty Creation, Social Value Creation

Position	Name	Responsibilities	
		As of December 31, 2019	As of January 1, 2020
Corporate Officer	Terufumi Yorita	Chief Legal Officer Legal & Governance, Risk Management Chair of HQ/SJ Compliance Committee Member of Global Risk Management & Compliance Committee	Chief Legal Officer Legal & Governance, Risk Management Chair of HQ/SJ Compliance Committee Member of Global Risk Management & Compliance Committee
Corporate Officer	Katsunori Yoshida	Chief Product Development Officer Cosmetics R&D, Package Development, Process Engineering Development	Chief Product Innovation Officer Incubation, Packaging Innovation, Cosmetics R&I, Process Engineering Innovation

* SN: Supply Network

* ICT: Information & Communication Technology

* S&OP: Sales & Operation

Notes:

1. Corporate officers who retired on December 31, 2019 are as follows:

Position	Name	Date of Retirement
Corporate Officer	Jean-Philippe Charrier	December 31, 2019
Corporate Officer	Katharina Höhne	December 31, 2019
Corporate Officer	Mitsuru Kameyama	December 31, 2019

2. Mr. Kentaro Fujiwara and Ms. Yukari Suzuki were promoted to executive corporate officer on January 1, 2020.

3. Corporate officers who were newly appointed on January 1, 2020 are as follows:

Position	Name	Responsibilities
Corporate Officer	Hiromi Anno	Chief Public Relations Officer Global Public Relations
Corporate Officer	Mika Inoue	Chief Regulatory Officer GIC* Transformation Leader Intellectual Property, GIC Integrated Operations, Regulatory Strategy, Cosmetics Technical Information Innovation
Corporate Officer	Akihiro Miura	SN Strategy, SN Fundamental Development, Logistics, Production
Corporate Officer	Minoru Nakamura	Chief People Officer Chief Wellness Officer Human Resources Member of Global Risk Management & Compliance Committee Member of HQ/SJ Compliance Committee
Corporate Officer	Atsunori Takano	Chief Information Technology Officer Global ICT, Information Security
Corporate Officer	Toshinobu Umetsu	Chief Strategy Officer Corporate Strategy, Consumer & Market Intelligence, Business Development Member of Global Risk Management & Compliance Committee

* GIC: Global Innovation Center

(10) Remuneration, etc. to Directors and Audit & Supervisory Board Members

1) Basic Philosophy and Overview of the Remuneration, etc. to Directors and Corporate Officers of the Company

The Company regards the directors and corporate officers remuneration policy (remuneration policy for the directors who concurrently serve as the corporate officers, as well as the corporate officers) as an important matter for corporate governance. For this reason, in accordance with the following basic philosophy, the directors, audit & supervisory board members and corporate officers remuneration policy of the Company is deliberated in the Remuneration Advisory Committee chaired by external directors by incorporating objective points of view, and the outcome is reported to the Board of Directors for the resolution.

■ **Basic philosophy and policy of the remuneration to directors and corporate officers**

The remuneration policy to directors and corporate officers shall:

1. contribute to realizing the corporate mission;
2. be designed to provide the amount of remuneration commensurate with the Company's capability to secure and maintain superior personnel;
3. be designed to reflect the Company's medium- to-long-term business strategy, and designed to strongly motivate directors, audit & supervisory board members and corporate officers to bring medium- to-long-term growth;
4. have a mechanism incorporated to prevent overemphasis on short-term views and wrongdoing; and
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.

The remuneration of the directors, audit & supervisory board members and corporate officers comprises basic remuneration and performance-linked remuneration, and the Company sets remuneration levels by making comparisons with companies in the same industry or of the same scale in Japan and overseas and by taking the Company's financial condition into consideration.

External directors and audit & supervisory board members receive only basic remuneration, as fluctuating remuneration such as performance-linked remuneration is inconsistent with their supervisory functions from a stance independent from business execution. Meanwhile, the Company abolished its officers' retirement benefit plan as of June 29, 2004 on which the 104th ordinary general meeting of shareholders was held.

2) Amount of Remuneration, etc. to Directors and Audit & Supervisory Board Members for the Fiscal Year Ended December 31, 2019

(Millions of yen)

	Basic Remuneration	Bonus	Former Long-Term Incentive (Stock Option)	Long-Term Incentive (Stock Compensation)	Total
Directors (6 persons)	286	130	189	122	729
External Directors Among Directors (3 persons)	45	—	—	—	45
Audit & Supervisory Board Members (7 persons)	104	—	—	—	104
External Audit & Supervisory Board Members among Audit & Supervisory Board Members (4 persons)	39	—	—	—	39
Total	391	130	189	122	834

Notes:

1. The total amount of the basic remuneration and bonus 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. 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.
2. The bonuses of directors for fiscal 2019 indicated above represent the amounts that will be paid upon the resolution of the Board of Directors based on the resolution of the ordinary general meeting of shareholders, as stated in note 1.
3. The amount of former long-term incentive-type remuneration (stock options) for directors indicated above represents the total amount of expenses associated with the stock options (stock acquisition rights) recorded for the fiscal year ended December 31, 2019, upon the approval of the ordinary general meeting of shareholders, in consideration of duties executed by directors.
4. The amount of long-term incentive-type remuneration (stock compensation) indicated above represents the total amount of the expenses recognized for the fiscal year ended December 31, 2019, on the performance-linked stock compensation (performance share units), upon the approval of the ordinary general meeting of shareholders, in consideration of duties executed by directors.
5. In addition to the above payments, other remuneration of ¥8 million was recorded for the fiscal year ended December 31, 2019 as expenses associated with stock options granted to two directors of the Company, at the time the directors served as corporate officers not holding the office of directors.
6. None of the directors or the audit & supervisory board members will be paid remuneration other than described above (including that described in notes 1. through 5.).

3) Amounts of Remuneration, etc. to Representative Directors and Directors Whose Total Amount of Remuneration, etc. Exceeded ¥100 Million for the Fiscal Year Ended December 31, 2019

(Millions of yen)

	Basic Remuneration	Bonus	Former Long-Term Incentive (Stock Option)	Long-Term Incentive (Stock Compensation)	Total
Masahiko Uotani, Representative Director	153	99	157	89	500
Yoichi Shimatani Representative Director	42	14	23	15	96

Notes:

1. The bonuses of directors for fiscal 2019 indicated above represent the amounts that will be paid upon the resolution of the Board of Directors based on the resolution of the ordinary general meeting of shareholders, as stated in note 1. of 2) Amount of Remuneration, etc. to Directors and Audit & Supervisory Board Members for the Fiscal Year Ended December 31, 2019.
2. The amount of former long-term incentive-type remuneration (stock options) for directors indicated above represents the total amount of expenses associated with the stock options (stock acquisition rights) recorded for the fiscal year ended December 31, 2019, upon the approval of the ordinary general meeting of shareholders, in consideration of duties executed by directors.
3. The amount of long-term incentive-type remuneration (stock compensation) indicated above represents the total amount of the expenses recognized for the fiscal year ended December 31, 2019, on the performance-linked stock compensation (performance share units), upon the approval of the ordinary general meeting of shareholders, in consideration of duties executed by directors.
4. In addition to the above payments, there is other remuneration of ¥3 million recorded for the fiscal year ended December 31, 2019 as expenses associated with stock options granted to Representative Director Yoichi Shimatani at the time he served as corporate officer not holding the office of director.
5. None of the two directors above will be paid remuneration other than described above (including that described in notes 1. through 4.).

4) Performance-linked targets, actual performance and payment percentage, etc. of annual bonuses paid to directors excluding external directors

(Billions of yen)

Performance Evaluation Indicators	Fluctuation Range of Payment Percentage	Targets for Payment Factor at 100%	Actual Performance	Achievement Rate	Payment Factor Calculated Based on the Target Achievement Rate
Consolidated Net Sales	0%–200%	1,172.0	1,131.5	96.5%	76% (Note 4.)
Consolidated Operating Profit		120.0	113.8	94.8%	113% (Note 4.)
Net Profit Attributable to Owners of Parent	–	(Note 1.)	73.6	–	Not subject to lowering of the payment amount percentage
Performance of Business in Charge	0%–200%	No one eligible (Note 2.)	No one eligible	No one eligible	No one eligible
Personal Performance Evaluation		(Note 3.)	–	–	113.3% (Average)

Total payment rate	108.6%

Notes:

1. With regard to net profit attributable to owners of parent, the Remuneration Advisory Committee has set a threshold to consider lowering the percentage amount of payment calculated based on the whole group performance (consolidated net sales and consolidated operating profit) in the event of the amount of consolidated net profit below a predetermined level. The threshold for the fiscal year ended December 31, 2019 was net profit attributable to owners of parent of ¥37.75 billion.
2. Key performance evaluation indicators such as net sales, profits and cost indices, etc. are set to measure performance of respective business.
3. Each individual's priority targets are set in personal performance evaluation considering not only a single fiscal year performance but also initiatives to realize long-term strategies that reflect management approach and Corporate Philosophy, such as improvement in organizational skills.
4. With regard to consolidated net sales and consolidated operating profit, in the calculation of the payment factor, adjustments are made to exclude effects, such as purchase/sale of businesses or brands occurring during the period and significant changes in the geopolitical risk status, in order to compare targets set at the beginning of the period and actual performance for the fiscal year in the practically same situation. The adjustment amount is reduced from the actual performance when an item subject to adjustment affects consolidated net sales and consolidated operating profit positively, while the adjustment amount is added

when such an item affects them negatively. Specific items subject to adjustment and their amount of reduction or addition are determined by the Board of Directors through adequate deliberations. In addition, similar adjustments are made in the calculation of bonus paid to employees in Japan.

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

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

From fiscal 2018 through fiscal 2020, the Company will hasten growth by creating a virtuous cycle while continuing to pursue structural reforms, and will accordingly design the remuneration scheme to place more focus on the notion of "pay linked to the corporate mission," which constitutes a step beyond the notion of "pay for performance" whereby remuneration paid to an officer reflects his or her accomplishments. Under the notion of "pay linked to the corporate mission," the Company evaluates the extent to which long-term strategies reflecting its management approach and Corporate Philosophy have been achieved, in addition to considering net sales, operating profit, and other quantitative financial results.

Furthermore, given that the Company has achieved some of its financial targets set forth in its VISION 2020 quantitative targets three years ahead of schedule, in 2018, it set new long-term targets of consolidated net sales of ¥2 trillion and consolidated operating profit of ¥300.0 billion, geared to further achieving sustainable growth over the long run with its sights set on goals further off into the future. As such, the Company has introduced performance-linked stock remuneration as a long-term incentive-type remuneration (LTI), wherein performance share units replace the previous stock compensation-type stock options, since fiscal 2019.

■ The Proportion of Remuneration for Directors Eligible for the Payment by Remuneration Type and Rank as Corporate Officer

Rank as Corporate Officer	Composition of Remuneration for Directors and Corporate Officers			
	Basic Remuneration	Performance-linked Remuneration		Total
		Annual Bonus	Long-Term Incentive-Type Remuneration	
President and CEO	46%	27%	27%	100%
Executive Vice President	54%–56%	22%–23%	22%–23%	
Executive Corporate Officer	54%–60%	20%–23%	20%–23%	
Corporate Officer	56%–64%	18%–22%	18%–22%	

Notes:

1. In this model, the basic remuneration amount is the median of the applicable role grade, and the amount paid for performance-linked remuneration is based on 100% of a reference amount determined by the Company. The proportions stated above may change depending on changes in the Company's performance and changes in the share price.
2. There is no difference in the proportion of remuneration by remuneration type applied to directors based on whether a director has a representation right or otherwise.
3. Because different remuneration tables will be applied depending on the role grade of respective directors and corporate officers, proportions of remuneration by remuneration type will vary even within a same rank.
4. A fixed amount of remuneration separately provided in accordance with roles such as Chair of the Board is not included in the table.

■ Basic remuneration

The Company designs basic remuneration in accordance with role grades based on the size and level of responsibility of respective officers in charge, as well as the impact on business management of the Group. In addition, within a same grade, an increase of the amount is allowed

within a certain range in accordance with the performance of respective directors or corporate officers in the previous fiscal year (numerical business performance and personal performance evaluation). These allow the Company to ensure well-modulated basic remuneration as well, commensurate with the achievements of respective directors and corporate officers.

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

■ Performance-linked remuneration

The performance-linked remuneration consists of an "annual bonus" provided as an incentive for achieving goals of single fiscal years, 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 achieve the goals over the medium to long term. Accordingly, it is designed to motivate the directors and corporate 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.

Given that new long-term goals have been set, the Company has introduced a long-term incentive-type remuneration (LTI) since fiscal 2019 to replace the stock compensation-type stock options that the Company provided up to and through fiscal 2018.

■ Annual bonus

Of the performance-linked remuneration, the Company has set evaluation items for the annual bonus in accordance with the scope that respective directors and corporate officers are in charge of as described in the table below, in addition to the achievement rate of target consolidated net sales and consolidated operating profit as common performance indicators across directors and corporate officers, and the range of changes in the percentage amount of payment is set between 0% and 200%. Although it is essential that the entire management team remain aware of matters involving net 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 Remuneration Advisory Committee deliberation, the Company has preliminarily established certain performance standards (thresholds) as described in the table below, with the evaluation framework designed so that the Remuneration Advisory Committee will consider the possibility of lowering the percentage amount of the annual bonus payment attributable to the whole group performance component of the total annual bonus, if results fall below the thresholds. In determining the achievement rate of each target and threshold for consolidated net sales, consolidated operating profit and net profit attributable to owners of parent, actual performance may be corrected by resolution of the Board of Directors following deliberation by the Remuneration Advisory Committee. In cases where such corrections are made, it shall be stated in the disclosure materials of the actual remuneration of directors.

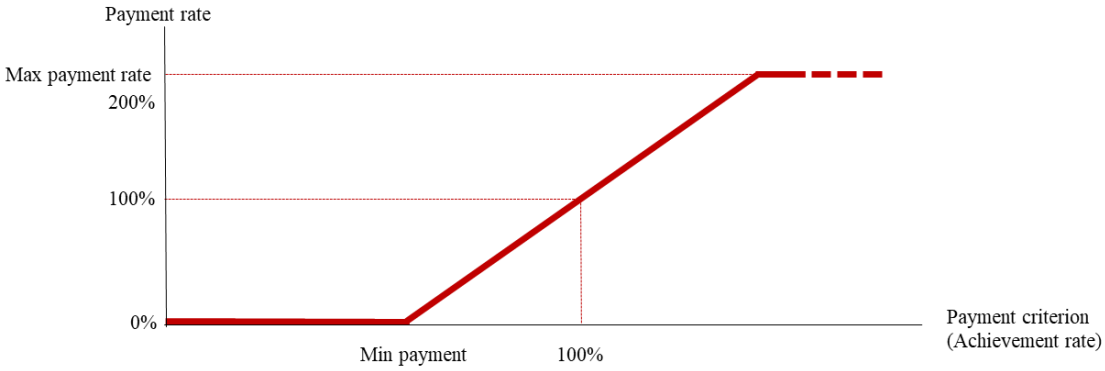
In addition, we set the individual performance evaluation of all directors and corporate officers in order to add the level of achievement regarding strategic goals that cannot be measured by the financial performance figures alone, such as efforts for restructuring of the business platform to realize sustainable growth, to evaluation criteria.

■ Performance indicators and evaluation weights for annual bonus

<table>
<tr><th rowspan="3">Evaluation Item</th><th rowspan="3">Performance Indicators</th><th colspan="8">Evaluation Weight</th></tr>
<tr><th colspan="2" rowspan="2">President and CEO</th><th colspan="4">Corporate Officers in Charge of Businesses</th><th colspan="2">Corporate Officers Other than Those in Charge of Businesses</th></tr>
<tr><th colspan="2">Regional Headquarters President</th><th colspan="2">Other</th><th colspan="2">CFO and Other</th></tr>
<tr><td rowspan="3">Whole Group Performance</td><td>Consolidated net sales</td><td>30%</td><td rowspan="2">70%</td><td>10%</td><td rowspan="2">20%</td><td>10%</td><td rowspan="2">20%</td><td>30%</td><td rowspan="2">70%</td></tr>
<tr><td>Consolidated operating profit</td><td>40%</td><td>10%</td><td>10%</td><td>40%</td></tr>
<tr><td>Net profit attributable to owners of parent</td><td colspan="8">If this amount ends up below the threshold, the Remuneration Advisory Committee will consider lowering the percentage amount of the payment attributable to the whole group performance component.</td></tr>
<tr><td>Performance of Business Unit in Charge</td><td>Business performance evaluation</td><td colspan="2">—</td><td colspan="2">50%</td><td colspan="2">50%</td><td colspan="2">—</td></tr>
<tr><td rowspan="2">Personal Performance Evaluation</td><td rowspan="2">Level of achievement of strategic goals set individually</td><td colspan="8">30%</td></tr>
<tr><td colspan="8">Setting no more than five priority objectives which contribute to realizing long-term strategies reflecting the Company’s management approach and Corporate Philosophy.</td></tr>
</table>

Note: There is no difference in the performance indicators and the weight of performance indicators applied to directors based on whether a director has a representation right or otherwise.

■ Model of annual bonus payment rate



■ Long-term incentive-type remuneration

In fiscal 2019, with the early achievement in part of the VISION 2020 targets, we overhauled the long-term incentive-type remuneration (LTI) so that it aligns with our long-term targets which have been newly set with our sights set on goals further off into the future. The current LTI has been given a more clearly distinctive role from that of the annual bonus by not using performance evaluation of single fiscal years. Accordingly, the LTI has been designed to instill motivation to create corporate value over the long term and establish a sense of common interests with the shareholders.

Specifically, we will instill motivation to create corporate value over the long term through annual payments of performance share units, a type of performance-linked stock remuneration.

