



Notice of Convocation

The 124th 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.

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Notice of Convocation of the 124th Ordinary General Meeting of Shareholders

Dear Shareholders:

We express our deep appreciation to each of you for your extraordinary daily support.

We are pleased to announce the 124th ordinary general meeting of shareholders of Shiseido Company, Limited (the “Company”), which will be held as described on page 5.

In convening this general meeting of shareholders, the Company provides the Reference Document Concerning the General Meeting of Shareholders and other information (matters to be provided electronically) in electronic form, and the Notice of Convocation of the 124th Ordinary General Meeting of Shareholders is posted on our corporate information website and shareholders’ meeting material website below. Please access either of the following websites and check the information.

Our corporate information website

<https://corp.shiseido.com/en/ir/shareholder/>

Shareholders’ meeting material website

<https://d.sokai.jp/4911/teiji/>

(in Japanese only)

Yours truly,

Shiseido Company, Limited



Masahiko Uotani

Representative Director,
Chairman 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>).

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

PARTICULARS

Date and Time of the Meeting:

Tuesday, March 26, 2024 at **10:00 a.m.**

Place of the Meeting:

Imperial Hotel, 2F, Peacock 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, 2023 (January 1, 2023 to December 31, 2023)

Matters for Resolution:

First Item of Business: Dividends of Retained Earnings

Second Item of Business: Partial Amendment to the Articles of Incorporation

Third Item of Business: Election of Eleven (11) Directors

Matters Related to Exercise of Voting Rights:

1. 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.

2. 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.

3. Handling of approval/disapproval on the voting form

In the event that there is no indication of approval or disapproval for each proposal on the returned Voting Form, the vote will be regarded as having indicated approval for proposals made by the Company.

4. Diverse exercise of votes

Shareholders wishing to diversely exercise the votes they hold shall notify the Company to that effect and of the reasons thereof via website or in writing no later than three days prior to the day of the general meeting.

Business Report

(Fiscal Year from January 1, 2023 to December 31, 2023)

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 2023

In the fiscal year ended December 31, 2023, while economic uncertainty prevailed amid elevated geopolitical risks and rising inflation, consumer spending continued to recover at a moderate pace across markets throughout the period.

The domestic cosmetics market enjoyed steady growth as the Japanese economy stayed on course for recovery from the pandemic with the downgrade of COVID-19 to Class 5 under the Infectious Diseases Control Law, and a subsequent increase in out-of-home activities coupled with a recovery of inbound tourism consumption with the rising number of foreign visitors, while consumers remained cautious in their spending amid rising prices. The trends and pace of recovery in the overseas cosmetics market varied across regions. In China, while the market grew strongly in the first half of the year due in part to the low base effect from COVID-19 lockdowns in major cities including Shanghai in the prior year, it lost momentum in the second half of the year amid challenging environment driven by weakening sentiment towards China's economy overall. Also, the duty-free retail market in South Korea and Hainan Island in China continued to experience softness owing primarily to retailer inventory adjustments from tighter regulations. Elsewhere, the cosmetics market in Europe and the Americas saw robust growth across all categories.

Driven by its corporate mission, "BEAUTY INNOVATIONS FOR A BETTER WORLD," the Shiseido Group (the "Group") actively promotes innovations aiming to resolve social and environmental issues such as diversity equity and inclusion. We thus strive to realize our vision towards 2030: a sustainable world where everyone can enjoy a lifetime of happiness through the power of beauty.

Under the medium-term strategy "SHIFT 2025 and Beyond" that focuses on a three-year period from 2023 to 2025, the Company is strengthening its investments to drive medium-to long-term growth in the following three key focus areas: Brand, Innovation, and People. In this highly volatile external environment of today, our business is in the midst of transformation to achieve our objectives of "Gross Profit Enhancement," "Extensive Cost Reduction and Improvement of Personnel Productivity," and we are advancing our strategic efforts to drive profitability and corporate value over the long-term. With an aim to optimize our cost structure to be aligned with our long-term market perspectives, we are fully committed to completing all actions for cost reduction on 3 a global basis, while optimizing our regional footprint and rebuilding the business model to respond to the uncertain and dynamic business landscape. We will also make strategic marketing investments aligned with trends in markets to drive sustainable growth by leveraging our global brand portfolio.

In 2023, the first year under this medium-term strategy, while we continued our efforts to address various market challenges particularly in China, we successfully managed to launch innovative products across our brand portfolio with an ongoing commitment for brand equity enhancement through strategic marketing investments.

