March 6, 2020

Internet Disclosure Accompanying the Notice of Convocation The 120th Ordinary General Meeting of Shareholders (Voluntary Disclosure)

Voluntary Disclosure Relating to "5. Matters Concerning Status of Corporate Governance and Directors, Audit & Supervisory Board Members and Corporate Officers of the Company" of the Business Report of the Company

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SHISEIDO

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

The Company establishes its own rules of "Criteria for Independence of the 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 the External Directors and Audit & Supervisory Board Members, the Company places emphasis on a high degree of the 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 Criteria are as follows:

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

Shiseido Company, Limited (the "Company") deems an external director and an external audit & supervisory board member (collectively the "External Director and Audit & Supervisory Board Member") or a candidate for the External Director and Audit & Supervisory Board Member to have sufficient independence against the Company in the event that all the following requirements are fulfilled upon the Company's research to the practically possible and reasonable extent.

1. He/She is not and has not been an executive person[i] of the Company or an affiliated company[ii] (collectively the "Shiseido Group").

   In the case of an external audit & supervisory board member, in addition to the above, he/she has not been a non-executive director or accounting advisor (in the case of the accounting advisor being an artificial person, a staff member in charge of the duty) of the Shiseido Group.

2. He/She does not fall under any of the following items for the current fiscal year and the last nine (9) fiscal years (all these fiscal years being referred to as the "Relevant Fiscal Years"):
   1) A counterparty which has transactions principally with the Shiseido Group[iii], or its executive person (including a person having once been an executive officer for the Relevant Fiscal Years. The same is applicable to Items 2) to 4) of this Clause below);
   2) A principal counterparty of the Shiseido Group[iv], or its executive person;
   3) A large shareholder who holds or has held directly or indirectly 10% or more of the voting rights of the Company in the Relevant Fiscal Years or its executive person;
   4) An executive person of a company of which the Shiseido Group holds or has held directly or indirectly 10% or more of the total voting rights in the Relevant Fiscal Years;
   5) A consultant, accounting professional or legal professional who has been paid a large amount of money or other assets[v] in addition to the External Director and Audit & Supervisory Board Member's remuneration in the Relevant Fiscal Years. In addition, in the event that the consultant, accounting professional or legal professional is an organization such as artificial person or association, a person who belongs to such organization (including a person who has once belonged to such organization in the Relevant Fiscal Years. The same is applicable to Items 6) and 7) of this Clause below) is included;
   6) A person/organization who received donation of a large amount of money or other assets[v] from the Shiseido Group in the Relevant Fiscal Years. In addition, in the event that those who received donation from the Shiseido Group are an organization such as artificial person or association, a person who belongs to such organization is included;

7) An accounting auditor of the Company (including a person having once been an accounting auditor of the Company for the Relevant Fiscal Years). In addition, in the event that the accounting auditor is an organization such as artificial person or association, a person who belongs to such organization is included.

3. He/She is not a spouse of the following person, relative in second or less degree, relative living in the same place or a person with whom living costs are shared, provided, however that Item 2) of this Clause is applicable only to make judgment on the independence of an external audit & supervisory board member:
   1) An important person[vi] among executive persons of the Shiseido Group;
   2) Non-executive director of a company in the Shiseido Group;
   3) A person falling under any of Items 1) to 4) of Clause 2; provided, however, that with respect to these executive persons, applicable only to the important person[vi];
   4) A person falling under any of Items 5) to 7) of Clause 2; provided, however, that with respect to a person belonging to the organization, applicable only to the important person[vii].

4. Any of the following situations that could be deemed as "Cross-Assumption of Offices of Directors, etc." is not applicable:
   1) In the event that the External Director and Audit & Supervisory Board Member of the Company or a candidate for the External Director and Audit & Supervisory Board Member of the Company currently assumes the office of an executive person, external director, audit & supervisory board member or the office equivalent thereto[viii] of a company other than the Company, in Japan or overseas (the "Subject Company"), an executive person, external director, audit & supervisory board member (excluding the aforesaid External Director and Audit & Supervisory Board Member or candidate for the External Director and Audit & Supervisory Board Member) or person in the office equivalent thereto[viii] of the Shiseido Group assumes the office of a director (including an external director), executive officer, audit & supervisory board member (including external audit & supervisory board member), executive officer or person in the position equivalent thereto[viii] of the Subject Company.
   2) In the event that the External Director and Audit & Supervisory Board Member of the Company or a candidate for the External Director and Audit & Supervisory Board Member of the Company currently assumes the office of an executive person other than the Company, director, officer or the office equivalent to director or officer[ix] of an artificial person or other organization (other than a company) (the "Subject Organization"), an executive person, external director, audit & supervisory board member (excluding aforesaid External Director and Audit & Supervisory Board Member or candidate for External Director and Audit & Supervisory Board Member) or person in the office equivalent thereto[viii] of the Shiseido Group assumes the office of a director, officer or person in the position equivalent thereto[ix] of the Subject Organization.