■ **Purposes of introducing the LTI**

The LTI is adopted for the purposes of establishing effective incentives for creating and maintaining corporate value over the long term, and ensuring that the directors' interests consistently align with those of our shareholders. To such ends, the LTI will help:

i) promote efforts to create value by achieving our long-term vision and strategic goals,

ii) curb potential damage to the corporate value and maintain substantial corporate value over the long term,

iii) attract and retain talent capable of taking on leadership in business, and

iv) realize a "Global One Team" by fostering a sense of solidarity among management teams of the entire Shiseido Group and instill the consciousness of participating in the running of the Company.

Under the LTI, performance share units are adopted to act as a type of performance-linked stock compensation. With respect to the Company's performance share units, the Company will allot a reference share unit to each of the eligible parties once every fiscal year, and on each annual allotment, the number of fiscal years that the payment relates to shall be one fiscal year. To make such allotments, the Company shall establish multiple performance indicators whose evaluation period is for three years including the fiscal year related to the payment. The Company shall use the respective achievement ratios of each performance indicator to calculate the payment rate in a range from 50% to 150% after the end of the evaluation period, and it shall use the payment rate to increase or decrease the number of share units. The eligible parties shall be paid monetary remuneration claims and cash for the delivery of the shares of the Company's common stock of a number 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. The financial benefits ultimately gained by the eligible parties are linked not only to performance outcomes associated with the performance indicators, but also to the Company's share price. As such, the LTI substantially links the financial benefits with both performance and the Company's share price. Meanwhile, it features a fixed portion involving a set payment in addition to its performance-linked portion, thereby emphasizing the notion of consistently granting stock compensation to the eligible parties. 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.

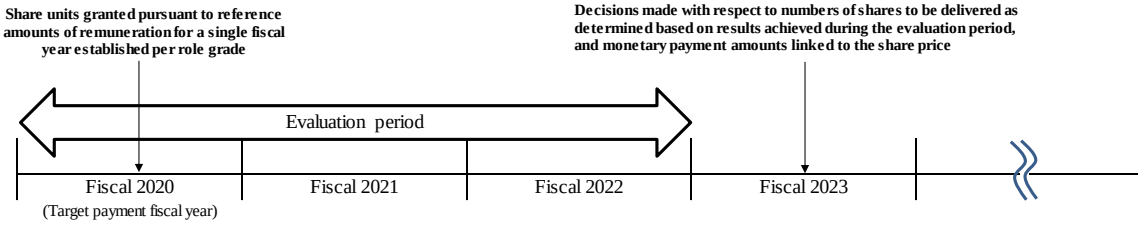
The performance indicators are determined by the Board of Directors upon the matter having been adequately deliberated on by the Remuneration Advisory Committee. As such, compound average growth rates (CAGR) of both consolidated net sales and consolidated operating profit, which are calculated with actual performance in FY2017 as the starting point, have been set as benchmarks to measure to economic corporate value. In addition, as benchmarks pertaining to social value, we have adopted multiple internal and external indicators pertaining to the environment, society and governance (ESG) with special emphasis placed on the area of "empowered beauty," in which we aim to achieve our notion of beauty innovation through providing support to others. Moreover, the performance indicators now also include consolidated return on equity (ROE) which acts as an important benchmark for measuring corporate value from the perspective of establishing a sense of common interests with our shareholders.

Among the performance indicators, we have set target values and minimum values for each of the CAGR values for consolidated net sales and consolidated operating profit. Accordingly, the Company will apply the maximum percentage amount of payment attributable to each of the indicators in the event that the target values are achieved, and the Company does not make payment of the performance-linked portion with respect to each of those indicators in the event that performance falls short of the minimum values. As for the environmental, social and governance (ESG) indicators, upon having determined whether each of the multiple benchmarks have been achieved or not, we will set the maximum percentage amount of payment attributable to each of the benchmarks in the event that the targets have been achieved, and will not make payment of the performance-linked portion with respect to each of the benchmarks in the event that the targets have not been achieved. In terms of consolidated return on equity (ROE), as we deem it necessary to ensure that our focus on that benchmark doesn't excessively impede our active efforts with respect to investing in future growth and resolving challenges with our sights set on achieving

long-term growth, we will set preliminary ROE targets at certain thresholds per deliberations carried out in that regard by the Remuneration Advisory Committee, and the committee will then discuss the notion of lowering the percentage amount of payment of the performance-linked portion in the event that consolidated ROE falls below such thresholds.

In addition, the LTI is designed with a view to the notion of extending payment to CEO and other management teams at regional headquarters outside of Japan in the future, with the aim of realizing a "Global One Team" by fostering a sense of solidarity among management teams around the world and promoting a participatory approach to business.

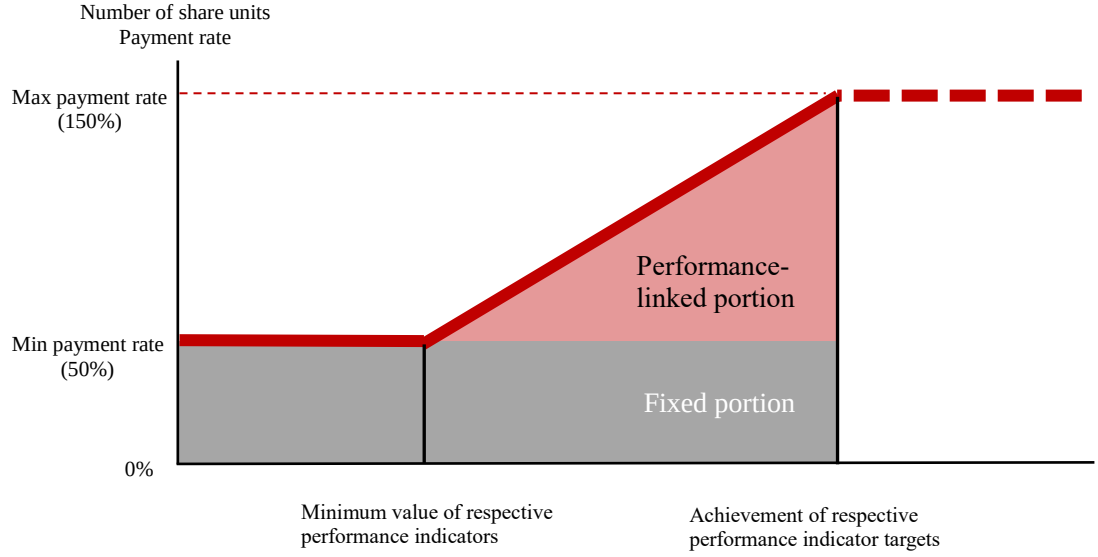
■ LTI schedule



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

Evaluation Item	Performance Indicators	Evaluation Weight	
Economic Value	Consolidated net sales compound average growth rate (CAGR)	45%	100%
	Consolidated operating profit compound average growth rate (CAGR)	45%	
Social Value	Multiple internal and external indicators related to environment, society and governance (ESG) with focus on the area of "empowered beauty"	10%	
Economic Value	Consolidated ROE (return on equity)	If this ends up below the threshold, the Remuneration Advisory Committee will consider lowering the percentage amount of the payment attributable to the performance-linked portion.	

■ Model for number of share units/payment rate for the LTI



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

In the Company's directors and corporate officers remuneration policy, personal evaluation of each director and corporate officer has a significant impact on determination of the amount of remuneration including basic remuneration and annual bonus. Unlike evaluations based on performance indicators such as consolidated net sales, personal evaluation is not a quantitative evaluation. It therefore requires a framework to ensure its objectivity, fairness and transparency.

To this end, the Company conducts overall business evaluation including the performance evaluation for President and CEO and confirms the appropriateness of the remuneration level in CEO Review Meeting. The CEO Review Meeting also deliberates and reviews reappointment, etc. of President and CEO, playing an extensive role concerning appropriate appointment of the President and CEO and determining incentives. The CEO Review Meeting comprises external directors and external audit & supervisory board members, as importance is placed on the independence from the President and CEO as well as business execution structure led by President and CEO.

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

(11) Matters Concerning Accounting Auditor

1) Name of Accounting Auditor

KPMG AZSA LLC

Notes:

1. The Company has not entered into a liability limitation agreement with KPMG AZSA LLC.
2. Of the significant subsidiaries of the Company, some overseas subsidiaries are subject to audits of accounts by a certified public accountant or incorporated accounting firm (including overseas auditors possessing similar qualifications) other than the accounting auditor or certified public accountant of the Company.

2) 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, 2019	186
Total cash and other remuneration to be paid by the Company and its subsidiaries to the accounting auditor	390

Note: In the audit contract between the Company and its accounting auditor, remuneration paid for audits under the Companies Act and 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, 2019" above.

3) Reason for Audit & Supervisory Board to Have Agreed to Remuneration, etc. to the Accounting Auditor

The Audit & Supervisory Board of the Company reviewed the status of performance of duties and basis for the calculation of the estimated amount of remuneration in the previous fiscal year as well as the validity of both descriptions in the audit plan prepared by the accounting auditor during the fiscal year and the estimated amount of remuneration, using the "Practical Guidelines for Cooperation with Accounting Auditors" released by the Japan Corporate Auditors Association as a guide, and by way of necessary documents obtained from the directors, internal relevant

departments and accounting auditor as well as interviews to obtain information from them, and determined that the fees, etc. of the accounting auditor were appropriate, and expressed agreement in accordance with Article 399, Paragraphs 1 and 2 of the Companies Act.

4) Details of Services Other Than Audit

The Company entrusted the accounting auditor with the services of guidance and advice on the application of IFRS. The amount of remuneration, etc. is ¥163 million that is included in the "Total cash and other remuneration to be paid by the Company and its subsidiaries to the accounting auditor" under the "2) Remuneration, etc. to the Accounting Auditor" above.

5) 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 their duties, negated their duties or behaved in a manner inappropriate as an accounting auditor, the Audit & Supervisory Board 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 to not reappoint the accounting auditor in accordance with the resolution of the Audit & Supervisory Board on the proposal resolved in consideration of the opinion of the executive agency.

Notes:

1. Amounts in this business report given in billions of JPY have been rounded to the nearest 0.1 billion, and other amounts have been rounded down to the nearest million JPY, thousand USD, thousand EUR, thousand CNY, thousand TWD, thousand SGD, or million VND. In the notation of 1,000 shares, share of less than one unit have been omitted.
2. In regard to the calculation of percentages, the ownership percentage of voting rights, the composition percentage of directors and audit & supervisory board members and the attendance rate of the respective meetings are rounded down to one decimal place. In general, other amounts are rounded to one decimal place.
3. Figures in parentheses ( ) or "-" in graphs and tables denotes negative value such as loss or decrease.

The business report according to Item 2 of Article 435 of the Companies Act is as indicated above.

February 21, 2020

Masahiko Uotani
Representative Director,
President and CEO

SHISEIDO

Consolidated Balance Sheet

(As of December 31, 2019)

(Millions of yen)

	December 31, 2019	December 31, 2018 (Reference)
ASSETS		
Current Assets:	**532,623**	**482,994**
Cash and Time Deposits	110,342	125,891
Notes and Accounts Receivable	172,905	166,491
Inventories	181,104	149,788
Other Current Assets	71,012	42,811
Less: Allowance for Doubtful Accounts	(2,741)	(1,989)
Fixed Assets:	**686,172**	**526,624**
Property, Plant and Equipment:	**314,757**	**235,185**
Buildings and Structures	121,875	87,607
Machinery, Equipment and Vehicles	44,281	22,188
Tools, Furniture and Fixtures	41,099	29,055
Land	45,040	49,795
Leased Assets	5,248	4,601
Right-of-Use Assets	19,693	—
Construction in Progress	37,518	41,937
Intangible Assets:	**249,209**	**165,406**
Goodwill	64,499	12,610
Leased Assets	536	233
Trademarks	135,209	111,001
Other Intangible Assets	48,963	41,561
Investments and Other Assets:	**122,205**	**126,031**
Investments in Securities	13,915	23,026
Long-Term Prepaid Expenses	16,690	15,363
Deferred Tax Assets	55,313	59,691
Other Investments	36,317	28,016
Less: Allowance for Doubtful Accounts	(31)	(66)
TOTAL ASSETS	**1,218,795**	**1,009,618**

	December 31, 2019	December 31, 2018 (Reference)
LIABILITIES		
Current Liabilities:	**464,273**	**339,940**
Notes and Accounts Payable	31,336	56,870
Electronically Recorded Obligations-Operating	65,601	45,422
Short-Term Debt	120,496	2,725
Current Portion of Long-Term Debt	730	730
Current Portion of Bonds	15,000	10,000
Lease Obligations	8,722	1,746
Other Payables	89,124	73,836
Accrued Income Taxes	11,951	20,129
Provision for Sales Returns	5,333	10,795
Refund Liabilities	9,899	4,741
Accrued Bonuses for Employees	25,132	30,782
Accrued Bonuses for Directors	101	211
Provision for Liabilities and Charges	341	471
Provision for Loss on Business Withdrawal	117	3,204
Other Current Liabilities	80,383	78,272
Long-Term Liabilities:	**236,665**	**201,215**
Bonds	15,000	30,000
Long-Term Debt	70,791	28,105
Lease Obligations	17,368	2,469
Long-Term Payables	49,153	54,639
Liabilities for Retirement Benefits	69,804	76,877
Allowance for Losses on Guarantees	350	350
Allowance for Environmental Measures	54	144
Deferred Tax Liabilities	2,712	3,316
Other Long-term Liabilities	11,430	5,312
Total Liabilities	**700,938**	**541,156**
NET ASSETS		
Shareholders' Equity:	**504,092**	**451,427**
Common Stock	64,506	64,506
Capital Surplus	70,741	70,748
Retained Earnings	371,435	319,001
Less: Treasury Stock, at Cost	(2,591)	(2,829)
Accumulated Other Comprehensive Income	**(7,654)**	**(2,846)**
Unrealized Gains (Losses) on Available-for-Sale Securities	3,106	4,992
Foreign Currency Translation Adjustments	10,839	15,645
Accumulated Adjustment for Retirement Benefits	(21,600)	(23,484)
Stock Acquisition Rights	**1,263**	**952**
Non-Controlling Interests in Consolidated Subsidiaries	**20,156**	**18,929**
Total Net Assets	**517,857**	**468,462**
TOTAL LIABILITIES AND NET ASSETS	**1,218,795**	**1,009,618**

SHISEIDO

Consolidated Statement of Income

(Fiscal Year from January 1, 2019 to December 31, 2019)

(Millions of yen)

	Fiscal Year	Previous Fiscal Year (Reference)
Net Sales	1,131,547	1,094,825
Cost of Sales	254,844	231,928
Gross Profit	**876,703**	**862,896**
Selling, General and Administrative Expenses	762,871	754,545
Operating Profit	**113,831**	**108,350**
Other Income	5,674	7,113
Interest Income	1,243	1,227
Dividend Income	333	490
Equity in Earnings of Affiliates	330	301
Rental Income	625	734
Subsidy Income	1,056	2,783
Other	2,086	1,575
Other Expenses	10,766	5,974
Interest Expense	2,292	769
Foreign Exchange Loss	5,375	2,900
Other Interest on Debt	1,266	1,392
Other	1,831	910
Ordinary Profit	**108,739**	**109,489**
Extraordinary Gains	4,103	5,641
Gain on Sales of Property, Plant and Equipment	654	2,853
Gain on Sales of Investments in Securities	3,449	2,739
Gain on Transfer of Business	—	48
Extraordinary Losses	5,465	10,821
Loss on Disposal of Property, Plant and Equipment	1,683	1,698
Loss on Sales of Investments in Securities	165	—
Loss on valuation of investments in securities	27	—
Business Structure Improvement Expenses	1,637	—
Structural Reform Expenses	1,483	3,739
Loss on Liquidation of Subsidiaries and Affiliates	466	936
Loss on Business Withdrawal	—	4,446
Profit before Income Taxes	**107,378**	**104,310**
Income Taxes – Current	22,538	41,249
Income Taxes for Prior Years	4,504	—
Income Taxes – Deferred	3,033	(1,844)
Net Profit	**77,301**	**64,905**
Net Profit Attributable to Non-Controlling Interests	3,739	3,501
Net Profit Attributable to Owners of Parent	**73,562**	**61,403**

Reference: Consolidated Statement of Comprehensive Income

(Fiscal Year from January 1, 2019 to December 31, 2019)

(Millions of yen)

	Fiscal Year	Previous Fiscal Year (Reference)
Net Profit	**77,301**	**64,905**
Other Comprehensive Income:		
Unrealized Gains (Losses) on Available-for-Sale Securities	(1,756)	(3,600)
Foreign Currency Translation Adjustments	(4,801)	(14,151)
Adjustment for Retirement Benefits	1,904	(3,373)
Share of Other Comprehensive Income of Associates Accounted for Under the Equity Method	4	(4)
Total Other Comprehensive Income (Loss)	(4,648)	(21,129)
Comprehensive Income	**72,653**	**43,775**
(Breakdown)		
Comprehensive Income Attributable to Owners of Parent	68,754	41,230
Comprehensive Income Attributable to Non-Controlling Interests	3,898	2,544

SHISEIDO

Consolidated Statement of Changes in Net Assets

(Fiscal Year from January 1, 2019 to December 31, 2019)

(Millions of yen)

	Shareholders' Equity				
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock, at Cost	Total Shareholders' Equity
Balance as of January 1, 2019	64,506	70,748	319,001	(2,829)	451,427
Cumulative Effect of Changes in Accounting Policies			1,049		1,049
Restated Balance as of January 1, 2019	64,506	70,748	320,050	(2,829)	452,476
Changes during the Fiscal Year					
Dividends from Retained Earnings			(21,966)		(21,966)
Net Profit Attributable to Owners of Parent			73,562		73,562
Acquisition of Treasury Stock				(22)	(22)
Disposal of Treasury Stock			(145)	259	114
Non-Controlling Interests, Capital Transactions and Others		(6)	(64)		(71)
Net Change in Items Other than Shareholders' Equity					—
Total Change during the Fiscal Year	—	(6)	51,384	237	51,615
Balance as of December 31, 2019	64,506	70,741	371,435	(2,591)	504,092

(Millions of yen)

	Accumulated Other Comprehensive Income				Stock Acquisition Rights	Non-Controlling Interests	Total Net Assets
	Unrealized Gains (Losses) on Available-for-Sale Securities, Net of Taxes	Foreign Currency Translation Adjustments	Accumulated Adjustment for Retirement Benefits	Total Accumulated Other Comprehen-sive Income			
Balance as of January 1, 2019	4,992	15,645	(23,484)	(2,846)	952	18,929	468,462
Cumulative Effect of Changes in Accounting Policies							1,049
Restated Balance as of January 1, 2019	4,992	15,645	(23,484)	(2,846)	952	18,929	469,511
Changes during the Fiscal Year							
Dividends from Retained Earnings							(21,966)
Net Profit Attributable to Owners of Parent							73,562
Acquisition of Treasury Stock							(22)
Disposal of Treasury Stock							114
Non-Controlling Interests, Capital Transactions and Others							(71)
Net Change in Items Other than Shareholders' Equity	(1,885)	(4,805)	1,883	(4,807)	311	1,227	(3,269)
Total Change during the Fiscal Year	(1,885)	(4,805)	1,883	(4,807)	311	1,227	48,346
Balance as of December 31, 2019	3,106	10,839	(21,600)	(7,654)	1,263	20,156	517,857

Notes to Consolidated Financial Statements

Basis of Presenting Consolidated Financial Statements

1. Scope of Consolidation

(1) Number of consolidated subsidiaries: 73

Principal subsidiaries are listed in 1.2 Outline of the Shiseido Group (3) Major Subsidiaries and Affiliated Companies of the Shiseido Group.