Net sales in the fiscal year 2023 decreased 8.8% year on year to ¥973.0 billion on a reported basis, down 12.2% year on year on a FX-neutral basis, or up 1.8% year on year on a like-for-like basis, excluding the impacts from foreign exchange and business transfers. Net sales on a like-for-like basis declined year on year in the Travel Retail Business which continued to be affected by retailer inventory adjustments from tighter regulations, as well as an ongoing trend of retailers

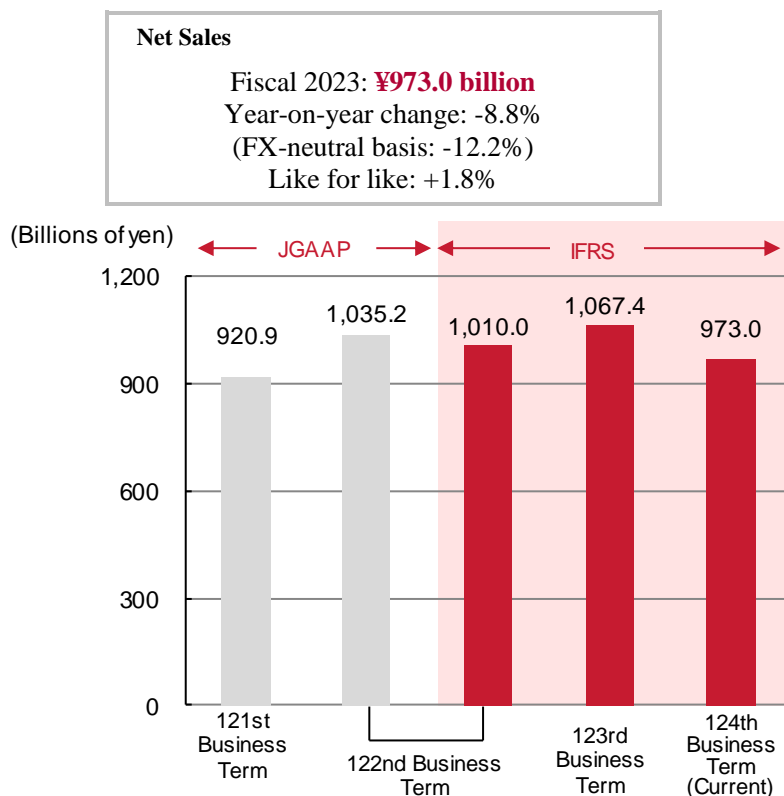
shifting back its business model focus on tourists. Also, in contrast to the solid performance seen in the first half of the year, the net sales in the China Business decreased year on year on a like-for-like basis, due primarily to the unfavorable impact of consumer pull back on purchases of Japanese products after the release of treated water in Japan as well as the weakening sentiment towards China's economy in the latter half of the year. Nevertheless, net sales in the Japan Business delivered steady growth on a like-for-like basis, thanks to strategic new product launches capturing market recovery and promotion enhancements, as well as rising demand from inbound tourists. We also delivered robust sales growth on a like-for-like basis in the Americas, EMEA, and Asia Pacific Businesses.

Core operating profit decreased year on year by ¥11.5 billion to ¥39.8 billion. In the Japan Business, however, we posted a year on year increase in core operating profit generated by higher gross profit from stronger sales, returning to profitability in the fiscal year 2023. Likewise, core operating profit in the China Business also returned to profitability with a year on year growth, more than offsetting a year on year decline in net sales thanks to our agile cost management. Conversely, our business was adversely affected by a year on year decline in core operating profit in the Travel Retail Business amid ongoing headwinds from retailer inventory adjustments and other challenges. While profits in the Other declined year on year due to lower margins resulting from a decrease in intersegment sales to the China and Travel Retail Businesses, profits in the Adjustments increased year on year due primarily to the decline in the elimination of unrealized profits on inventories.

