



(Translation)

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Notice of Grant of Share Units under the Performance-Linked Stock Compensation Plan as Long-Term Incentive-Type Remuneration

Shiseido Company, Limited (the “Company”) announced today that it has made a decision, upon resolution adopted by the Compensation Committee on May 12, 2025, to grant representative corporate executive officers* and executive officers of the Company and officers of its subsidiaries (the “Eligible Officers”) the rights to receive common shares of the Company (the “Grant”) based on a performance share unit compensation plan (the “Plan”). Accordingly, the Company has defined the method of determining (the “Calculation Method”) the target number of share units (the “Share Units”) to be granted to each Eligible Officer under the Plan and finalized the terms and conditions of the Grant on June 27, 2025.

Additionally, the Human Resources Division of the Company has made a decision to grant employees of the Company and its subsidiaries (the “Eligible Employees” or collectively the “Eligible Officers and Employees”) the Share Units under the Plan and finalized the terms and conditions thereof.

Consequently, the CEO and Representative Corporate Executive Officer of the Company has made a decision on June 30, 2025 (the “Notification Date”) to notify the grant of Share Units to the Eligible Officers and Employees according to the terms and conditions determined by the Compensation Committee and the Human Resources Division with details as provided below.

*Including those concurrently acting as a director of the Company and the same applies below.

1. The Grant of Share Units

(1) The number of Eligible Officers and Employees

Corporate executive officers and executive officers of the Company	18
Officers of the Company’s subsidiaries	2
Employees of the Company	196
Employees of the Company’s subsidiaries	67

(2) The Number of the Company’s Common Shares to be Distributed Based on Share Units

The maximum number of common shares to be distributed based on the Share Units allotted to the Eligible Officers and Employees of the Company will be 413,942 or in the total value of 1,064,244,882 yen based on the closing price of the Company’s common shares in Tokyo Stock Exchange on June 27, 2025 (one business day prior to the Notification Date).

2. Reason and Purpose of the Grant

The Company implemented the Plan with the intention of enhancing the motivation of corporate executive officers, executive officers and employees of the Company as well as officers and employees of its subsidiaries to be fully committed to drive corporate value over the long term while ensuring that they share common interests with shareholders in a sustainable manner. The Company will execute the grant of Share Units in accordance with the Plan.

3. The Framework of the Plan

(1) Overview

Under the Plan, the target number of Share Units are granted to Eligible Officers and Employees on a fiscal year basis over a three-year evaluation period (the “Evaluation Period”) according to the results of the evaluation based on a set of pre-defined performance indicators, including the initial fiscal year in which the Share Units are granted. After the end of each Evaluation Period, common shares of the Company will be distributed upon vesting, a portion of which may, from time to time, be paid in a form of cash incentive. The disposal of Company’s treasury stock (the “Disposal”) for distribution of its common shares under the Plan shall be executed in the manner in which the Eligible Officers and Employees receive monetary compensation claims issued by the Company in advance, whereby equity compensation may be awarded in exchange for in-kind contribution of the said monetary compensation claims by the Eligible Officers and Employees in full. The basic terms of the Plan including the Evaluation Period during which the Share Units to be earned by the Eligible Employees and a set of key performance metrics applied thereto are the same as those that had been applied to the Eligible Officers in fiscal year 2024.

The Evaluation Period for the grant of the Share Units this time;
 Eligible Officers January 1, 2025 to December 31, 2027
 Eligible Employees January 1, 2024 to December 31, 2026

(2) The Structure of the Plan and Performance Indicators

1. The Plan is comprised of two components of compensation: a variable component linked to performance and a fixed component that is not contingent on performance.
2. For performance indicators that are used to determine the number of the Share Units being granted to Eligible Officers, the Company has adopted a relative TSR (total shareholder return) benchmarked against a group of global peers which is intended to drive shareholder value during the period between fiscal year 2025 and fiscal year 2027, as well as ROIC (return on invested capital), a financial performance indicator that measures capital efficiency, as the economic value of the Company. For the benchmarks for measuring social value, targets are set according to a different set of internal and external indicators for evaluating environmental, social, and governance (ESG) performance, establishing a structure that helps drive corporate value both in terms of social and economic values.