[Addition: 4 companies]

Drunk Elephant Holdings, LLC, together with its three group companies, has been included in the scope of consolidation effective from the fiscal year following the acquisition of this company.

[Exclusions: 8 companies]

Bare Escentuals, Inc., Bare Escentuals Beauty, Inc., md formulations and MATCHCo. were excluded from the scope of consolidation effective from the fiscal year following the absorption-type merger into Shiseido Americas Corporation.

Shiseido (N.Z.) Ltd. was excluded from the scope of consolidation effective from the fiscal year following the transfer of shares held.

Shiseido (Australia) Pty., Ltd. and Gurwitch UK Limited were excluded from the scope of consolidation effective from the fiscal year as their liquidation was completed.

PT Shiseido Professional Indonesia was excluded from the scope of consolidation effective from the fiscal year because it is not materially significant.

(2) Unconsolidated subsidiaries

Major company name: Beauté Prestige International Ltd. (UK)

(Reasons for excluding unconsolidated subsidiaries from the scope of consolidation)

Since these companies are small in scale or do not engage in full-scale operations, total assets, net sales, net profit (the Company's share), retained earnings (the Company's share), etc. have a minimal impact on the Company's consolidated financial statements, and they are immaterial, thus they are not included in the scope of consolidation.

2. Application of the Equity Method

(1) Affiliates accounted for under the equity method: 3

Major company name: Pierre Fabre Japon Co., Ltd.

(2) Since the unconsolidated subsidiaries (Beauté Prestige International Ltd. (UK) and others) and affiliates not accounted for under the equity method are small in scale or do not engage in full-scale operations, their net profit (the Company's share), retained earnings (the Company's share), etc. are immaterial and have a minimal impact on the Company's consolidated financial statements, thus they are not included in the scope of equity method application.

3. Fiscal Year of Consolidated Subsidiaries

The balance sheet dates of all consolidated subsidiaries are the same as the consolidated balance sheet date.

4. Notes on Accounting Policies

(1) Valuation of Major Assets

1) Securities

Available-for-sale securities:

Securities with readily determinable fair value:

Stated at fair value, based on market prices at fiscal year-end. (Net unrealized gains and losses are reported as a component of net assets. The cost of securities sold is mainly calculated using the moving-average method.)

Available-for-sale securities with qualities similar to that of deposits are stated at cost based on the moving-average method.

Securities without readily determinable fair value:

Primarily stated at cost, based mainly on the moving-average method.

Investments in limited partnerships are recorded as investments in securities, at the amount of interest in such partnerships calculated based on ownership percentage. Investment gain or loss is included in net profit or loss in proportion to the ownership interests in the net asset value of the partnership.

2) Inventories

Inventories held by the Company are generally stated at cost, determined by the periodic average method. (The carrying amount in the balance sheet is calculated with consideration of write-downs due to decreased profitability.)

(2) Depreciation of Major Assets

1) Property, Plant and Equipment (Excluding Leased Assets and Right-of-Use Assets)

Property, plant and equipment are mainly depreciated using the straight-line method over the following estimated useful lives:

Buildings and structures:	mainly 2–50 years
Machinery, equipment and vehicles:	mainly 2–15 years
Tools, furniture and fixtures:	mainly 2–15 years

2) Intangible Assets (Excluding Leased Assets)

Intangible assets are mainly amortized using the straight-line method over the following estimated useful lives:

Goodwill:	mainly 10–20 years
Software:	mainly 5–10 years
Consumer relationships:	mainly 5–10 years
Trademarks:	mainly 10–15 years (except for those with indefinite useful lives)

3) Leased Assets

Leased assets associated with finance lease transactions that do not transfer ownership are depreciated using the straight-line method over the period of the lease, with zero residual value.

4) Right-of-Use Assets

Right-of-use assets are depreciated using the straight-line method.

5) Long-Term Prepaid Expenses

Long-term prepaid expenses are primarily amortized using the straight-line method.

(3) Significant Provisions

1) Allowance for Doubtful Accounts

The Company and its domestic consolidated subsidiaries provide an allowance for doubtful accounts based on the historical percentage of actual bad debt losses as compared to the balance of total receivables and the amount of uncollectible receivables estimated on an individual basis. Overseas consolidated subsidiaries record an allowance based primarily on the amount of uncollectible receivables estimated on an individual basis.

2) Provision for Sales Returns

The Company and its domestic consolidated subsidiaries provide a reserve for sales returns for future losses considering the past return ratios and market distributors' stock.

3) Provision for Bonuses

The Company and its consolidated subsidiaries provide accrued bonuses for employees based on the estimated amounts to be paid in respect of the fiscal year. This reserve includes bonuses for corporate officers who are non-Board members, for whom the calculations are the same as those for provision for directors' bonuses.

4) Provision for Directors' Bonuses

The Company provides accrued bonuses for members of the Board of Directors who concurrently serve as corporate executive officers based on the estimated amounts to be paid in respect of the fiscal year.

5) Provision for Risk and Liabilities

To provide for losses due to legal risks, product guarantee risks, tax risks, and other factors, certain overseas consolidated subsidiaries make provisions, the amounts of which are based on estimated losses to be incurred considering the likelihood of such losses in the future.

6) Provision for Losses on Guarantees

The Company provides an allowance for estimated probable losses on guarantees based on the financial status of the parties for which guarantees have been provided.

7) Provision for Environmental Measures

The Company and its domestic consolidated subsidiaries provide a reserve for the estimated cost to treat polychlorinated biphenyl (PCB) waste as required by the Act on Special Measures Concerning Promotion of Proper Treatment of PCB Wastes.

8) Provision for Loss on Business Withdrawal

To provide for losses related to the discontinuation of some brands and withdrawal from businesses, the amount of loss expected to be incurred in the future is recorded.

(4) Basis for Calculating Net Defined Benefit Liability

1) Method for Attributing Estimated Retirement Benefits to Individual Periods of Service

In calculating the benefit obligation, the benefit formula basis is adopted for the purpose of attributing estimated retirement benefits to the period up to the end of the current fiscal year.

2) Calculation of Net Actuarial Gain or Loss and Prior Service Cost

Unrecognized prior service cost is primarily amortized on a straight-line basis over a 10-year period, which is shorter than the average remaining years of service of the eligible employees.

Unrecognized net actuarial gain or loss is primarily amortized from the following year on a straight-line basis over a 10-year period, which is shorter than the average remaining years of service of the eligible employees.

(5) Translation of Significant Foreign-Currency Assets and Liabilities into Japanese Yen

Receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rate prevailing at the end of the consolidated fiscal year and resulting exchange gains and losses are included in net profit or loss for the fiscal year. The financial statements of overseas consolidated subsidiaries and affiliates are translated into yen at the exchange rate prevailing on the respective balance sheet dates of those subsidiaries for assets and liabilities. All income and expenses are translated at the average rate of exchange during the fiscal year and resulting translation adjustments are included in net assets as foreign currency translation adjustments and non-controlling interests.

(6) Significant Accounting for Hedges

Hedge accounting method

Deferral hedge accounting has been applied. The Company applies special accounting treatment to interest rate swaps that meet the requirement of special accounting. The Company also applies integral accounting treatment (special accounting treatment, assignment accounting treatment) to interest rate and currency swap contracts that meet the requirements of integral accounting.

(7) Other Significant Accounting Policies for Preparation of Consolidated Financial Statements

1) Consumption Taxes: The Company and its consolidated subsidiaries adopted the tax-exclusive method for consumption tax and regional consumption tax.

2) Application of Consolidated Taxation System: The Company and certain domestic consolidated subsidiaries applied a consolidated taxation system with the Company as the taxable parent company.

Notes to Changes in Accounting Policies

(Application of IFRS 16, Leases)

Group subsidiaries that have adopted IFRS standards have implemented IFRS 16, Leases, from the first quarter of the fiscal year.

Conventionally, the Company has treated lease transactions when it is the debtor as operating leases and finance leases. With the application of this standard, all of lease transactions are recorded as right-of use assets and lease obligations from the fiscal year. However, short-term leases and leases of low-value assets are not recognized as lease obligations.

Right-of-use assets and lease obligations recognized under this standard are included in the consolidated balance sheets in the amounts of ¥19,693 million as right-of-use assets, ¥6,691 million in lease obligations under current liabilities, and ¥14,848 million in lease obligations under long-term liabilities. Furthermore, the cumulative total amount of depreciation of right-of-use assets as of December 31, 2019 was ¥6,702 million.

The impact of these changes on the profit and loss for the fiscal year is minor.

For the application of this standard, we have adopted a method in which the cumulative impact from the application is recognized as a transitional measure on the first day on which the standard is applied. To measure the right-of-use assets, we have adopted the method of adjusting the measurement of lease obligations by prepaid or accrued lease prepayments. As a result, there is no impact on retained earnings at the beginning of the fiscal year.

(Application of ASC 606, Revenue from Contracts with Customers)

Group subsidiaries that use U.S. accounting standards have applied ASC 606, Revenue from Contracts with Customers, to the consolidated financial statements from the fiscal year under review and

forward. Subsidiaries subject to application of this standard are private companies in the U.S. and have therefore applied the standard to the consolidated financial statements for the fiscal year, as specified in the U.S. accounting standards.

With the application of this standard, some customer payments that had been treated conventionally as selling, general and administrative expenses are excluded from net sales for the fiscal year. In addition, some expenses that were treated conventionally as selling, general and administrative expenses are recorded in cost of sales and inventories.

Consequently, net sales have decreased by ¥6,900 million, cost of sales has increased by ¥3,758 million, selling, general and administrative expenses have decreased by ¥10,812 million, and inventories have increased by ¥1,197 million compared to the figures under the previous accounting standard.

Moreover, the method of presentation in the consolidated balance sheet has been changed with the application of this standard. As a result, the reserve for sales returns has decreased by ¥5,455 million and refund liabilities have increased by ¥5,455 million in the consolidated balance sheet as of December 31, 2019 compared to the figures under the previous accounting standard.

Please note that the method of recognition adopted in applying this standard is to recognize the cumulative impact on the initial date of application as a transitional measure. An adjustment of ¥1,049 million was made to retained earnings at the beginning of the fiscal year, and the figures for the previous fiscal years have not been revised.

Notes to Changes in Method of Presentation

The Group has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018) from the fiscal year. Accordingly, deferred tax assets are presented in the category of investments and other assets and deferred tax liabilities are presented in the category of long-term liabilities.

Reclassifications of the consolidated financial statements for the previous fiscal year have been made to reflect this change in presentation. As a result, ¥29,690 million that was presented as "deferred tax assets" under current assets in the previous fiscal year has been reclassified as "deferred tax assets" under investments and other assets. In addition, ¥0 million that was presented as "other current liabilities" under current liabilities has been reclassified as "deferred tax liabilities" under long-term liabilities.

Notes to Consolidated Balance Sheet

(1) Inventories

Merchandise and products	¥126,342 million
Work in process	¥7,045 million
Raw materials and supplies	¥47,716 million

(2) Collateralized assets and loan liabilities

Assets pledged as collateral are as follows, which are all assets corresponding to non-recourse debt:

Cash and time deposits	¥1,737 million
Buildings and structures	¥12,078 million
Machinery, equipment and vehicles, and tools, furniture and fixtures	¥1 million
Investments in securities	¥1,155 million
Other investments (Guarantee deposit paid)	¥15,200 million
Total	¥30,173 million

The above assets are pledged as collateral for derivative transactions (interest rate swaps) and the following collateralized liabilities, which are all non-recourse debt:

Current portion of long-term debt	¥730 million
Long-term debt	¥17,375 million

(3) Accumulated depreciation of property, plant and equipment ¥226,956 million

Notes to Consolidated Statement of Income

(1) Business structure improvement expenses

These expenses include manufacturing compensation expenses and lease cancellation expenses incurred as a result of initiatives aimed at improving the profitability of some brands.

(2) Structural reform expenses

Structural reform expenses mainly reflect expenses from office relocation included in temporary expenses incurred as a result of ongoing structural reforms across all global regions.

(3) Loss on liquidation of subsidiaries and affiliates

A loss incurred from the reversal of foreign currency translation adjustments accompanying the liquidation of an overseas consolidated subsidiary.

(4) Income taxes for prior years

An estimated additional tax amount mainly on transactions between the Company and its overseas consolidated subsidiaries.

Notes to Consolidated Statement of Changes in Net Assets

(1) Shares issued and outstanding

Class and number of shares issued and outstanding as of December 31, 2019

Common stock 400,000 thousand shares

(2) Dividends

1) Cash dividends paid

Resolution	Share Class	Cash Dividends Paid (Millions of yen)	Cash Dividends per Share (Yen)	Record Date	Effective Date
Ordinary General Meeting of Shareholders on March 26, 2019	Common stock	9,984	25.00	December 31, 2018	March 27, 2019
Board of Directors Meeting on August 8, 2019	Common stock	11,982	30.00	June 30, 2019	September 3, 2019
Total		21,966			

2) Resolution at the Ordinary General Meeting of Shareholders to be held on March 25, 2020 concerning dividends on shares of common stock made for the fiscal year ended December 31, 2019 but for which the effective date is after the end of the fiscal year

Cash dividends to be paid:	¥11,983 million
Cash dividends per share:	¥30.00
Record date:	December 31, 2019
Effective date:	March 26, 2020
Funding source:	Retained earnings

(3) Class and number of stock acquisition rights outstanding at fiscal year-end, excluding those for which the exercisable period has not commenced

Common stock 298 thousand shares

Financial Instruments

1. Financial Instruments

(1) Policy for financial instruments

The Shiseido Group limits fund management to short-term deposits, investments in securities and other methods. As a matter of policy, the Shiseido Group procures funds using bank loans, commercial papers, bonds and other methods. The Shiseido Group uses derivatives to avoid the risk of foreign exchange rate fluctuations associated with receivables and payables denominated in foreign currencies and the risk of interest rate fluctuations associated with loans. The Shiseido Group limits the use of derivatives to the volume of receivables and payables and actual requirements, and do not engage in speculative transactions.

(2) Types of financial instruments, related risks and risk management system

Notes and accounts receivable, which are operating receivables, are exposed to consumer credit risk. The Shiseido Group mitigates this risk by managing settlement date and amount due for each counterparty.

Investments in securities, primarily the equity securities of corporations with which the Shiseido Group does business, are exposed to the risk of fluctuations in market price. The Shiseido Group manages this risk by periodically examining market prices and the financial condition of the issuing entities.

Notes payable, electronically recorded obligations-operating, accounts payable and other payables, which are operating payables, are due within one year.

Interest-bearing debt includes short-term debt and commercial papers, which are used to procure funds for operating transactions and bridge loans related to the acquisition of Drunk Elephant, as well as long-term debt, bonds and lease obligations, which the Shiseido Group uses to fund investments and loans, capital expenditures and operating transactions. Long-term payables, which are mostly liabilities incurred in connection with the execution of a license agreement, are not exposed to foreign exchange risk and interest rate risk. Floating-rate debt is exposed to the risk of interest rate fluctuations. The Shiseido Group hedges this risk for specific long-term debt by using derivatives (interest rate swap contracts and interest rate and currency swap contracts) on an individual loan contract basis to avoid the risk of interest rate fluctuations and fix interest payments.

Regarding derivatives, the Shiseido Group uses foreign exchange forward contracts and foreign currency options to hedge the risk of foreign exchange fluctuations associated with receivables and payables denominated in foreign currencies, interest rate swap contracts to hedge the risk of fluctuations in interest rates associated with floating-rate debt, and interest rate and currency swap

contracts to hedge the risk of foreign exchange fluctuations and fluctuations in interest rates associated with debt in foreign currencies.

The Shiseido Group executes and manages derivatives in accordance with the internal rules and regulations that prescribe transaction authority, and reduces credit risk by limiting counterparties to highly creditworthy financial institutions.

Operating payables and interest-bearing debt are exposed to liquidity risk that the Shiseido Group manages in ways such as preparing monthly cash flow plan.

2. Fair Value of Financial Instruments

Fair value and variance with carrying value presented on the consolidated balance sheet as of December 31, 2019 are as follows. Unlisted equity securities, investments in limited partnerships and other instruments with fair values that are not readily determinable are not included in the following table.