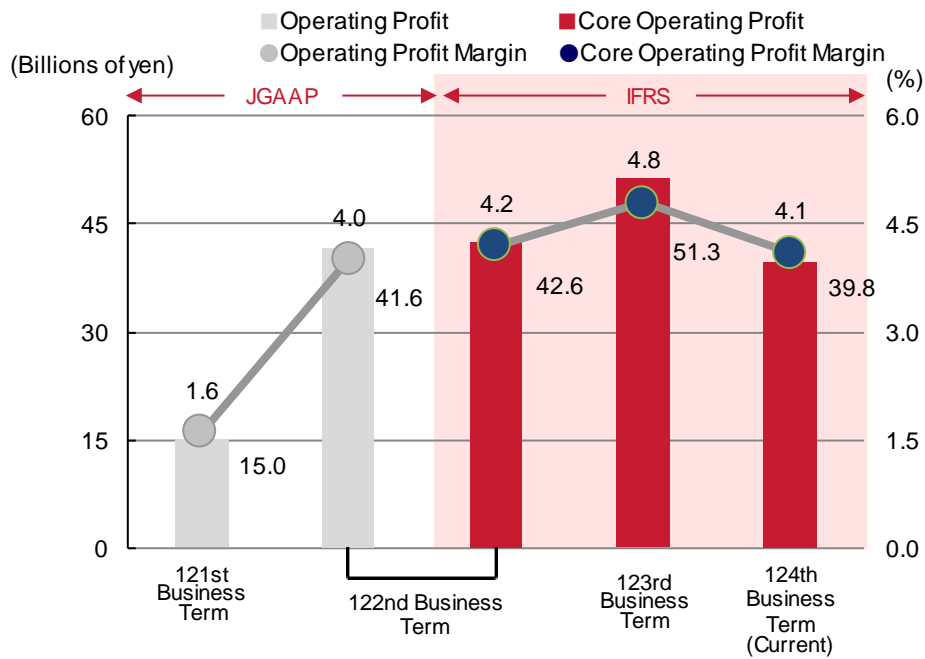
Profit attributable to owners of parent declined ¥12.5 billion year on year to ¥21.7 billion, reflecting the impact of a decline in core operating profit as well as the losses and expenses recognized as non-recurring items such as an impairment loss, costs on structural reforms and losses on business transfers incurred by the transfer of manufacturing operations of personal care products as well as an impairment loss on the integration of two factories in Osaka Prefecture.

The EBITDA margin was 9.4%.