5. In addition to Clauses 1 to 4, there exist no circumstances in which duties imposed on an independent External Director and Audit & Supervisory Board Member are reasonably deemed not to be achieved.

6. It is presently expected that any event or matter stated in Clauses 1 to 5 would not occur or exist hereafter.

Notes:

i. An "executive person" means an executive director, executive officer or corporate officer of a stock company, staff executing business of a company divided into interest (mochibun kaisha) (in the event of the staff being an artificial person, a person to discharge duties stated in Article 598, paragraph (1) of the Companies Act, or other person equivalent thereto), a person executing business of an artificial person or organization other than a company and an employed person (an employee, etc.) of an artificial person or organization including a company.

ii. An "affiliated company" means the affiliated company stated in Article 2, paragraph (3), item (xxii) of the Regulation on Corporate Accounting.

iii. A "counterparty which has transactions principally with the Shiseido Group" means a person/organization falling under any of the following items:

1) The counterparty or the counterparty group (a company belonging to a consolidated group to which the company that has direct transactions with the Shiseido Group belongs to) (collectively the "counterparty") which provides or provided products or services to the Shiseido Group and the aggregate amount of transactions between the counterparty and the Shiseido Group is at least ¥10 million per fiscal year, and exceeds 2% of consolidated net sales of the counterparty (or if the counterparty does not prepare consolidated financial statements, non-consolidated net sales of the counterparty) for the Relevant Fiscal Years.

2) The counterparty group to which the Shiseido Group is or was indebted and the aggregate amount of indebtedness of the Shiseido Group is at least ¥10 million as at the end of each fiscal year, and exceeds 2% of consolidated total assets of the counterparty (or if the counterparty does not prepare consolidated financial statements, non-consolidated total assets of the counterparty) for the Relevant Fiscal Years.

iv. A "principal counterparty of the Shiseido Group" means a person/organization falling under any of the following items:

1) The counterparty to which the Shiseido Group provides or provided products or services and the aggregate amount of transactions between the counterparty and the Shiseido Group is at least ¥10 million per fiscal year, and exceeds 2% of consolidated net sales of the Shiseido Group for the Relevant Fiscal Years.

2) The counterparty to which the Shiseido Group has or had account-receivable, advance and account due (collectively "account-receivable") and the aggregate amount of the account-receivable of the Shiseido Group is at least ¥10 million as at the end of each fiscal year, and exceeds 2% of consolidated total assets of the Shiseido Group as at the end of the Relevant Fiscal Years.

3) A financial institution group (a company belonging to a consolidated group to which the direct lender belongs) from which the Shiseido Group borrows or borrowed and the aggregate amount of the borrowing exceeds 2% of consolidated total assets of the Shiseido Group as at the end of the Relevant Fiscal Years.

v. A "large amount of money or other assets" means an amount of at least ¥10 million per fiscal year.

vi. An "important person" from among executive persons means a director (excluding external director), an executive officer, corporate officer, and employed person in the office of senior management not lower than general manager.

vii. An "important person" from among persons "belonging to the organization" stated in 5) to 7) of Clause 2 above means an officer such as certified public accountant belonging to audit corporation or accounting firm, lawyer (including deemed associates) belonging to law firm,

and supervisor, director or councilor belonging to a judicial foundation, incorporated association, incorporated school and other artificial persons (collectively "Various Artificial Person"). In the event that an organization to which a person belongs is not any of audit corporation, accounting firm, law firm and Various Artificial Person, a person who is deemed objectively and reasonably important equivalent to the persons stated above in this note by the organization.

viii. An "office of an executive person, external director, audit & supervisory board member or the position equivalent thereto" includes the positions such as "Counselor," "Advisor," etc. assumed by retired director, retired audit & supervisory board member, retired executive officer or retired corporate officer enabling them to give advice to the company, in addition to an executive person defined in Note i above, non-executive director (including external director), and audit & supervisory board member (including external audit & supervisory board member).

ix. The "office of a director, officer or person in the position equivalent thereto" includes the positions such as "Counselor," "Advisor," etc. assumed by retired director, retired councilor or retired supervisor enabling them to give advice to the subject organization, in addition to a director, councilor or supervisor.