(Millions of yen)

		Carrying Value*	Fair Value*	Variance
(1)	Cash and time deposits	110,342	110,342	—
(2)	Notes and accounts receivable (before deducting allowance for doubtful accounts)	172,905	172,905	—
(3)	Short-term investments in securities and investments in securities			
	Available-for-sale securities	8,976	8,976	—
(4)	Notes payable, electronically recorded obligations-operating, accounts payable and other payables	(186,063)	(186,063)	—
(5)	Short-term debt	(120,496)	(120,496)	—
(6)	Bonds	(30,000)	(30,094)	-94
(7)	Long-term debt	(71,521)	(71,521)	-0
(8)	Lease obligations	(26,090)	(25,894)	196
(9)	Derivative instruments			
	1) Hedge accounting not applied	(423)	(423)	—
	2) Hedge accounting applied	—	(422)	-422
(10)	Long-term payables	(49,153)	(49,153)	—

* Liabilities are in parentheses. Derivative instruments are presented as net amounts of receivable or payable, with net amounts payable in parentheses.

Note: Method for calculating the fair value of financial instruments, short-term investments in securities and derivative transactions

(1) Cash and time deposits; (2) Notes and accounts receivable

Carrying value is used for the fair value of these short-term items because these amounts are approximately the same.

(3) Short-term investments in securities and investments in securities

Short-term investments in securities are held as available-for-sale securities. Market prices on exchanges are used to determine the fair value of equity securities. Prices quoted by financial institutions are used to determine the fair value of bonds. Carrying value is used for the fair value of instruments with short-term maturities included in available-for-sale securities because these amounts are approximately the same.

(4) Notes payable, electronically recorded obligations-operating, accounts payable and other payables; (5) Short-term debt

Carrying value is used for the fair value of these short-term items because these amounts are approximately the same.

(6) Bonds

Fair value of bonds issued by the Company is calculated based on market prices.

(7) Long-term debt

Floating-rate long-term debt reflects market interest rates. In addition, fair value approximates carrying value because the Company's creditworthiness does not vary significantly after assuming long-term debt. Therefore, carrying value is used for the fair value of floating-rate long-term debt. The fair value of fixed-rate long-term debt is the discounted value of total principal and interest using an assumed interest rate on equivalent new borrowings.

(8) Lease obligations

The fair value of lease obligations is the discounted present value of total principal and interest using an assumed interest rate on equivalent new lease transactions.

(9) Derivative instruments

The fair value of derivative instruments is calculated based on prices quoted by financial institutions.

(10) Long-term payables

Carrying value and fair value of long-term payables are measured and calculated as the present value discounted using the interest rate that is assumed to be applied when an additional loan is taken out from banks, etc. for future cash flows.

Per-Share Information

Net assets per share	¥1,242.85
Net earnings per share	¥184.18

Business Combinations

(Business combination)

Business combination through acquisition

On October 8, 2019, the Company entered into an agreement on the acquisition of Drunk Elephant Holdings, LLC (hereafter, "the Acquiree"), owner of the *Drunk Elephant* brand which is growing rapidly mainly in the U.S. market, via Shiseido's consolidated subsidiary Shiseido Americas Corporation (hereafter, "SAC"). The equity transfer agreement was concluded with SAC, the Acquiree, and the shareholders of the Acquiree.

1. Overview of the business combination

(1) Name and business description of the Acquiree

Name: Drunk Elephant Holdings, LLC*

Business description: Cosmetics marketing, etc.

* A company by the name of VMG Drunk Elephant Blocker, Inc. (hereafter, "VMG") exists to temporarily hold a portion of equity (under 10%) to organize the equity owners of the Acquiree. SAC will also acquire VMG and hold 100% of the equity in the Acquiree, either directly or indirectly.

(2) Major reason for the business combination

Drunk Elephant has a strong presence in the "clean" market, one segment of the cosmetics market that is growing mainly in the Americas and EMEA regions and is expected to achieve even higher growth in the future. We have added this brand to further strengthen and expand our core prestige skincare business as part of our strategy to accelerate global growth and maximize use of our management resources and the competitiveness of each regional headquarters, which are goals of our medium-to-long-term strategy VISION 2020. We will simultaneously target higher profitability in the Americas Business through further expansion of our highly profitable core skincare business.

(3) Effective date of business combination

November 7, 2019

(4) Legal form of business combination

Acquisition of shares in exchange for cash

(5) Name of the company after combination

No change

(6) Percentage of equity acquired

100%

(7) Major reason for the determination of the acquiring company

The determination was made because SAC, a subsidiary of the Company, acquired the shares and cosmetics brands in exchange for cash.

2. Period for which the operating results of the acquired company are included in the consolidated financial statements

From November 7, 2019 to December 31, 2019

3. Breakdown of acquisition cost and payment method

Payment method	Cash	¥92,863 million
Acquisition cost		¥92,863 million

4. Content and amount of major acquisition-related costs

Advisory expenses and others: ¥1,277 million

5. Amount of goodwill, reason for recognition of goodwill, and amortization method and period

(1) Amount of goodwill recognized

¥55,007 million

The amount noted above was calculated on a provisional basis because only a short amount of time remained before the fiscal year-end settlement date following the business combination. The specification and valuation estimates of identifiable assets and liabilities as of the date of the business combination and the allocation of acquisition costs were therefore not complete.

(2) Reason for recognition

The goodwill arose from future excess earnings power that is expected from future business development.

(3) Amortization method and period

Straight-line method over 10 years

6. Amounts of assets received and liabilities assumed on the date of business combination, and their major components

Current assets	¥5,691 million
Fixed assets	¥34,879 million
Total assets	¥40,571 million

Current liabilities	¥2,040 million
Long-term Liabilities	¥674 million
Total liabilities	¥2,715 million

7. Amount allocated to intangible fixed assets other than goodwill and the breakdown by major type, and weighted average amortization period for all the intangible fixed assets and by major type

Breakdown by major type	Amount	Amortization period
Trademarks	¥32,682 million	Non-amortization
Customer-related intangible assets	¥1,573 million	5 years

8. Approximate amount of impact on the consolidated statement of income for the fiscal year assuming that the business combination was completed on the first day of the fiscal year, and the calculation method

Net sales	¥10,991 million
Operating loss	¥4,436 million

(Method of calculating the approximate amount)

The approximate amount of impact is the difference between the amounts of net sales and profits and loss information calculated assuming that the business combination was completed on the first day of the fiscal year and the amounts of net sales and profits and loss information on the consolidated statement of income. In addition, the amortization is calculated by assuming the goodwill and other intangible assets recognized upon the business combination were incurred on the first day of the fiscal year.

This note has not received audit certification.

Other

The amounts presented have been rounded down to the nearest million yen.

SHISEIDO

Non-Consolidated Balance Sheet

(As of December 31, 2019)

(Millions of yen)

	December 31, 2019	December 31, 2018 (Reference)
ASSETS		
Current Assets:	**314,878**	**201,449**
Cash and Time Deposits	14,947	23,140
Notes Receivable	147	96
Accounts Receivable	70,193	71,285
Merchandise and Products	23,083	16,632
Work in Process	5,079	4,345
Raw Materials and Supplies	20,881	18,505
Prepaid Expenses	3,826	3,330
Short-Term Loans Receivable	95,991	918
Other Accounts Receivable	51,577	48,858
Other Current Assets	29,149	14,334
Fixed Assets:	**475,131**	**472,652**
Property, Plant and Equipment:	**196,821**	**151,891**
Buildings	75,694	53,028
Structures	2,876	1,513
Machinery and Equipment	34,646	13,352
Vehicles	100	56
Tools, Furniture and Fixtures	12,057	6,711
Land	36,831	41,600
Leased Assets	3,241	2,601
Construction in Progress	31,372	33,027
Intangible Assets:	**23,892**	**15,843**
Patent Rights	19	18
Telephone Rights	123	124
Software	18,850	7,786
Software in Progress	3,301	6,165
Leased Assets	113	138
Other Intangible Assets	1,483	1,610
Investments and Other Assets:	**254,417**	**304,917**
Investments in Securities	6,051	15,348
Investments in Shares of Subsidiaries and Affiliates	186,188	240,287
Other Investment Securities of Subsidiaries and Affiliates	17,631	17,631
Capital Investments	483	485
Capital Investments in Subsidiaries and Affiliates	11,816	11,816
Long-Term Loans Receivable	1,601	1,765
Prepaid Pension Expenses	6,007	4,677
Long-Term Prepaid Expenses	580	664
Deferred Tax Assets	11,510	7,721
Other Investments	12,748	4,689
Less: Allowance for Doubtful Accounts	(201)	(170)
TOTAL ASSETS	**790,009**	**674,102**

	December 31, 2019	December 31, 2018 (Reference)
LIABILITIES		
Current Liabilities:	**317,570**	**262,542**
Notes Payable	439	9,522
Electronically Recorded Obligations-Operating	55,548	34,442
Accounts Payable	15,639	15,115
Short-Term Debt	108,000	9,427
Current Portion of Bonds	15,000	10,000
Lease Obligations	1,703	1,378
Other Payable	32,995	37,636
Accrued Expenses	1,985	1,329
Accrued Income Taxes	2,027	9,162
Deposits Received	1,774	1,644
Deposits Received from Subsidiaries and Affiliates	73,243	123,876
Reserve for Sales Returns	3,995	3,504
Accrued Bonuses for Employees	4,149	5,099
Accrued Bonuses for Directors	101	211
Other Current Liabilities	967	192
Long-term Liabilities:	**44,601**	**58,871**
Bonds	15,000	30,000
Long-Term Debt	10,000	10,000
Lease Obligations	1,699	1,399
Provision for Retirement Benefits	15,919	15,716
Allowance for Losses on Guarantees	350	350
Allowance for Environmental Measures	38	71
Other Long-term Liabilities	1,593	1,334
Total Liabilities	**362,171**	**321,413**
NET ASSETS		
Shareholders' Equity:	**423,965**	**347,334**
Common Stock	64,506	64,506
Capital Surplus	70,258	70,258
Additional Paid-In Capital	70,258	70,258
Retained Earnings	291,792	215,398
Legal Reserve	16,230	16,230
Other Retained Earnings	275,562	199,168
Reserve for Advanced Depreciation of Fixed Assets	4,490	4,490
Retained Earnings Carried Forward	271,072	194,678
Less: Treasury Stock	(2,591)	(2,829)
Valuation, Translation Adjustments and Others:	**2,609**	**4,402**
Unrealized Gains (Losses) on Available-for-Sale Securities	2,609	4,402
Stock Acquisition Rights	**1,263**	**952**
Total Net Assets	**427,838**	**352,688**
TOTAL LIABILITIES AND NET ASSETS	**790,009**	**674,102**

SHISEIDO

Non-Consolidated Statement of Income

(Fiscal Year from January 1, 2019 to December 31, 2019)

(Millions of yen)

	Fiscal Year	Previous Fiscal Year (Reference)
Net Sales	303,663	270,789
Cost of Sales	175,727	159,559
Gross Profit	**127,936**	**111,230**
Selling, General and Administrative Expenses	105,934	91,300
Operating Profit	**22,002**	**19,930**
Other Income	34,503	24,046
Interest Income	466	94
Dividend Income	29,094	18,896
Gain on Investment in Limited Partnerships	1,494	1,206
Royalty Income	1,661	1,777
Other	1,786	2,071
Other Expenses	4,689	1,812
Interest Expense	358	557
Provision of Allowance for Doubtful Accounts	41	20
Loss on Investment in Limited Partnerships	2	14
Foreign Exchange Loss	3,230	596
Other	1,057	623
Ordinary Profit	**51,816**	**42,163**
Extraordinary Gains	47,722	3,464
Gain on Sales of Property, Plant and Equipment	640	755
Gain on Sales of Investments in Securities	47,082	2,709
Extraordinary Losses	3,927	768
Loss on Disposal of Property, Plant and Equipment	1,183	768
Loss on valuation of investment securities	27	—
Loss on Sales of Investments in Securities	656	—
Transfer Pricing Taxation Adjustment	2,060	—
Profit before Income Taxes	**95,611**	**44,859**
Income Taxes – Current	(4,226)	7,780
Income Taxes for Prior Years	4,347	—
Income Taxes – Deferred	(3,016)	(535)
Net Profit	**98,506**	**37,613**

SHISEIDO

Non-Consolidated Statement of Changes in Net Assets

(Fiscal Year from January 1, 2019 to December 31, 2019)

(Millions of yen)

	Shareholders' Equity			
	Common Stock	Capital Surplus		
		Additional Paid-In Capital	Other Capital Surplus	Total Capital Surplus
Balance as of January 1, 2019	64,506	70,258	—	70,258
Changes during the Fiscal Year				
Dividends from Retained Earnings				
Net Profit				
Reversal of Reserve for Special Account for Advanced Depreciation of Fixed Assets				
Provision of Reserve for Reduction Entry				
Acquisition of Treasury Stock				
Disposal of Treasury Stock				
Net Change in Items Other than Shareholders' Equity				
Total Change during the Fiscal Year	—	—	—	—
Balance as of December 31, 2019	64,506	70,258	—	70,258

(Millions of yen)

	Shareholders' Equity					
	Retained Earnings				Treasury Stock, at Cost	Total Shareholders' Equity
	Legal Reserve	Other Retained Earnings		Total Retained Earnings		
		Reserve for Advanced Depreciation of Fixed Assets	Retained Earnings Carried Forward			
Balance as of January 1, 2019	16,230	4,490	194,678	215,398	(2,829)	347,334
Changes during the Fiscal Year						
Dividends from Retained Earnings			(21,966)	(21,966)		(21,966)
Net Profit			98,506	98,506		98,506
Reversal of Reserve for Special Account for Advanced Depreciation of Fixed Assets				—		—
Provision of Reserve for Reduction Entry				—		—
Acquisition of Treasury Stock				—	(22)	(22)
Disposal of Treasury Stock			(145)	(145)	259	114
Net Change in Items Other than Shareholders' Equity						—
Total Change during the Fiscal Year	—	—	76,393	76,393	237	76,631
Balance as of December 31, 2019	16,230	4,490	271,071	291,792	(2,591)	423,965

(Millions of yen)

	Valuation, Translation Adjustments and Others		Stock Acquisition Rights	Total Net Assets
	Unrealized Gains (Losses) on Available-for-Sale Securities, Net of Taxes	Total Valuation, Translation Adjustments and Others		
Balance as of January 1, 2019	4,402	4,402	952	352,688
Changes during the Fiscal Year				
Dividends from Retained Earnings				(21,966)
Net Profit				98,506
Reversal of Reserve for Special Account for Advanced Depreciation of Fixed Assets				—
Provision of Reserve for Reduction Entry				—
Acquisition of Treasury Stock				(22)
Disposal of Treasury Stock				114
Net Change in Items Other than Shareholders' Equity	(1,792)	(1,792)	311	(1,481)
Total Change during the Fiscal Year	(1,792)	(1,792)	311	75,149
Balance as of December 31, 2019	2,609	2,609	1,263	427,838

Notes to Non-Consolidated Financial Statements

Significant Accounting Policies

(1) Valuation of Assets

1) Securities

Stock of subsidiaries and affiliates: Stated at cost, based on the moving-average method.

Available-for-sale securities

Securities with readily determinable fair value:

Stated at fair value, based on market prices at fiscal year-end. (Net unrealized gains and losses are reported as a component of net assets. The cost of securities sold is mainly calculated using the moving-average method.)

Available-for-sale securities with qualities similar to that of deposits are stated at cost based on the moving-average method.

Securities without readily determinable fair value:

Stated at cost, based on the moving-average method.

Investments in limited partnerships are recorded as investments in securities, at the amount of interest in such partnerships calculated based on ownership percentage. Investment gain or loss is included in net profit or loss in proportion to the ownership interests in the net asset value of the partnership.

2) Inventories

Inventories are stated at cost, determined by the periodic average method. (The carrying amount in the balance sheet is calculated with consideration of write-downs due to decreased profitability.)

(2) Depreciation of Fixed Assets

1) Property, Plant and Equipment (Excluding Leased Assets)

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

Buildings:	mainly 2–50 years
Structures:	mainly 7–50 years
Machinery and equipment:	mainly 2–15 years
Vehicles:	mainly 2–7 years
Tools, furniture and fixtures:	mainly 2–15 years

2) Intangible Assets (Excluding Leased Assets)

Intangible assets are amortized using the straight-line method over the following estimated useful lives:

Software:	mainly 5–10 years

3) Leased Assets

Leased assets associated with finance lease transactions that do not transfer ownership are depreciated using the straight-line method over the period of the lease, with zero residual value.

4) Long-Term Prepaid Expenses

Long-term prepaid expenses are amortized using the straight-line method.

(3) Provisions

1) Allowance for Doubtful Accounts

The Company provides an allowance for doubtful accounts based on the historical percentage of actual bad debt losses as compared to the balance of total receivables and the amount of uncollectible receivables estimated on an individual basis.

2) Provision for Sales Returns

The Company provides a reserve for sales returns for future losses considering the past return ratios and market distributors' stock.

3) Provision for Bonuses

The Company provides accrued bonuses for employees based on the estimated amounts to be paid in respect of the fiscal year. This reserve includes bonuses for corporate officers who are non-Board members, for whom the calculations are the same as those for provision for directors' bonuses.

4) Provision for Directors' Bonuses

The Company provides accrued bonuses for members of the Board of Directors who concurrently serve as corporate executive officers based on the estimated amounts to be paid in respect of the fiscal year.

5) Provision for Retirement Benefits

The Company has an obligation to pay retirement benefits to its employees, and therefore the Company provides accrued retirement benefits based on the estimated amount of projected benefit obligation and the fair value of plan assets.

In calculating the benefit obligation, the benefit formula basis is adopted for the purpose of attributing estimated retirement benefits to the period up to the end of the current fiscal year.

Unrecognized prior service cost is amortized by the straight-line method over a 10-year period, which is shorter than the average remaining years of service of the eligible employees.