Performance Indicators and Evaluation Weights of Share Units Granted to the Eligible Officers

Evaluation Item	Performance Indicators		Evaluation Weights	
Economic Value	Relative TSR (total shareholder return)		50 %	100 %
	ROIC (return on invested capital)		30 %	
Social Value	Environment	Status of the achievement of the CO ₂ emissions reduction target	20 %	
	Society	Ratio of female managers/leaders in Japan and overseas at the Company, and the status of inclusion in the indices related to the promotion of women by ESG rating agencies designated by the Company		
	ESG	ESG evaluation scores from rating agencies designated by the Company		

3. The performance indicators used for the grant of Share Units to the Eligible Employees under the Plan are the same as those that had been used for the grant of Share Units to the Eligible Officers in fiscal year 2024. Specifically, a compound average growth rate (CAGR) of the consolidated net sales from fiscal year 2023 to fiscal year 2026 and consolidated core operating profit margin in fiscal year 2026 have been set as the performance indicators to measure economic value of the company. Additionally, for the benchmarks for measuring social value, targets are set according to a different set of internal and external indicators for ESG evaluation, establishing a structure that helps drive corporate value in terms of both social and economic values. Moreover, for the purpose of sharing common interests with shareholders, a consolidated return on equity (ROE) has been added as one of the key financial indicators for measuring corporate value of the Company .

(3) Methods of Calculation for the Number of Common Shares of the Company to be distributed and the Amount of Cash Incentives Paid to the Eligible Officers and Employees

The Company determines the number of common shares of the Company to be distributed to each Eligible Officer and Employee based on the Calculation Method 1) provided below, and the amount of cash incentives paid for their tax payments based on the Calculation Method 2).

1. The number of common shares of the Company to be distributed to each Eligible Officer and Employee;

$$\text{Share Unit(s)}^{*1} \times \text{payout ratio}^{*2} \times 50\%^{*3}$$

2. Amount of cash incentives to be paid to each Eligible Officer and Employee^{*4};

$$\{(\text{Share Unit(s)}^{*1} \times \text{payout ratio}^{*2}) - \text{number of common shares of the Company to be distributed to each Eligible Officer and Employee based on the Calculation Method 1) above}\} \times \text{closing share price on the date of distribution.}$$

However, for the Eligible Officers and Employees residing outside of Japan or those who are in an employment relationship with a Company's subsidiary outside of Japan (excluding expatriates from Japan) at the time when Share Units are granted, only common shares of the Company shall be distributed based on the Calculation Method below;

$$\text{Share Unit(s)}^{*1} \times \text{payout ratio}^{*2}$$

Notes:

1. The number of Share Units will be granted to each Eligible Officer or Employee according to their position and responsibilities within the organization.
2. The payout ratio is subject to change according to the level of target achievement rate measured by each performance metric in a range of 50% to 150%, based on the method of calculation determined by the Compensation Committee (or other decision-making bodies of the Company including Human Resources Division and hereinafter the same applies).
3. For the Eligible Employees, multiply by 60%.
4. Any fractions of less than 1 yen in the result of calculation is rounded off.

(4) Requirements for the Provision of Monetary Compensation Claims Under the Plan

The Company will issue monetary compensation claims paid to the Eligible Officers and Employees who deemed to have fulfilled the following conditions for distribution of its common shares according to the Plan.

- 1) The Eligible Officers or Employees must have filled a position at a certain level within the organization for a certain period of time, both of which shall be determined by the Compensation Committee.
- 2) In the case where any of the Eligible Officers or Employees resigns or retires prior to vesting, it must be a reason other than a dismissal or any other disciplinary actions.
- 3) The Eligible Officers or Employees must fulfill any other requirements specified by the Compensation Committee or other decision-making bodies that deemed necessary to achieve the objective of the Plan. In addition, malus and clawback provisions are adopted in the Plan, and therefore, in certain circumstances which includes, for example, any of the Eligible Officers or

Employees engages in material misconduct, the Company has the right to either reduce the number of Share Units to be granted or request return thereof.

(5) Treatment of Retiring Officers and Employees under the Plan

The Share Units that have not been vested under the Plan shall be forfeited on the date on which the employment or contract relationship of the Eligible Officers or Employees with the Company or its subsidiaries terminates. However, this shall not apply if the reason for such termination of an employment or contract relationship with the Company is deemed not attributed to a legitimate cause by the Company, provided that any such Eligible Officer or Employee satisfies minimum contract period specified by the Company.

—End of News Release—