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

In order to clarify the status of competitive dealings by the Company's directors and audit & supervisory board members, and to enhance the independence of its external directors and audit & supervisory board members (external) (collectively the "External Director"), the Company has set forth the following criteria regarding "important concurrent positions" assumed by its directors and audit & supervisory board members, as defined in Articles 121 and 124 of the Regulation for Enforcement of the Companies Act; and describes the status of the concurrent positions assumed by its directors and audit & supervisory board members in the Business Report based thereon.

Criteria for Important Concurrent Positions

If a director and audit & supervisory board member meets any of the following criteria, the position assumed by such director and audit & supervisory board member shall be described in the Business Report accompanying the Notice of Convocation as an "important concurrent position."

1. If the company in which the Company's director and audit & supervisory board member concurrently serves is a listed company or a stock company of similar scale, stature or social significance, and said director and audit & supervisory board member serves as the executive of that company.
2. If the company in which the Company's director and audit & supervisory board member concurrently serves is a corporation other than a stock company or an unlisted company that does not correspond to item 1 above, and said director and audit & supervisory board member is the representative of that company (in principle).
3. If transactions involving ¥10 million or more, or donations of ¥5 million or more exist between the Shiseido Group and the non-Group company in which the Company's director and audit & supervisory board member concurrently serves (in principle).
4. If as a result of the hours and the tight schedule involved in the concurrent position (major occupation), it is likely that the execution of duties as an External Director of the Company will be impacted (including cases where the concurrent position is held in organizations that are not corporations).

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"

In order to clarify the independence of its External Director, the Company has set forth the following criteria for stating the relationship between the Company and the organization in which the Company's External Director holds "Important Concurrent Positions," as defined in Article 124 of the Regulation for Enforcement of the Companies Act; and describes in the Business Report the relationship between its External Director and the organizations in which they hold concurrent positions based thereon.

Criteria for Stating the Relationship between the Company and the Organizations in Which the Company's External Director Holds "Important Concurrent Positions"

In order to confirm the independence of its External Director, the Company describes in detail the relationship between the Company and the organization in which its External Director hold "Important Concurrent Position" (paragraph (1) of Article 124 of the Regulation for Enforcement of the Companies Act) as per the following.

1. If any relationship including transactions, alliances, joint research, etc., exists between the Shiseido Group and said organization; and the Shiseido Group pays cash as consideration, remuneration or donation to the organization or the Shiseido Group receives such cash from the organization;

   In addition to the nature of the relationship, the Company will state the actual amount of the consideration, remuneration or donation, or the relevant ratios of said amount (In terms of payments from the Company to the organization, the percentage of said amount to "cost of sales; and selling, general and administrative expenses" will be stated; while in terms of payments from the organization to the Company, the percentage of said amount to "net sales" will be stated).
2. If item 1 above applies but transactions are limited to the use of services relating to social infrastructure (electricity, water, postal services, public transportation, etc.);

   The Company shall state it has "no special relationship of interest" with said organization.
3. If any relationship including transactions, alliances, joint research, etc., exists between the Shiseido Group and the organization but there is no payment or receipt of cash as consideration, remuneration or donation between the Shiseido Group and the organization;

   The Company shall only state the nature of the relationship (e.g. Joint research is being conducted).
4. If no relationship including transactions, alliances, joint research, etc., exists between the Shiseido Group and the organization;

   The Company shall state it has "no special relationship of interest" with said organization.
5. If relationship of mutual assumption regarding office of External Director during the past nine fiscal years and the current fiscal year exists between the Company and the organization;

   The Company shall state as follows: 1. whether both persons are incumbent, one is incumbent and the other is retired, or both are retired, 2. in case of a retiree, his/her tenure of office, 3. special relationship regarding mutual assumption between the Company and the organization, and so on.

Long-Term Incentive-Type Remuneration by Fiscal 2018 (Stock Compensation-Type Stock Options)

Of the stock compensation-type stock options which had been introduced as long-term incentive-type remuneration of the performance-linked remuneration since fiscal 2008, for those from fiscal 2016 to fiscal 2018, the Company imposes terms and conditions regarding performance on stock compensation-type stock options on two occasions when the stock acquisition rights are allotted as stock options and the exercise period of the stock acquisition rights allotted starts.