Unrecognized net actuarial gain or loss is amortized from the following year on a straight-line basis over a 10-year period, which is shorter than the average remaining years of service of the eligible employees.

6) Provision for Losses on Guarantees

The Company provides an allowance for estimated probable losses on guarantees based on the financial status of the parties for which guarantees have been provided.

7) Provision for Environmental Measures

The Company provides a reserve for the estimated cost to treat polychlorinated biphenyl (PCB) waste as required by the Act on Special Measures Concerning Promotion of Proper Treatment of PCB Wastes.

(4) Significant Accounting for Hedges

Hedge accounting method

Deferral hedge accounting has been applied. The Company applies integral accounting treatment (special accounting treatment, assignment accounting treatment) to interest rate and currency swap contracts that meet the requirements of integral accounting.

(5) Other Significant Accounting Policies for Preparation of Non-Consolidated Financial Statements

1) Consumption Taxes: The Company adopted the tax-exclusive method for consumption tax and regional consumption tax.

2) Application of Consolidated Taxation System: The Company applied a consolidated taxation system with the Company as the taxable parent company.

3) Accounting Treatment Related to Retirement Benefits: The method of accounting for unrecognized net actuarial gain or loss and unrecognized prior service cost related to retirement benefits is different from the method adopted in the consolidated financial statements.

Notes to Changes in Method of Presentation

The Company has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) from the fiscal year. Accordingly, the presentation has been changed to the method where deferred tax assets are presented in the category of investments and other assets and deferred tax liabilities are presented in the category of long-term liabilities.

Reclassifications of the non-consolidated financial statements for the previous fiscal year have been made to reflect this change in presentation. As a result, ¥5,985 million that was presented as "deferred tax assets" under current assets in the previous fiscal year has been reclassified as "deferred tax assets" under investments and other assets.

Notes to Non-Consolidated Balance Sheet

(1) Accumulated depreciation of property, plant and equipment: ¥96,189 million

(2) Guarantees

Guarantee	Guaranteed Amount	Liability Guaranteed
Shiseido Americas Corporation	45,044	Loans
Total	45,044	

(3) Monetary receivables and payables from/to subsidiaries and affiliates (Note)

Short-term receivables	¥216,861 million
Long-term receivables	¥1,601 million
Short-term payables	¥13,679 million

Note: Items presented separately on the non-consolidated balance sheet are excluded from the above.

Notes to Non-Consolidated Statement of Income

Transactions with subsidiaries and affiliates

Net sales	¥296,256 million
Purchases	¥23,475 million
Other operating transactions	¥27,739 million
Non-operating transactions	¥82,552 million

Notes to Non-Consolidated Statement of Changes in Net Assets

Treasury stock

(Thousand shares)

	Number of shares at January 1, 2019	Increase in shares in the year ended December 31, 2019	Decrease in shares in the year ended December 31, 2019	Number of shares at December 31, 2019
Common stock	618	2	56	564

Note 1: Shares of common stock held as treasury stock increased due to the purchase of 2 thousand shares in response to purchase demands for less than one unit.

Note 2: Shares of common stock held as treasury stock decreased due to exercise of stock options for 56 thousand shares and sale of 0 thousand shares in response to requests from less-than-one-unit shareholders.

Tax-Effect Accounting

Principal components of deferred tax assets and deferred tax liabilities

(Millions of yen)

Deferred tax assets	
Loss on revaluation of shares in subsidiaries and affiliates	22,351
Provision for retirement benefits	3,072
Inventories	4,216
Depreciation	3,359
Provision for bonuses	1,507
Write-down of investments in securities and other investments	272
Provision for sales returns	248
Other	2,668
Subtotal	37,696
Less: Valuation allowance	(22,718)
Total	14,977
Deferred tax liabilities	
Reserve for reduction entry of replaced property	(2,017)
Unrealized losses on available-for-sale securities	(1,112)
Unrealized losses on property, plant and equipment due to company split	(322)
Asset retirement obligation	(15)
Total	(3,467)
Net deferred tax assets	11,510

Transactions with Related Parties

Subsidiaries, affiliates and other related parties

Type	Name	Voting Rights Held by Company (or held by others)	Relationship	Transactions	Amount of Transac-tions (Millions of yen)	Accounts Name	Balance as of December 31, 2019 (Millions of yen)
Subsidiary	Shiseido Japan Co., Ltd.	Direct, 100%	Product sales Concurrent directors	Sales of cosmetics (Note 1)	38,836	Accounts receivable	15,642
				Rendering of services (Note 1)	12,882	Other accounts receivable	13,747
				Royalty income (Note 1)	29,085		
				Deposit received (Note 2)	–	Deposits received from subsidiaries and affiliates	32,111
				Sales of shares in subsidiaries and affiliates (Note 3) Proceeds from sales Gain on sales	 46,632 43,919	 – –	 – –
Subsidiary	FT Shiseido Co., Ltd.	Direct, 100%	Product sales Concurrent directors	Deposit received (Note 2)	–	Deposits received from subsidiaries and affiliates	14,296
Subsidiary	Shiseido Americas Corporation	Direct, 100%	Product sales Concurrent directors Debt guarantee	Loan of funds	–	Short-term loans receivable	94,429
				Repayment of capital (Note 4)	50,054	–	–
				Loan guarantees (Note 5)	45,044	–	–
Subsidiary	Shiseido China Co., Ltd.	Direct, 100%	Product sales Concurrent directors	Sales of cosmetics (Note 1)	43,879	Accounts receivable	9,938
Subsidiary	Shiseido Travel Retail Asia Pacific Pte. Ltd.	Indirect, 100%	Product sales	Sales of cosmetics (Note 1)	43,863	Accounts receivable	6,214
						Other accounts receivable	4,874

Note 1: Transaction Terms and Relevant Policies

For prices and other transaction terms, the Company sets prices in consideration of market prices and decides final prices based on negotiation.

Note 2: Funding transactions with subsidiaries are carried out as a part of a cash management system.

Note 3: The amounts of sales of shares in subsidiaries and affiliates are determined through deliberation with the buyers, considering the net assets, etc. of Shiseido Japan Co., Ltd.

Note 4: The repayment of capital was resolved at the general meeting of shareholders of Shiseido Americas Corporation.

Note 5: The loan guarantees have been provided for external loans outstanding of Shiseido Americas Corporation.

Amounts stated in the “Amount of Transactions” column above do not include consumption tax, while balances stated in the “Balance as of December 31, 2019” column above include consumption tax (except for deposits received from subsidiaries and affiliates, and short-term loans receivable).

Per-Share Information

Net assets per share	¥1,067.94
Net earnings per share	¥246.63

Other

The amounts presented have been rounded down to the nearest million yen.

Copy of the Accounting Auditor's Report (Consolidated)

Independent Auditor's Report

February 20, 2020

The Board of Directors
Shiseido Company, Limited

KPMG AZSA LLC

Koichi Kohori (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Ryoji Fujii (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

We have audited the consolidated financial statements, comprising the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and the related notes of Shiseido Company, Limited as at December 31, 2019 and for the year from January 1, 2019 to December 31, 2019 in accordance with Article 444-4 of the Companies Act.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audit as independent auditor. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not to express an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and the results of operations of Shiseido Company, Limited and its

consolidated subsidiaries for the period, for which the consolidated financial statements were prepared, in accordance with accounting principles generally accepted in Japan.

Other Matter

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Reader of Independent Auditor's Report:
The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Companies Act.

Copy of the Accounting Auditor's Report

Independent Auditor's Report

February 20, 2020

The Board of Directors
Shiseido Company, Limited

KPMG AZSA LLC

Koichi Kohori (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Ryoji Fujii (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

We have audited the financial statements, comprising the balance sheet, the statement of income, the statement of changes in net assets and the related notes, and the supplementary schedules of Shiseido Company, Limited as at December 31, 2019 and for the year from January 1, 2019 to December 31, 2019 in accordance with Article 436-2-1 of the Companies Act.

Management's Responsibility for the Financial Statements and Others

Management is responsible for the preparation and fair presentation of the financial statements and the supplementary schedules in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements and the supplementary schedules that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements and the supplementary schedules based on our audit as independent auditor. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the supplementary schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the supplementary schedules. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements and the supplementary schedules, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements and the supplementary schedules in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not to express an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the supplementary schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements and the supplementary schedules referred to above present fairly, in all material respects, the financial position and the results of operations of Shiseido Company, Limited for the period, for which the financial statements and the supplementary schedules were prepared, in accordance with accounting principles generally accepted in Japan.

Other Matter

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Reader of Independent Auditor's Report:

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Companies Act.

Copy of the Audit & Supervisory Board's Report

Audit Report

With respect to the directors' performance of their duties during the 120th business period (from January 1, 2019 to December 31, 2019, The Audit & Supervisory Board has prepared this audit report after deliberations based on the audit reports prepared by each of the audit & supervisory board members, and hereby report as follows:

1. Method and Contents of Audit by the Audit & Supervisory Board and the Audit & Supervisory Board members

   (1) In order to ensure sound and sustainable growth of the Company and the Shiseido Group, the Audit & Supervisory Board has established the audit plans, etc., with the establishment of a good corporate governance structure that meets the trust of various stakeholders as audit policies. The Audit & Supervisory Board has received a report from each of the Audit & Supervisory Board members regarding the status of implementation of their audits and results thereof. In addition, the Audit & Supervisory Board has received reports from the directors, the corporate officers, etc., and the accounting auditor regarding the status of performance of their duties. Also, the Audit & Supervisory Board requested explanations as necessary regarding the status of development, etc. of corporate governance that enables for prompt and decisive decision-making for the Company, while always performing its duties from an independent standpoint and with integrity and objectivity, ensuring the Company's transparent and fair decision-making.

   (2) In conformity with the Audit & Supervisory Board member audit standards established by the Audit & Supervisory Board, and in accordance with the audit policies and audit plans, etc., each of the Audit & Supervisory Board members endeavored to facilitate a mutual understanding with the directors, the corporate officers, the internal audit division and other employees, etc., endeavored to collect information, maintain and improve the audit environment, and conducted the audits based on the methods described below.

      i) Each of the Audit & Supervisory Board members has attended the meetings of the Board of Directors and other important meetings, received reports on the status of performance of duties from the directors and the internal audit division and requested explanations as necessary, examined important approval/decision documents, and inspected the status of the corporate affairs and assets at the head office and other principal business locations in Japan and overseas. Also, with respect to the subsidiaries, each of the Audit & Supervisory Board members visited subsidiaries, etc., achieved a mutual understanding and exchanged information with the heads of the business locations and received reports on their business and business status.

      ii) Each of the Audit & Supervisory Board members regularly received reports from the directors and employees, etc., requested explanations from them as necessary, and expressed opinions, on the status of the construction and operation of the contents of the Board of Directors' resolutions regarding the development and maintenance of systems to ensure that the directors' performance of their duties complied with all laws and regulations and the articles of incorporation of the Company and other systems that are set forth in Article 100, paragraphs 1 and 3 of the Ordinance for Enforcement of the Companies Act of Japan as systems necessary for ensuring the properness of operations of a corporate group comprised of a stock company and its subsidiaries, and the systems (internal control systems) developed based on such resolutions. With respect to the internal control related to the financial report, the Audit & Supervisory Board received reports regarding the assessment and status of their audits from the directors, the corporate officers, and KPMG AZSA LLC, and also requested explanations as necessary.

      iii) Each of the Audit & Supervisory Board members monitored and verified whether the accounting auditor maintained its independence and properly conducted its audit, received a report from the accounting auditor on the status of its performance of duties, and requested

explanations as necessary. Each of the Audit & Supervisory Board members were notified by the accounting auditor that it had established a "system to ensure that the performance of the duties of the accounting auditor was properly conducted" (the matters listed in the items of Article 131 of the Company Accounting Regulations) in accordance with the "Quality Control Standards for Audits" (Business Accounting Council on October 28, 2005), and requested explanations as necessary.

Based on the above-described methods, each of the Audit & Supervisory Board members examined the business report and the supplementary schedules, the financial statements (balance sheet, profit and loss statement, shareholders' equity variation statement, and schedule of individual notes) and the annexed specifications thereto, as well as the consolidated financial statements (consolidated balance sheet, consolidated profit and loss statement, consolidated shareholders' equity variation statement, and schedule of consolidated notes), for the business period under consideration.

2. Results of Audit

(1) Results of Audit of Business Report, etc.

i) We acknowledge that the business report and the annexed specifications thereto fairly present the status of the Company in conformity with the applicable laws and regulations and the articles of incorporation of the Company.

ii) We acknowledge that no misconduct or material fact constituting a violation of any law or regulation or the articles of incorporation of the company was found with respect to the directors' performance of their duties.

iii) We acknowledge that the Board of Directors' resolutions with respect to the internal control systems are appropriate. We did not find any matter to be mentioned with respect to the directors' performance of their duties concerning the internal control systems.

The Audit & Supervisory Board received reports from the directors stating that the internal control regarding financial reports was effective, and from KPMG AZSA LLC stating that no deficiency was identified in the internal control which was likely to correspond to material weakness, at the time of preparation of the Audit Report.

(2) Results of Audit of Financial Statements and their Annexed Specifications

We acknowledge that the methods and results of audit performed by the accounting auditor, KPMG AZSA LLC, are appropriate.

(3) Results of Audit of Consolidated Financial Statements

We acknowledge that the methods and results of audit performed by the accounting auditor, KPMG AZSA LLC, are appropriate.

February 21, 2020

Audit & Supervisory Board of
Shiseido Company, Limited

Audit & Supervisory Board Member (Full-time)
Takeshi Yoshida (Seal)
Audit & Supervisory Board Member (Full-time)
Akiko Uno (Seal)
Audit & Supervisory Board Member (External)
Yasuko Gotoh (Seal)
Audit & Supervisory Board Member (External)
Hiroshi Ozu (Seal)
Audit & Supervisory Board Member (External)
Eiko Tsujiyama (Seal)

SHISEIDO

Reference Document Concerning the General Meeting of Shareholders

1. Total Number of Voting Rights Held by Shareholders: 3,990,848

2. Items of Business and Reference Information:

First Item of Business: Dividends of Retained Earnings

The Company would like to propose the amount of dividends for the fiscal year ended December 31, 2019 as follows, taking into account the basic policy for returns to shareholder below, the consolidated financial results for the fiscal year, and future business development, among other factors.

If this proposal is accepted, total dividends per share for the fiscal year under review including the interim dividend will be ¥60, an increase of ¥15 from the previous fiscal year.

(1) Matter related to assignment of assets to be distributed to shareholders and the total amount thereof

An amount per share of common stock of the Company: ¥30.00
The total amount thereof: ¥11,983,066,350

(2) The date on which dividends of retained earnings become effective (the commencement day for payment)

March 26, 2020

Basic Policy for Returns to Shareholder (As of December 31, 2019)

The Company's shareholder return policy targets total returns, comprising direct returns to shareholders through dividends and medium- and long-term share price gains. Based on this approach, our fundamental policy involves aiming to maximize corporate value which entails focusing on strategic investments for sustainable growth, while also enhancing efficiency of invested capital exceeding capital costs with a view to achieving medium- and long-term increases in dividends and share price.

Upon determining dividends, we aim to achieve long-term, stable and continuous enhancement of returns with emphasis given to consolidated business results and free cash flow, and accordingly set a minimum dividend on equity ratio (DOE) of 2.5% or more as an indicator that reflects our capital policy.

We will also take a flexible approach to buying back shares with consideration given to the market environment.

Trends of Dividends, etc.

	117th Business Term (1/1/2016 - 12/31/2016)	118th Business Term (1/1/2017 - 12/31/2017)	119th Business Term (1/1/2018 - 12/31/2018)	120th Business Term (Current term) (1/1/2019 - 12/31/2019)	
Annual cash dividends per share (Yen)	20	27.50	45	60	(Plan)
Annual dividends (Millions of yen)	7,985	10,986	17,970	23,965	(Plan)
Consolidated payout ratio (%)	24.9	48.3	29.3	32.6	(Plan)
DOE (%)	2.0	2.7	4.1	5.1	(Plan)

Note: Annual cash dividends per share and annual dividends for the 120th Business Term (current term) are predicated on the approval of this item of business at this general meeting of shareholders.

Second Item of Business: Election of Eight (8) Directors

The Company's Articles of Incorporation provide that the term of director is one (1) year, in order to ask shareholders' confidence on the appointment of directors each year from a viewpoint of directors' management responsibilities. Moreover, the Articles of Incorporation of the Company provide that the authorized number of director is twelve (12) or less upon reduction of the number of the Board of Directors of the Company.

The term of office of six (6) directors will expire at the conclusion of this general meeting of shareholders. Thus, the Company cordially asks shareholders to elect eight (8) directors including four (4) external directors in accordance with the provisions of the Articles of Incorporation in order to promote an agile management capable of responding appropriately to changes in management environment.

Policy and Process under Which Candidates for Directors Are Selected

It is a policy of the Company to select candidates for directors from appropriate individuals who are able to fulfill the duties and responsibility of director in response to entrustment on management by shareholders, fully taking into consideration their personality and intellectuality and the like regardless of gender, age and nationality. Pursuant to this policy, the Board of Directors decided candidates for directors upon receiving a report from the Nomination Advisory Committee.

Furthermore, the Company sets forth the Criteria for Independence of External Directors and Audit & Supervisory Board Members. The four (4) candidates for external directors have fulfilled the Criteria in full. Overview of the criteria is stated on pages 50 to 51 and the entire criteria is listed as a voluntary disclosure item relating to the business report on our corporate information website "INVESTORS / General Meeting of Shareholders" (https://corp.shiseido.com/en/ir/shareholder/).

Candidates for Directors

No.	Name	Current Position and Responsibilities, etc. at the Shiseido Group	Attributes of the Candidates		
1	Masahiko Uotani	Representative Director President and CEO Chair of the Board Member of Nomination Advisory Committee Member of Remuneration Advisory Committee Japan Region CEO Representative Director, Chair and President, Shiseido Japan Co., Ltd. Chair of Global Risk Management & Compliance Committee			
2	Yoichi Shimatani	Representative Director Executive Vice President Chief Innovation Officer Assisting the CEO in general corporate management Member of Global Risk Management & Compliance Committee Member of HQ/SJ Compliance Committee*1			
3	Yukari Suzuki	Executive Corporate Officer Chief Brand Officer, *Clé de Peau Beauté*, *IPSA*, *THE GINZA*	Candidate for New Director		
4	Norio Tadakawa	Executive Corporate Officer Chief Supply Network Officer SN*2 Strategy, SN Fundamental Development, Logistics, Production, Purchasing, Global Brands S&OP*3, Demand & Supply Planning, Factories Member of Global Risk Management & Compliance Committee Member of HQ/SJ Compliance Committee	Candidate for New Director		
5	Yoshiaki Fujimori	–	Candidate for New Director	Candidate for External Director	Candidate for Independent Director
6	Yoko Ishikura	External Director Chair of Nomination Advisory Committee Member of Remuneration Advisory Committee		Candidate for External Director	Candidate for Independent Director
7	Shinsaku Iwahara	External Director Member of Nomination Advisory Committee Member of Remuneration Advisory Committee		Candidate for External Director	Candidate for Independent Director
8	Kanoko Oishi	External Director Chair of Remuneration Advisory Committee Member of Nomination Advisory Committee		Candidate for External Director	Candidate for Independent Director

*1 HQ/SJ Compliance Committee: The committee comprehends the actual situation and examines measures with regard to ethics, compliance and incidents in each Shiseido Group company including the Company (HQ) and Shiseido Japan Co., Ltd. (SJ).

*2 SN: Supply Network

*3 S&OP: Sales & Operation

Candidates for Directors



- Number of shares of the Company owned
  16,600 Shares
- Number of years in office of the Company as Director
  5 Years and 9 Months
- Number of attendance at the Board of Directors meetings of the Company for the fiscal year ended December 31, 2019
  20 out of 20 Board of Directors meetings (100%)
- Number of attendance at the Nomination Advisory Committee meetings of the Company for the fiscal year ended December 31, 2019
  4 out of 4 Nomination Advisory Committee meetings (100%)
- Number of attendance at the Remuneration Advisory Committee meetings of the Company for the fiscal year ended December 31, 2019
  3 out of 3 Remuneration Advisory Committee meetings (100%)*

*Attendance is not required for a meeting when agenda is related to himself.

1. Masahiko Uotani (Date of birth: June 2, 1954)

Career Summary, and Position and Responsibilities at the Company

Apr.	1977:	Joined the Lion Dentifrice Co., Ltd. (currently Lion Corporation)
Jan.	1988:	Manager, Citibank, N.A.
Apr.	1991:	Representative Director, Vice President, Kraft Japan Limited (currently Mondelēz Japan Limited)
May	1994:	Director, Executive Vice President and Chief Officer of Marketing, Coca-Cola (Japan) Co., Ltd.
Oct.	2001:	Representative Director, President, Coca-Cola (Japan) Co., Ltd. (Global Officer)
Aug.	2006:	Representative Director, Chair, Coca-Cola (Japan) Co., Ltd.
Jun.	2007:	Representative Director, Chief Executive Partner, BrandVision Inc.
Aug.	2011:	Outside Director, ASKUL Corporation
Oct.	2012:	Director (part time), Citibank Japan Ltd. (previously)
Apr.	2013:	Outside Chief Marketing Advisor of the Company
Apr.	2014:	President and CEO of the Company [incumbent]
Jun.	2014:	Representative Director of the Company [incumbent]
Jan.	2020:	Japan Region CEO of the Company [incumbent]
		Representative Director, Chair and President, Shiseido Japan Co., Ltd. [incumbent]

Important Positions at Other Organizations Concurrently Held

None

Reasons for Nomination of the Candidate for Director

As detailed in the above career summary, Mr. Masahiko Uotani has a proven track record in business management and is particularly highly regarded within the marketing field. As a result of this and other factors, the Company invited him to become President and CEO, and in April 2014 he assumed that office. Following his appointment as a director of the Company at the 114th ordinary general meeting of shareholders held on June 25 that year, he was selected as representative director by the Board of Directors and since then has undertaken the mandate given by our shareholders to steer the Company's management.

In 2019, which was the second fiscal year of the three-year second phase of the medium-to-long-term strategy VISION 2020, he worked to further accelerate growth of the Company's prestige brands, build the foundation of the supply chain, and implement M&A to respond to consumers' changes, among others, despite an increasing uncertainty in the management environment, so as to realize the Company's transformation "Be a Global Winner with Our Heritage." As a result, the Company achieved a record high in net sales, operating profit, and net profit attributable to owners of parent.

Due to these results and the leadership that enables him to promote reforms, the Board of Directors has continuously selected him as a candidate for director.

Based on his career stated in "Career Summary, and Position and Responsibilities at the Company" and other career, Mr. Uotani has experience, knowledge and professional information as follows:

- Experience and knowledge to a competent extent in overall management
- Experience and knowledge to a competent extent in sales and marketing
- Experience and knowledge to a competent extent in international business
- Experience and knowledge to a competent extent in marketing and product development
- Experience and knowledge to a competent extent in the general consumer product industry
- Experience and knowledge in corporate governance

Special Interest between the Candidate and the Company

There is no special interest between Mr. Masahiko Uotani and the Company.



- Number of shares of the Company owned
  5,400 Shares
- Number of years in office of the Company as Director
  2 Years
- Number of attendance at the Board of Directors meetings of the Company for the fiscal year ended December 31, 2019
  20 out of 20 Board of Directors meetings (100%)

2. Yoichi Shimatani (Date of birth: August 11, 1956)

Career Summary, and Position and Responsibilities at the Company

Apr.	1979:	Joined the Company
Jan.	2004:	Director and President, Shiseido China Research Center Co., Ltd.
Apr.	2006:	General Manager of Cosmetics Research & Development Center of the Company
Oct.	2007:	General Manager of Skincare Development Center of the Company
Apr.	2010:	Corporate Officer of the Company Responsible for Marketing of Domestic Cosmetics Business and Domestic Non-Shiseido Brand Businesses of the Company
Apr.	2012:	Responsible for Functional Food Research & Development, Innovative Science Research & Development, Research Administration and Technology Alliances of the Company
Apr.	2013:	Responsible for Research & Development (Cosmetics and Innovative Science) of the Company
Apr.	2014:	Responsible for Research & Development of the Company
Apr.	2015:	Executive Corporate Officer of the Company Chief Research and Development Officer
Jun.	2017:	Responsible for R&D Strategy, GIC* Integrated Operations, Cosmetics Value Development, Cosmetics R&D, Intellectual Property, Advanced Research, Incubation [all above are incumbent roles], and Quality Assessment of the Company
Jan.	2018:	Responsible for Safety & Analytics Research of the Company [incumbent]
Mar.	2018:	Director of the Company
Jan.	2019:	Representative Director of the Company [incumbent] Executive Vice President of the Company [incumbent] Chief Innovation Officer of the Company [incumbent] Assisting the CEO in general corporate management of the Company [incumbent] Responsible for Process Engineering Development, Package Development, and Frontier Science Business of the Company [all above are incumbent roles]
Jan.	2020:	Responsible for Regulatory Strategy of the Company [incumbent]

*GIC: Global Innovation Center

Important Positions at Other Organizations Concurrently Held

None

Reasons for Nomination of the Candidate for Director

Since joining the Company, Mr. Yoichi Shimatani has handled work related to R&D and technology at Shiseido Research Labs (currently Shiseido Global Innovation Center), and possesses a wealth of experience in this field. After assuming the post of corporate officer, he has served as officer responsible for areas including innovative science and technology alliances, and has also been responsible for cosmetics value development and incubation, among other areas. He has thus contributed to the Company's growth. In 2019, he assumed office of Representative Director, Executive Vice President and has assisted the CEO in general corporate management, thereby contributing to the Company's sustainable growth.

Due to these facts the Board of Directors has continuously selected him as a candidate for director.

Based on his career stated in "Career Summary, and Position and Responsibilities at the Company" and other career, Mr. Shimatani has experience, knowledge and professional information as follows:

- Experience and knowledge to a competent extent in technology, innovation and quality management
- Experience and knowledge to a competent extent in cosmetics and the related consumer product industry
- Experience and knowledge in marketing and product development

Special Interest between the Candidate and the Company

There is no special interest between Mr. Yoichi Shimatani and the Company.



- Number of shares of the Company owned
  1,200 Shares
- Number of years in office of the Company as Director
  —
- Number of attendance at the Board of Directors meetings of the Company for the fiscal year ended December 31, 2019
  —

3. Yukari Suzuki (Date of birth: September 16, 1962)

Candidate for New Director

Career Summary, and Position and Responsibilities at the Company

Apr. 1985: Joined the Company
Apr. 2014: Representative Director and President, IPSA Company, Limited
Apr. 2015: General Manager of Marketing Department, Prestige Brands, Japan Business Division of the Company
Oct. 2015: General Manager of Marketing Department, Prestige Brands, Shiseido Japan Co., Ltd.
Jan. 2016: Marketing Director, Marketing Department, Cosmetics Specialty Store, Shiseido Japan Co., Ltd.
Jan. 2017: Brand Director, *Clé de Peau Beauté* Brand Unit, Global Prestige Brands of the Company
Jan. 2018: Corporate Officer of the Company
Chief Brand Officer, *Clé de Peau Beauté* Brand, Global Prestige Brands of the Company
Jan. 2020: Executive Corporate Officer of the Company [incumbent]
Chief Brand Officer, *Clé de Peau Beauté*, *IPSA*, *THE GINZA* of the Company [incumbent]

Important Positions at Other Organizations Concurrently Held

None

Reasons for Nomination of the Candidate for Director

Since joining the Company, Ms. Yukari Suzuki has devoted herself in several brands and new businesses of the Shiseido Group. She has been responsible for nurturing brands as President of IPSA Company, Limited, which is the Company's subsidiary, and possesses a wealth of experience and knowledge regarding those fields. She has also accumulated extensive experience in the marketing of prestige brands, which drive the Company's growth, in Prestige Brands of Shiseido Japan Co., Ltd. Furthermore, she has led *Clé de Peau Beauté,* which represents the Company's prestige brands, to grow globally in the Company's Global Prestige Brands.

Due to these facts the Board of Directors has newly selected her as a candidate for director.

Based on her career stated in "Career Summary, and Position and Responsibilities at the Company" and other career, Ms. Suzuki has experience, knowledge and professional information as follows:

- Experience and knowledge to a competent extent in marketing and product development
- Experience and knowledge to a competent extent in international business

Special Interest between the Candidate and the Company

There is no special interest between Ms. Yukari Suzuki and the Company.



- Number of shares of the Company owned
  11,900 Shares
- Number of years in office of the Company as Director
- Number of attendance at the Board of Directors meetings of the Company for the fiscal year ended December 31, 2019

4. Norio Tadakawa (Date of birth: January 6, 1967)

Candidate for New Director

Career Summary, and Position and Responsibilities at the Company

Apr. 1989: Joined the Company
Jan. 2010: Department Director, International Business Planning Department, International Business Division of the Company
Apr. 2012: Department Director, Corporate Planning Department of the Company
Apr. 2014: Corporate Officer, Chief Finance Officer of the Company
Responsible for Finance, Investor Relations, Information System Planning and Internal Control of the Company
Apr. 2015: Corporate Officer, Chief Finance Officer of the Company
Jan. 2016: Responsible for Financial Management of the Company
Jan. 2017: Responsible for Business Development of the Company
Jan. 2018: Executive Corporate Officer of the Company [incumbent]
Jul. 2018: Chief Supply Network Officer of the Company
Jan. 2019: Chief Supply Network Officer of the Company
Responsible for Demand & Supply Planning, Logistics, Production, Factories, Supply & Purchasing [all above are incumbent roles], SN Strategy, Global Initiative and Nasu Factory Establishment of the Company
Jan. 2020: Responsible for SN Strategy, SN Fundamental Development and Global Brands S&OP of the Company [all above are incumbent roles]

Important Positions at Other Organizations Concurrently Held

None

Reasons for Nomination of the Candidate for Director

Since joining the Company, Mr. Norio Tadakawa has handled work related to marketing and product development, and possesses a wealth of experience and knowledge in those fields. Thereafter, he has accumulated experiences relating to overall management in the International Business Planning Department and the Corporate Planning Department. He has also assumed the post of Chief Finance Officer, and thus possesses the experience and knowledge in finance and accounting. Based on those extensive experiences, he has played a leadership role in the reform of the supply network in which the supply shortage had been a serious issue, and actively contributed to solving management issues.

Due to these facts the Board of Directors has newly selected him as a candidate for director.

Based on his career stated in “Career Summary, and Position and Responsibilities at the Company” and other career, Mr. Tadakawa has experience, knowledge and professional information as follows:

- Experience and knowledge in finance and accounting
- Experience and knowledge in marketing and product development
- Experience and knowledge in international business
- Experience and knowledge in supply network, including production and logistics

Special Interest between the Candidate and the Company

There is no special interest between Mr. Norio Tadakawa and the Company.

SHISEIDO

Candidate for New Director
Candidate for External Director
Candidate for Independent Director



5. Yoshiaki Fujimori (Date of birth: July 3, 1951)

- Number of shares of the Company owned
  0 Shares
- Number of years in office of the Company as External Director
  —
- Number of attendance at the Board of Directors meetings of the Company for the fiscal year ended December 31, 2019
  —

Career Summary, and Position and Responsibilities at the Company

Apr.	1975:	Joined Nissho Iwai Corporation (currently Sojitz Corporation)
Oct.	1986:	Joined General Electric Japan, Ltd.
Sep.	1997:	Company Officer, General Electric Company
May	2001:	Senior Vice President, General Electric Company
Oct.	2008:	Representative Director, Chair, President and CEO, General Electric Japan, Ltd.
Mar.	2011:	Representative Director and Chair, General Electric Japan, Ltd. (currently GE Japan Inc.)
Jun.	2011:	Director, LIXIL Corporation Director, JS Group Corporation (currently LIXIL Group Corporation)
Aug.	2011:	Representative Director, President and CEO, LIXIL Corporation Director, Executive Officer, President and CEO, LIXIL Group Corporation
Jun.	2012:	Outside Director, Tokyo Electric Power Company (currently Tokyo Electric Power Company Holdings, Inc.)
Jan.	2016:	Representative Director, Chair and CEO, LIXIL Corporation
Jun.	2016:	External Director, Takeda Pharmaceutical Company Limited [incumbent]
Jul.	2016:	External Director, Boston Scientific Corporation [incumbent]
Aug.	2018:	External Director and Chair, Oracle Corporation Japan [incumbent]
Jun.	2019:	Outside Director, Toshiba Corporation [incumbent]

Important Positions at Other Organizations Concurrently Held

External Director, Takeda Pharmaceutical Company Limited*

External Director, Boston Scientific Corporation**

External Director and Chair, Oracle Corporation Japan*

Outside Director, Toshiba Corporation*

(* indicates a listed company in Japan; ** indicates a listed company in the U.S.)

Reasons for Nomination of the Candidate for External Director

Mr. Yoshiaki Fujimori is a candidate for external director fulfilling the requirements provided in Article 2, paragraph (3), item (vii) of the Regulation for Enforcement of the Companies Act.

He was the first Asian who assumed the post of Senior Vice President of GENERAL ELECTRIC COMPANY in the U.S. He has also promoted the globalization of JS Group Corporation (currently LIXIL Group Corporation) and its group, and thus has a wealth of experience and a proven track record as a global leader. The Company is of an opinion that Mr. Fujimori has practical knowledge of the globalization of Japanese companies, and selecting him as external director will help further improve the effectiveness of the Board of Directors. Accordingly, the Board of Directors has decided to newly select him as a candidate for external director.