When actually allotting the stock acquisition rights after obtaining an approval for the maximum number of stock acquisition rights to be allotted at the general meeting of shareholders, the Company increases or decreases the number of stock acquisition rights to be granted ranging from zero to the maximum number by using the performance indicators for annual bonus for the immediately preceding fiscal year. In addition, we introduced a mechanism that when the stock acquisition right exercise period starts, the exercisable number of stock acquisition rights may be determined according to the consolidated performance and other track records up to the immediately preceding fiscal year in the range of 30% to 100% of the allotted number, and thereby strengthened stock acquisition rights to function as an incentive for improving medium- to long-term business performance and for achieving the targets.

Terms and conditions regarding performance on long-term incentive-type remuneration

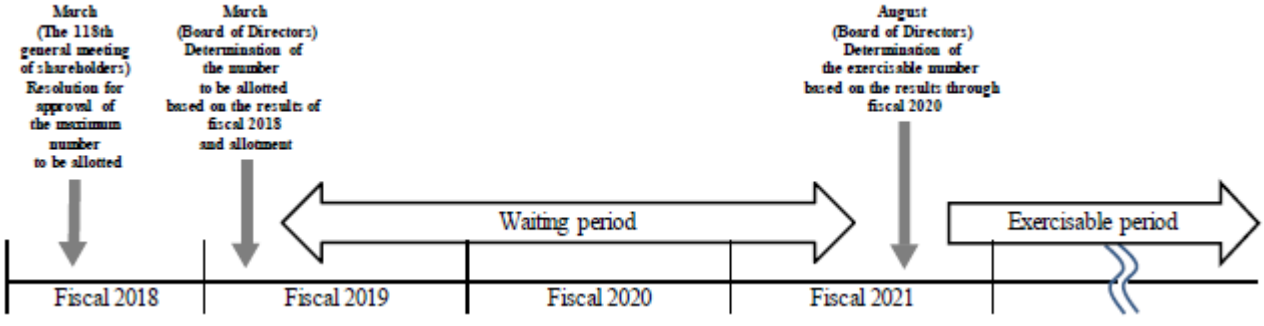
When stock acquisition rights are allotted

- Use the same indicators as used in calculating annual bonus to each officer. Indicators to be used are consolidated business performance (consolidated net sales, consolidated operating profit and net profit attributable to owners of parent), evaluation of performance of business of which respective directors or corporate officers are in charge, and personal evaluation.
- Determine the number of stock acquisition rights to be allotted through deliberation by the evaluation working group.

When the exercise period of the stock acquisition rights allotted starts

- Calculate the growth rate of operating profit by comparing the operating profit for the fiscal years preceding and following the fiscal year in which the stock acquisition rights allotment date is included.
- Calculate the growth rates of operating profit for the same fiscal years as above of companies such as Kao Corporation (Japan), L'Oreal S.A. (France) and Estee Lauder Companies Inc. (USA), which are the leading cosmetic companies in Japan and overseas and have been designated in advance as companies to be compared with.
- Based on the comparison of the growth rates of operating profit between the Company and the companies for comparison, decide the number of stock acquisition rights allotted to each director or corporate officer that are exercisable.

Schedule of allotment and exercise of long-term incentive-type remuneration



Determination of the Exercisable Percentage of Long-Term Incentive-Type Remuneration (Stock Options) for Fiscal 2016

In August 2019, in accordance with the above stock option scheme, the Company determined the exercisable percentage of the former long-term incentive-type remuneration (stock options) for fiscal 2016 granted to directors excluding external directors in March 2017, based on the comparison of the growth rate of the Company's operating profit with that of comparable companies for the relevant fiscal years, as follows.

Performance Evaluation Indicator	Evaluation Period	Fluctuation Range of Payment Percentage	Target for the 100% Payment Percentage	Actual Performance Ranking	Determined Exercisable Rate
Comparison of the growth rate of consolidated operating profit between the Company and the 11 leading cosmetic companies in Japan and overseas during the evaluation period	Fiscal 2016 –Fiscal 2018	30% –100%	The growth rate of consolidated operating profit ranks within the top three	2nd	100%

Note: The leading cosmetic companies in Japan and overseas include Kao Corporation (Japan), L'Oreal S.A. (France) and Estee Lauder Companies Inc. (USA), etc.

-End-