Based on his career stated in “Career Summary, and Position and Responsibilities at the Company” and other career, Mr. Fujimori has experience, knowledge and professional information as follows:

- Experience and knowledge to a competent extent in overall management
- Experience and knowledge to a competent extent in international business
- Experience and knowledge to a competent extent in corporate governance
- Experience and knowledge to a competent extent in the general consumer product industry

Special Interest between the Candidate and the Company

Mr. Yoshiaki Fujimori concurrently holds the office of External Director of Takeda Pharmaceutical Company Limited ("Takeda Pharmaceutical") and Outside Director of Toshiba Corporation ("Toshiba"), with which the Company has the following transactions:

<Organizations at Which the Candidate Concurrently Assumes the Post of External Director>

Organization where Concurrent Position is Held	Transaction Matter, etc.	Vendor, Recipient of Supporting Money, etc.	Purchaser, Provider of Supporting Money, etc.	Percentage of Transaction Value	Value for Comparison
Takeda Pharmaceutical Company Limited	Outsourcing business, etc.	Takeda Pharmaceuti-cal Group	Shiseido Group	Less than 1%	Total amount of cost of sales and selling, general and administrative expenses of the Company on a consolidated basis for the fiscal year ended December 31, 2019
				Less than 1%	Revenue of Takeda Pharmaceutical on a consolidated basis for the fiscal year ended March 31, 2019
Toshiba Corporation	Outsourcing business, etc.	Toshiba Group	Shiseido Group	Less than 1%	Total amount of cost of sales and selling, general and administrative expenses of the Company on a consolidated basis for the fiscal year ended December 31, 2019
				Less than 1%	Consolidated net sales of Toshiba for the fiscal year ended March 31, 2019

SHISEIDO

Candidate for External Director
Candidate for Independent Director



6. Yoko Ishikura (Date of birth: March 19, 1949)

- Number of shares of the Company owned
  1,200 Shares
- Number of years in office of the Company as External Director
  4 Years and 9 Months
- Number of attendance at the Board of Directors meetings of the Company for the fiscal year ended December 31, 2019
  20 out of 20 Board of Directors meetings (100%)
- Number of attendance at the Nomination Advisory Committee meetings of the Company for the fiscal year ended December 31, 2019
  6 out of 6 Nomination Advisory Committee meetings (100%)
- Number of attendance at the Remuneration Advisory Committee meetings of the Company for the fiscal year ended December 31, 2019
  7 out of 7 Remuneration Advisory Committee meetings (100%)

Career Summary, and Position and Responsibilities at the Company

Jul.	1985:	Joined McKinsey & Company Inc. Japan Office
Apr.	1992:	Professor, School of International Politics, Economics and Communication, Aoyama Gakuin University
Mar.	1996:	Director (part-time), Avon Products Inc. (currently FMG & MISSION CO., LTD.)
Apr.	2000:	Professor, Graduate School of International Corporate Strategy, Hitotsubashi University
Feb.	2001:	Member, the Central Education Council
Apr.	2004:	Director (part-time), Vodafone Holdings K.K. (previously)
		Outside Director (part-time), Japan Post (previously)
Oct.	2005:	Vice President, Science Council of Japan
Jun.	2006:	Outside Director, Mitsui O.S.K. Lines, Ltd.
Jan.	2008:	Member (part-time), Council for Science and Technology Policy
Jun.	2010:	Outside Director, NISSIN FOODS HOLDINGS CO., LTD.
		Outside Director, Fujitsu Limited
Apr.	2011:	Professor, Graduate School of Media Design, Keio University
Apr.	2012:	Professor Emeritus, Hitotsubashi University [incumbent]
Jun.	2012:	Outside Director, Lifenet Insurance Company
Jun.	2014:	Outside Director, Sojitz Corporation
Jun.	2015:	External Director of the Company [incumbent]
Apr.	2018:	Chair of Nomination Advisory Committee of the Company [incumbent]
Jun.	2019:	Outside Director, SEKISUI CHEMICAL CO., LTD. [incumbent]

Important Positions at Other Organizations Concurrently Held

Outside Director, SEKISUI CHEMICAL CO., LTD.*

(* indicates a listed company)

Reasons for Nomination of the Candidate for External Director

Ms. Yoko Ishikura is a candidate for external director fulfilling the requirements provided in Item 7 of Paragraph 3 of Article 2 of the Ordinances for Enforcement of the Companies Act.

She has a high level of knowledge in international corporate strategy, based on which she has actively made statements at meetings of the Board of Directors. She has achieved an adequate role on supervising the execution of business as external director of the Company.

Also, as a Chair of the Company's Nomination Advisory Committee and a member of Remuneration Advisory Committee, she attended the meetings of these Committees and actively expressed opinions. Notably, with regard to the decision on the reappointment of the President and CEO, she played a leadership role in the deliberation of this matter as a Chair of the Nomination Advisory Committee.

She has not participated in management of companies other than as external director and audit & supervisory board member. For the reasons stated above, however, the Company is of an opinion that she would be able to fulfill adequately the role of external director. Accordingly, the Board of Directors has decided to continuously select her as a candidate for external director.

Based on her career stated in "Career Summary, and Position and Responsibilities at the Company" and other career, Ms. Ishikura has experience, knowledge and professional information as follows:

- Professional knowledge in international politics and economics
- Professional knowledge in international corporate strategy
- Experience and knowledge to a competent extent in corporate governance

Special Interest between the Candidate and the Company

Ms. Yoko Ishikura concurrently holds the office of Outside Director of SEKISUI CHEMICAL CO., LTD. ("SEKISUI CHEMICAL"), with which the Company has the following transactions:

<Organization at Which the Candidate Concurrently Assumes the Post of External Director>

Organization where Concurrent Position is Held	Transaction Matter, etc.	Vendor, Recipient of Supporting Money, etc.	Purchaser, Provider of Supporting Money, etc.	Percentage of Transaction Value	Value for Comparison
SEKISUI CHEMICAL CO., LTD.	Raw materials, etc.	SEKISUI CHEMICAL Group	Shiseido Group	Less than 1%	Total amount of cost of sales and selling, general and administrative expenses of the Company on a consolidated basis for the fiscal year ended December 31, 2019
				Less than 1%	Consolidated net sales of SEKISUI CHEMICAL for the fiscal year ended March 31, 2019



7. Shinsaku Iwahara

Candidate for External Director
Candidate for Independent Director

(Date of birth: December 17, 1952)

- Number of shares of the Company owned
  200 Shares
- Number of years in office of the Company as External Director
  2 Years
- Number of attendance at the Board of Directors meetings of the Company for the fiscal year ended December 31, 2019
  20 out of 20 Board of Directors meetings (100%)
- Number of attendance at the Nomination Advisory Committee meetings of the Company for the fiscal year ended December 31, 2019
  6 out of 6 Nomination Advisory Committee meetings (100%)
- Number of attendance at the Remuneration Advisory Committee meetings of the Company for the fiscal year ended December 31, 2019
  7 out of 7 Remuneration Advisory Committee meetings (100%)

Career Summary, and Position and Responsibilities at the Company

Aug.	1978:	Associate Professor, Faculty of Law, The University of Tokyo
Sep.	1981:	Visiting Researcher, Harvard Law School, U.S.A.
Dec.	1982:	Visiting Researcher, University of California, Berkeley, School of Law, U.S.A.
Sep.	1991:	Visiting Professor, Harvard Law School, U.S.A.
Nov.	1991:	Professor, Graduate School of Law and Politics, The University of Tokyo
Apr.	2003:	Member, Postal Services Policy Council
Jan.	2005:	Member, Business Accounting Council, Financial Services Agency
Apr.	2009:	Director, Financial Accounting Standards Foundation
Apr.	2010:	Member, Legislative Council, Ministry of Justice [incumbent], Chair, Corporate Legislation Subcommittee, Legislative Council, Ministry of Justice
Apr.	2013:	Professor, Faculty of Law, Waseda University [incumbent]
Jun.	2013:	Professor Emeritus, The University of Tokyo [incumbent]
Jan.	2015:	Member and Chair, Financial System Council, Financial Services Agency
Jul.	2017:	Adviser to Mori Hamada & Matsumoto [incumbent]
Mar.	2018:	External Director of the Company [incumbent]
Jun.	2019:	Chair, Legislative Council, Ministry of Justice [incumbent]

Important Positions at Other Organizations Concurrently Held

Professor, Faculty of Law, Waseda University

Reasons for Nomination of the Candidate for External Director

Mr. Shinsaku Iwahara is a candidate for external director fulfilling the requirements provided in Item 7 of Paragraph 3 of Article 2 of the Ordinances for Enforcement of the Companies Act.

He is a university professor and researcher specializing in legal studies, mainly with regard to companies and financial systems, with deep knowledge of law. He has also played important roles at the Legislative Council and Financial System Council, and has been involved in the establishment of the supervisory and examination systems of authorities such as the Financial Services Agency. He thus possesses a wealth of experience. Based on such knowledge and experience, he has been contributing toward improving the effectiveness of the Board of Directors of the Company by actively making statements at meetings of the Board of Directors.

Also, as a member of the Company's Nomination Advisory Committee and Remuneration Advisory Committee, he attended the meetings of these Committees and actively expressed opinions.

He has not participated in management of companies other than as external director and audit & supervisory board member. For the reasons stated above, however, the Company is of an opinion that he would be able to achieve adequately the role of external director. Accordingly, the Board of Directors has decided to continuously select him as a candidate for external director.

Based on his career stated in "Career Summary, and Position and Responsibilities at the Company" and other career, Mr. Iwahara has experience, knowledge and professional information as follows:

- Professional knowledge in legal matters
- Professional knowledge in corporate governance

Special Interest between the Candidate and the Company

There is no special interest between Mr. Shinsaku Iwahara and the Company.

SHISEIDO

Candidate for External Director
Candidate for Independent Director



8. Kanoko Oishi (Date of birth: March 24, 1961)

- Number of shares of the Company owned
  1,600 Shares
- Number of years in office of the Company as External Director
  4 Years
- Number of attendance at the Board of Directors meetings of the Company for the fiscal year ended December 31, 2019
  20 out of 20 Board of Directors meetings (100%)
- Number of attendance at the Nomination Advisory Committee meetings of the Company for the fiscal year ended December 31, 2019
  6 out of 6 Nomination Advisory Committee meetings (100%)
- Number of attendance at the Remuneration Advisory Committee meetings of the Company for the fiscal year ended December 31, 2019
  7 out of 7 Remuneration Advisory Committee meetings (100%)

Career Summary, and Position and Responsibilities at the Company

Apr. 1983: Joined Nippon Life Insurance Company
Aug. 1987: McKinsey & Company, Inc. New York Office
Nov. 1988: McKinsey & Company, Inc. Tokyo Office
Jun. 2000: CEO, MEDIVA Inc. [incumbent]
Jul. 2000: CEO, Seinan MEDIVA Co., Ltd. (currently Seeds 1 Co., Ltd.) [incumbent]
Aug. 2001: Outside Auditor, ASKUL Corporation
Aug. 2002: Outside Director, ASKUL Corporation
Jun. 2010: Outside Director, Astellas Pharma Inc.
Jun. 2015: Outside Director, Ezaki Glico Co., Ltd. [incumbent]
External Board Member, Santen Pharmaceutical Co., Ltd. [incumbent]
External Director, Suruga Bank Ltd.
Mar. 2016: External Director of the Company [incumbent]
Apr. 2018: Chair of Remuneration Advisory Committee of the Company [incumbent]

Important Positions at Other Organizations Concurrently Held

CEO, MEDIVA Inc.
CEO, Seeds 1 Co., Ltd.
Outside Director, Ezaki Glico Co., Ltd.*
External Board Member, Santen Pharmaceutical Co., Ltd.*
(* indicates a listed company)

Reasons for Nomination of the Candidate for External Director

Ms. Kanoko Oishi is a candidate for external director fulfilling the requirements provided in Item 7 of Paragraph 3 of Article 2 of the Ordinances for Enforcement of the Companies Act.

She has experiences and knowledge gained through her career in business management inside and outside Japan as well as from a standpoint of active manager who is pushing forward patient-centered transformation of the medical industry, based on which she has actively made statements at meetings of the Board of Directors. She has achieved an adequate role on supervising the execution of business as external director of the Company.

Also, as a Chair of the Company's Remuneration Advisory Committee and a member of Nomination Advisory Committee, she attended the meetings of these Committees and actively expressed opinions. Notably, with regard to reviewing the remuneration design with the decision on the reappointment of the President and CEO, she played a leadership role in the deliberation of this matter as a Chair of the Remuneration Advisory Committee.

For the reasons stated above, the Company is of an opinion that she would be able to fulfill adequately the role of external director. Accordingly, the Board of Directors has continuously selected her as a candidate for external director.

Based on her career stated in "Career Summary, and Position and Responsibilities at the Company" and other career, Ms. Oishi has experience, knowledge and professional information as follows:

- Experience and knowledge to a competent extent in overall management
- Experience and knowledge to a competent extent in the medical industry
- Experience and knowledge to a competent extent in corporate governance

Special Interest between the Candidate and the Company

Ms. Kanoko Oishi concurrently holds the office of CEO of MEDIVA Inc. ("MEDIVA") and Outside Director of Ezaki Glico Co., Ltd. ("Ezaki Glico"), with which the Company has the following transactions:

<Organization at Which the Candidate Concurrently Executes Business>

Organization where Concurrent Position is Held	Transaction Matter, etc.	Vendor, Recipient of Supporting Money, etc.	Purchaser, Provider of Supporting Money, etc.	Percentage of Transaction Value	Value for Comparison
MEDIVA Inc.	Outsourcing business, etc.	MEDIVA Group	Shiseido Group	Less than 1%	Total amount of cost of sales and selling, general and administrative expenses of the Company on a consolidated basis for the fiscal year ended December 31, 2019
				Less than 1%	Net sales of MEDIVA for the fiscal year ended December 31, 2019

<Organization at Which the Candidate Concurrently Assumes the Post of External Director>

Organization where Concurrent Position is Held	Transaction Matter, etc.	Vendor, Recipient of Supporting Money, etc.	Purchaser, Provider of Supporting Money, etc.	Percentage of Transaction Value	Value for Comparison
Ezaki Glico Co., Ltd.	Snacks, etc. (mail order)	Ezaki Glico Group	Shiseido Group	Less than 1%	Total amount of cost of sales and selling, general and administrative expenses of the Company on a consolidated basis for the fiscal year ended December 31, 2019
				Less than 1%	Consolidated net sales of Ezaki Glico for the fiscal year ended March 31, 2019

Notes:

1. Conclusion of liability limiting agreement

   The Company established provisions in the Articles of Incorporation enabling the Company to enter into an agreement with external directors limiting their liability for compensation of damages through a resolution of the 106th ordinary general meeting of shareholders held on June 29, 2006 for the purpose of inducing external directors to fully perform expected roles and enabling the Company to invite competent personnel.

   Pursuant to these provisions the Company has entered into such agreement with each of Ms. Yoko Ishikura, Mr. Shinsaku Iwahara and Ms. Kanoko Oishi, under which his/her liability for compensation of damages is limited to the minimum limited liability amount provided in the laws and regulations. Upon appointment at this general meeting of shareholders, the Company will enter into such agreement with Mr. Yoshiaki Fujimori, under which his liability for compensation of damages is limited to the minimum limited liability amount provided in the laws and regulations.

2. Independent Directors

   The Company has designated Ms. Yoko Ishikura, Mr. Shinsaku Iwahara and Ms. Kanoko Oishi as Independent Directors prescribed in Article 436-2 of the Securities Listing Regulations of the Tokyo Stock Exchange. Upon appointment at this general meeting of shareholders, the Company will once again designate Ms. Yoko Ishikura, Mr. Shinsaku Iwahara and Ms. Kanoko Oishi as Independent Directors. The Company will newly designate Mr. Yoshiaki Fujimori as Independent Director upon appointment at this general meeting of shareholders.

3. Incidents entailing violation of laws, regulations or articles of incorporation, or incidents otherwise entailing wrongful business practices occurring at another company where an external director candidate has served either as director, executive officer or audit & supervisory board member over the last five years, arising at such company during such tenure

   On October 5, 2018, the Financial Services Agency took administrative actions (partial business suspension order and business improvement order) with respect to Suruga Bank Ltd. where Ms. Kanoko Oishi served as External Director from June 2015 to June 2018. The reasons cited for the administrative actions included misconduct on share house loans and other investment real estate loans, business operations harming the interests of customers, and inappropriate financing for family companies. Although she had not been aware of the aforementioned incidents prior to them coming to light, she regularly furnished advice to Suruga Bank on a daily basis as an External Director of Suruga Bank from the perspective of compliance with laws and regulations and brought to its attention matters concerning its compliance with laws and regulations. Subsequent to the aforementioned incidents coming to light, Ms. Kanoko Oishi has been fulfilling her duties appropriately at the Board of Directors' meetings of Suruga Bank, such as by calling for an investigation of the facts of the matter, for a further strengthening and thorough approach to compliance, and for measures to be taken appropriately to prevent recurrence of such situations, as well as working to restore confidence in Suruga Bank.

4. Presentation of name

   Ms. Yoko Ishikura is well-known by the name Ishikura, and that name is therefore presented here, but her name as recorded on the official family register is Ms. Yoko Kurita.

Third Item of Business: Election of One (1) Audit & Supervisory Board Member

The term of office of external audit & supervisory board member, Ms. Eiko Tsujiyama will expire at the conclusion of this general meeting of shareholders. Accordingly, it is proposed that one (1) audit & supervisory board member be elected.

In regards to submission of this item of business to this general meeting of shareholders, the consent of the Audit & Supervisory Board has been obtained.

Policy and Process under Which Candidates for Audit & Supervisory Board Members Are Selected

Taking into consideration the importance of audit and functions of audit & supervisory board members for the corporate management, and the personality and intellectuality of candidates therefor, representative directors of the Company select appropriate individuals as candidates for audit & supervisory board members who are able to fulfill the duties of audit & supervisory board members and the Company receives a report from the Nomination Advisory Committee on whether or not the candidates are adequate. Then the Board of Directors determines the candidates for audit & supervisory board members upon receiving consent of the Audit & Supervisory Board on submitting a proposal for the election to the ordinary general meeting of shareholders.

Furthermore, the Company sets forth the Criteria for Independence of External Directors and Audit & Supervisory Board Members. The candidate for external audit & supervisory board member has fulfilled the Criteria in full. Overview of the criteria is stated on pages 50 and 51 and the entire criteria is listed as a voluntary disclosure item relating to the business report on our corporate information website: INVESTORS / General Meeting of Shareholders (https://corp.shiseido.com/en/ir/shareholder/).

Candidate for Audit & Supervisory Board Member



Ritsuko Nonomiya

(Date of birth: November 28, 1961)

Candidate for New Audit & Supervisory Board Member

Candidate for External Audit & Supervisory Board Member

Candidate for Independent Audit & Supervisory Board Member

- Number of shares of the Company owned

  0 Shares

- Number of years in office of the Company as External Audit & Supervisory Board Member

- Number of attendance at the Board of Directors meetings of the Company for the fiscal year ended December 31, 2019

- Number of attendance at the Audit & Supervisory Board Members meetings of the Company for the fiscal year ended December 31, 2019

Career Summary and Position at the Company

Sep.	1987:	Joined Pete Murwick Maine Accounting Firm (currently KPMG LLP)
Apr.	1997:	Partner, KPMG Corporate Finance Co., Ltd.
Nov.	2000:	Joined UBS Warburg Securities Co., Ltd. (currently UBS Securities Japan Co., Ltd.)
Jan.	2005:	M&A Advisor, Managing Director, UBS Warburg Securities Co., Ltd. (currently UBS Securities Japan Co., Ltd.)
Jul.	2008:	Senior Vice President, Business Development Leader, GE Capital Asia Pacific
Dec.	2013:	Managing Director, GCA Savvian Corporation (currently GCA Corporation) [incumbent]
Jan.	2015:	Executive Officer, GCA Savvian Corporation (currently GCA Corporation) [incumbent]
Mar.	2017:	Director, GCA Corporation [incumbent]

Important Positions at Other Organizations Concurrently Held

Director, GCA Corporation*

(* indicates a listed company)

Reasons for Nomination of the Candidate for External Audit & Supervisory Board Member

Ms. Ritsuko Nonomiya has accumulated business experience in accounting offices of the KPMG Group and other places in the U.S. and Japan, and has engaged in M&A and business development in the UBS Group and the GE Group. Thus, she has a great amount of knowledge in finance and accounting as well as management knowledge including M&A and business experience.

Due to these facts the Company determined that she would be able to utilize her considerable knowledge acquired based on her extensive experience to monitor the legality and adequacy of directors' execution of duties, and express necessary opinions at the meetings of the Board of Directors meetings and other important organizations. Thus, the Board of Directors has newly selected her as a candidate for external audit & supervisory board member.

Based on her career stated in "Career Summary and Position at the Company" and other career, Ms. Nonomiya has experience, knowledge and professional information as follows:

- Professional knowledge in finance and accounting
- Experience and knowledge to a competent extent in international business

Special Interest between the Candidate and the Company

There is no special interest between Ms. Ritsuko Nonomiya and the Company.

Notes:

1. Conclusion of liability limiting agreement

   The Company established provisions in the Articles of Incorporation enabling the Company to enter into an agreement with external audit & supervisory board members limiting their liability for compensation of damages through a resolution of the 106th ordinary general meeting of shareholders held on June 29, 2006 for the purpose of inducing external audit & supervisory board members to fully perform expected roles and enabling the Company to invite competent personnel. Pursuant to these provisions the Company will enter into such agreement with Ms. Ritsuko Nonomiya upon appointment at this general meeting of shareholders, under which her liability for compensation of damages is limited to the minimum limited liability amount provided in the laws and regulations.

2. Independent Officers

   The Company will newly designate Ms. Ritsuko Nonomiya as Independent Audit & Supervisory Board Member prescribed in Article 436-2 of the Securities Listing Regulations of the Tokyo Stock Exchange upon appointment at this general meeting of shareholders.

Fourth Item of Business: Determination of Long-Term Incentive-Type Remuneration (LTI) to Directors

The Company has introduced the long-term incentive-type remuneration policy (the "LTI") that utilizes performance share units, a type of performance-linked stock remuneration, in order to give directors excluding external directors (the "Eligible Directors") additional motive to create corporate value over the long term and ensure they share interests with shareholders.

Under the LTI, the number of fiscal years that the payment relates to will be one fiscal year, and the Company will grant an initial reference allocation of share units to each Eligible Directors every fiscal year. Multiple performance indicators will be established in advance, covering an evaluation period of three fiscal years, including the fiscal year that the payment relates to, and after the evaluation period has ended, the percentage amount of payment will be calculated corresponding to the level of achievement of each performance indicator and the number of share units will be increased or decreased in accordance with the percentage amount of payment. Then, monetary remuneration claims for the delivery of the Company's common stock and cash will be paid in accordance with the number of share units to each Eligible Director. Each Eligible Director will receive delivery of the Company's common stock by providing all of the monetary remuneration claims as contributions in kind, and the amount to be paid in this case shall be based on the closing price of the Company's common stock on the Tokyo Stock Exchange on the business day preceding the date of resolution of the Board of Directors of the Company to issue or dispose of the said common stock (if no trades are made on this day, the closing price on the most recent preceding trading day) (the "share price at time of delivery"), and shall be determined by the Board of Directors within a range that is not especially advantageous for each Eligible Director subscribing to the Company's common stock.

The specific timing of payment and distribution of remuneration, etc. under the LTI to each Eligible Director will be determined by the Board of Directors, following deliberation by the Remuneration Advisory Committee chaired by an external director. In regard to the total amount of monetary remuneration claims for the delivery of the Company's common stock and cash to be paid in accordance with the achievement rates, etc. of targets mainly relating to company performance as of the end of the three consecutive fiscal years starting from fiscal 2020 to Eligible Directors as remuneration, etc. for fiscal 2020 under the LTI, the Company cordially requests shareholders to approve a total maximum payment amount (the "maximum payment amount") of 66,000 shares of the Company's common stock multiplied by the share price at time of delivery (however, if all Eligible Directors forfeit their positions as directors or corporate officers of the Company or of subsidiaries of the Company as a result of restructuring or other events during the evaluation period, leading to payments of remuneration, etc. being made under the terms of the LTI before the end of the evaluation period, the closing price of the Company's common stock on the Tokyo Stock Exchange on the business day preceding the date of resolution of the Board of Directors concerning said payments shall be used (if no trades are made on this day, the closing price on the most recent preceding trading day)) and a maximum total number of shares of the Company's common stock to be delivered to Eligible Directors based on the LTI of 33,000 shares (the "maximum number of shares to be delivered"), with 50% of remuneration, etc. based on the LTI delivered to each Eligible Director as monetary remuneration claims for the delivery of the Company's common stock, in principle, and the remainder paid as cash, within the limits described above.

Currently, the number of directors of the Company is six directors (including three external directors). If the Second Item of Business gets approved as originally proposed, the number of directors of the Company will be eight directors (including four external directors). The total number of Eligible Directors will be five directors, comprised of four directors who are not external directors, out of the eight directors, and one person who will retire as director following the end of his tenure of office at the conclusion of this general meeting of shareholders and will execute business as executive corporate officer starting with fiscal 2020.

<Information Provided as Reference to Assist Understanding of the LTI>

Overview of the Company's Directors, Audit & Supervisory Board Members and Corporate Officers Remuneration Policy

The Company's directors, audit & supervisory board members and corporate officers remuneration policy has been designed by the Remuneration Advisory Committee chaired by an external director, and is a highly transparent system that incorporates objective perspectives.

The remuneration of the directors, audit & supervisory board members and corporate officers comprises basic remuneration and performance-linked remuneration, which is linked to the achievement of management targets and share price, and the Company sets remuneration levels by making comparisons with companies in the same industry or of the same scale in Japan and overseas and by taking the Company's financial condition into consideration.

External directors and audit & supervisory board members receive only basic remuneration, as fluctuating remuneration such as performance-linked remuneration is inconsistent with their supervisory functions from a stance independent from business execution. Meanwhile, the Company abolished its officers' retirement benefit plan as of June 29, 2004 on which the 104th ordinary general meeting of shareholders was held.

The Company's directors, audit & supervisory board members and corporate officers remuneration policy and basic remuneration paid to directors in fiscal 2019 and the annual bonus, etc. that the Company plans to pay on reflection of the performance evaluation of the same fiscal year are mentioned from page 70 through page 78.

Overview of the LTI

Under the LTI, each year, multiple performance indicators will be established in advance, covering an evaluation period of three fiscal years, including the fiscal year that the payment relates to, and after the evaluation period has ended, monetary remuneration claims for the delivery of the Company's common stock and cash corresponding to the level of achievement of these performance indicators, etc. will be paid as remuneration, etc.

The evaluation period with fiscal 2020 as the fiscal year that the payment relates to covers the three fiscal years from January 1, 2020 through December 31, 2022, and delivery of monetary remuneration claims for the delivery of the Company's common stock and payment of cash to Eligible Directors will take place after the evaluation period has ended, in principle. Furthermore, under the LTI, monetary remuneration claims for the delivery of the Company's common stock and cash will be paid in accordance with the level of achievement of performance indicators, etc., and therefore, at the time share units are granted, it is undetermined whether or not this delivery or payment of remuneration, etc. to each Eligible Director will take place, and the number of shares of the Company's common stock, the amount of monetary remuneration claims for delivery of the Company's common stock, and the amount of cash are also each undetermined.

In addition, in the event that the Company conducts a share split (including free distribution of the Company's stock) or share consolidation of the Company's common stock on or after the date of the resolution of this Item of Business, the Company will adjust both the number of shares of the Company's common stock (66,000 shares) used as the basis for the calculation of the above maximum payment amount and the maximum number of shares to be delivered (33,000 shares), and as a result determine the number of shares of the Company's common stock to be delivered to each Eligible Director, in accordance with the ratio of the split or consolidation.

Structure of the LTI

The specific structure of the LTI is as follows:

1) The LTI has a performance-linked portion and a fixed portion.
2) The Board of Directors will determine the performance indicators to be used in the LTI, performance-linked coefficients, and other performance indicators and percentage amount of the payment attributable to the level of achievement, etc. of each performance indicator, etc. required for the specific calculation of the number of shares, etc. to be delivered to each Eligible Director. An overview of the performance indicators to be used in the calculation of remuneration, etc. under the LTI for fiscal 2020 is shown in the table below. The targets for indicators related to economic value, consolidated net sales compound average growth rate (CAGR) and consolidated operating profit compound average growth rate (CAGR), are 8.0% and 15.8%, respectively, and if these targets are achieved, the maximum percentage amount of the payment attributable to each indicator

will be applied. In addition, the lower limits for evaluation for the consolidated net sales compound average growth rate (CAGR) and consolidated operating profit compound average growth rate (CAGR) are 5.0% and 10.0%, respectively, and in the event that performance falls below these values, the performance-linked portion for each of these indicators will not be paid. These compound average growth rate indicators will each be calculated based on performance in fiscal 2017. In regard to indicators related to social value, the structure of the LTI is such that targets will also be similarly established for multiple internal and external environment, society, and corporate governance (ESG)-related indicators, and the percentage amount of the payment will fluctuate according to the level of achievement of these targets. Although on the one hand it is essential that the Company remains aware of matters related to consolidated return on equity (ROE), on the other hand it is crucial that it does not permit such benchmarks to weigh too heavily on proactive initiatives to resolve such issues as those related to future growth-oriented investments and long-term expansion. As such, upon the Remuneration Advisory Committee deliberation, the Company has established certain performance standards (thresholds) in advance, with the evaluation framework designed so that the Remuneration Advisory Committee will consider lowering the percentage amount of the payment attributable to the performance-linked portion, if results fall below the thresholds.

<table>
<tr><th>Evaluation Item</th><th>Performance Indicators</th><th colspan="2">Evaluation Weight</th></tr>
<tr><td rowspan="2">Economic Value Indicators</td><td>Consolidated net sales
compound average growth rate (CAGR)</td><td>45%</td><td rowspan="3">100%</td></tr>
<tr><td>Consolidated operating profit
compound average growth rate (CAGR)</td><td>45%</td></tr>
<tr><td>Social Value Indicators</td><td>Multiple internal and external indicators such as those related to environment, society, and governance (ESG) with focus on the area of “empowered beauty”</td><td>10%</td></tr>
<tr><td>Economic Value Indicator</td><td>Consolidated ROE (return on equity)</td><td colspan="2">If this ends up below the threshold, the Remuneration Advisory Committee will consider lowering the percentage amount of the payment attributable to the performance-linked portion.</td></tr>
</table>

3) After the end of the evaluation period, the Board of Directors shall determine the number of shares of the Company’s common stock to be allotted to each Eligible Director and the amount of cash to be paid, following deliberation by the Remuneration Advisory Committee, in accordance with the “Calculation Method for the Number of Shares of the Company’s Common Stock to be Delivered and Amount of Cash to be Paid to Eligible Directors” described in the next paragraph, based on the percentage amount of the payment determined in accordance with the level of achievement of each performance indicator, etc.
4) Pursuant to a resolution by the Board of Directors, the Company will pay monetary remuneration claims for the delivery of the Company’s common stock to each Eligible Director, in accordance with the number of shares of the Company’s common stock to be allotted to each Eligible Director as determined in item 3), and each Eligible Director will receive delivery of the Company’s common stock by providing all of the monetary remuneration claims as contributions in kind. Furthermore, the amount paid for the Company’s common stock will be determined by the Company’s Board of Directors based on the share price at time of delivery within a range that is not especially advantageous for each Eligible Director subscribing to the Company’s common stock.
5) Each Eligible Director will incur tax expenses in accordance with the delivery of the Company’s shares as described in item 4), and therefore the Company will pay each Eligible Director an amount of cash determined in item 3) in addition to the monetary remuneration claims in item 4), in order to secure funds for these tax expenses.

6) Conditions for the delivery of shares to each Eligible Director and other details will be determined by the Board of Directors.

Calculation Method for the Number of Shares of the Company's Common Stock to be Delivered and Amount of Cash to be Paid to Eligible Directors

The Company will calculate the number of shares of the Company's stock to be delivered to each Eligible Director based on the formula in the below 1), and will calculate the amount of cash to be paid as tax funds to each Eligible Director based on the formula in the below 2).

1) Number of shares of the Company's common stock to be delivered to each Eligible Director (*3)
   Reference number of share units (*1) × percentage amount of payment (*2) × 50%
2) Amount of cash to be paid to each Eligible Director (*3) (*4)
   {(Reference number of share units (*1) × percentage amount of payment (*2)) − number of shares of the Company's common stock to be delivered to each Eligible Director based on the formula in item 1} × share price at time of delivery

*1 For each fiscal year during the evaluation period, the Company will grant to each Eligible Director, as the reference number of share units, a number of share units obtained by dividing the reference amount determined by the Board of Directors in accordance with each Eligible Director's role grade by an amount determined by the Board of Directors within a range that is not especially advantageous for each Eligible Director, based on the closing price of the Company's common stock on the Tokyo Stock Exchange on the trading day preceding the date of the resolution by the Board of Directors to grant share units (if there are no trades on this date, the closing price on the most recent preceding trading day) (however, fractions of less than one unit arising as a result shall be rounded down).

*2 The percentage amount of payment will fluctuate within a certain predetermined range via a method determined by the Board of Directors of the Company, in accordance with the level of achievement of each performance indicator described in the above "Structure of the LTI."

*3 In the event that the maximum number of shares to be delivered (33,000 shares) or the maximum payment amount will be exceeded by delivering the number of shares of the Company's common stock or paying the amount of cash calculated with the above formula, the Company will reduce the number of shares and amount of cash to be delivered or paid to each Eligible Director through proportional distribution or other reasonable method determined by the Board of Directors, such that the maximum number of shares to be delivered and the maximum payment amount are not exceeded.

*4 Any fractions of less than one yen arising as a result of the above calculation will be rounded down.

Conditions for Payment of Remuneration, etc. based on the LTI

The Company will pay remuneration, etc. based on the LTI to Eligible Directors who fulfill the following conditions at the end of the evaluation period. Delivery of the Company's common stock shall be conducted by issuing shares or disposing of treasury stock, and the Board of Directors shall determine the Eligible Directors to whom the Company's common stock will be delivered and matters related to subscription for the issuance of shares or disposal of treasury stock after the evaluation period has ended, in accordance with the below conditions 1) through 3) and the calculation method described above.

1) Eligible Directors must have served continuously in the position of director or corporate officer of the Company or a subsidiary of the Company during the evaluation period.
2) Certain illegal activities determined by the Board of Directors must not have occurred.
3) Any other conditions set forth by the Board of Directors as necessary to achieve the intent of the LTI must be fulfilled.

Treatment when Eligible Directors Retire

Even if an Eligible Director lose his/her position as a director or corporate officer of the Company or any of its subsidiaries during the evaluation period, such Eligible Director will be provided with the Company's common stock and/or cash prorated based on a reasonable method prescribed by the Board of Directors of no more than the maximum payment amount and the maximum number of shares to be delivered corresponding to the nature of the reason for loss of the aforementioned position in case that the reason for loss of position is a specific reason determined by the Board of Directors in advance, and the term of office prerequisites determined by the Board of Directors for his/her reason for loss of position for each specific reason are met (in principle such prerequisite is that during the entire period of the fiscal year that the payment relates to, he/she must have served in a position of director or corporate officer of the Company or any of its subsidiaries), and such delivery or payment shall be made at a timing determined by the Board of Directors. In addition, if as a result of the resignation of Eligible Directors, payments of remuneration, etc. are made under the terms of the LTI before the end of the evaluation period, the number of shares to be delivered or the amount paid to such Eligible Directors shall be computed using the closing price of the Company's common stock on the Tokyo Stock Exchange on the business day preceding the date of resolution of the Board of Directors of the Company concerning said payments (if no trades are made on this day, the closing price on the most recent preceding trading day).

Note: In Article 361 of the Companies Act of Japan, financial benefits receivable as a consideration for the execution of duties from the Company such as remuneration and bonus of directors are defined as "remuneration, etc.," and the term "remuneration, etc." stated in this item of business is synonymous with such definition.

- End -

Information on Other Matters Related to This Notice of Convocation of the Ordinary General Meeting of Shareholders on Our Corporate Information Website

The Company's Notice of Convocation of the Ordinary General Meeting of Shareholders is posted on our corporate information website and on the Japan Exchange Group's website (https://www.jpx.co.jp/) (Japanese and English).

1. On our corporate information website, the following are voluntarily disclosed by the Company in the column entitled "INVESTORS / General Meeting of Shareholders" (https://corp.shiseido.com/en/ir/shareholder/)

2. Items voluntarily disclosed on our corporate information website relating to business report:

   "Criteria for Independence of External Directors and Audit & Supervisory Board Members"

   "Criteria for "Important Concurrent Position" Assumed by Company's Directors and Audit & Supervisory Board Members"

   "Criteria for Stating the Relationship between the Company and the Organizations in Which the Company's Directors and Audit & Supervisory Board Members Hold "Important Concurrent Positions"

   "Long-Term Incentive-Type Remuneration by Fiscal 2018"

   "Determination of the Exercisable Percentage of Long-Term Incentive-Type Remuneration for Fiscal 2016"

3. In cases that the attached documents and "Reference Document Concerning the General Meeting of Shareholders" are amended, the Company will announce the updated version on our following corporate information website.

   (https://corp.shiseido.com/en/ir/shareholder/)