■ Consolidated Results

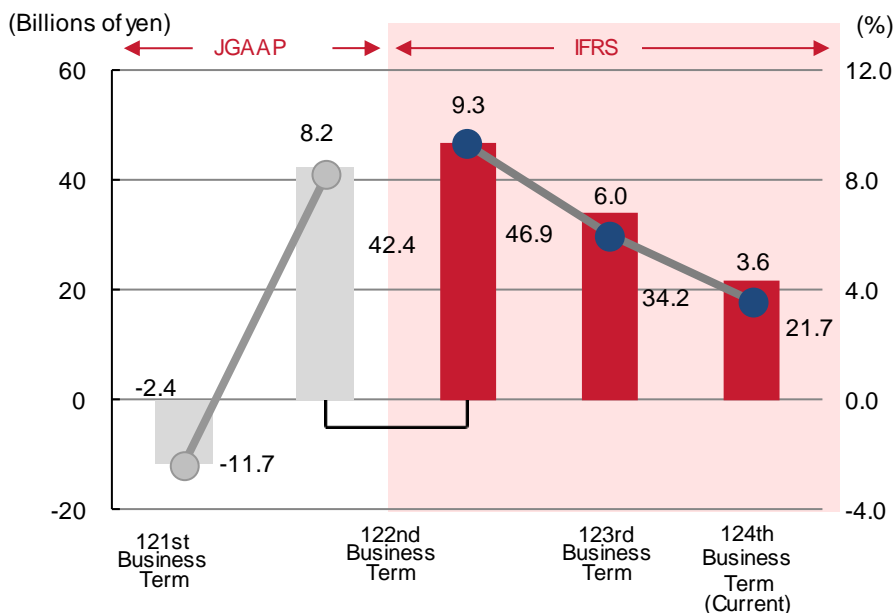


Operating Profit/Core Operating Profit Fiscal 2023: ¥39.8 billion Year-on-year change: -¥11.5 billion	Operating Profit Margin/ Core Operating Profit Margin Fiscal 2023: 4.1% Year-on-year change: -0.7 points
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Net Profit (Loss) Attributable to Owners of Parent/ Profit (Loss) Attributable to Owners of Parent Fiscal 2023: ¥21.7 billion Year-on-year change: -¥12.5 billion	ROE Fiscal 2023: 3.6%
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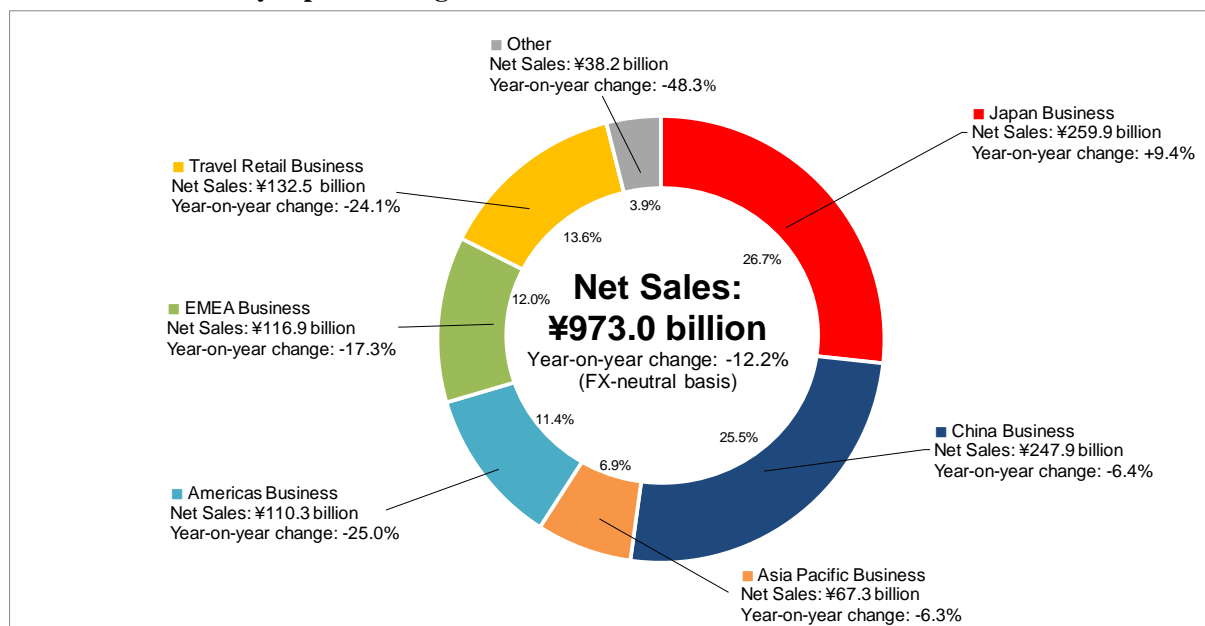
■ Net Profit (Loss) Attributable to Owners of Parent ■ Profit (Loss) Attributable to Owners of Parent
● ROE (JGAAP) ● ROE (IFRS)



Notes:

1. The major foreign currency exchange rates applicable to income and expense accounting line items in the consolidated financial statements for the fiscal year 2023 are US\$1: ¥140.5, €1: ¥152.0, and CNY1: ¥19.8.
2. Core operating profit is calculated by excluding profit or loss caused by non-ordinary factors such as structural reform expenses and impairment losses, etc. from operating profit.

■ Net sales by reportable segment



■ Core operating profit (loss) by reportable segment

(Billions of yen)

	123rd Business Term	Core Operating Profit Margin (%)	124th Business Term (Current)	Core Operating Profit Margin (%)	Increase/ decrease
Japan Business	(13.1)	(5.4)	1.8	0.7	+14.9
China Business	(3.9)	(1.5)	7.0	2.8	+10.9
Asia Pacific Business	4.7	6.6	5.1	7.1	+0.4
Americas Business	7.7	5.3	11.2	9.7	+3.5
EMEA Business	6.9	5.0	3.3	2.7	(3.6)
Travel Retail Business	37.7	23.0	17.1	12.9	(20.6)
Other	7.1	2.3	(23.3)	(9.4)	(30.4)
Adjustments	4.3	—	17.6	—	+13.3
Total	51.3	4.8	39.8	4.1	(11.5)

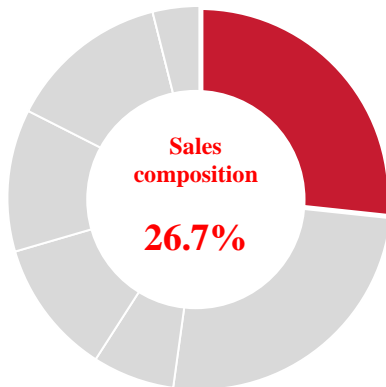
Notes:

1. The Group has revised its reportable segment classifications from the fiscal year 2023. The business results previously included in the Professional Business are now included in the Other segment. The segment information for the previous fiscal year has been restated in line with the reclassification.
2. Like-for-like increase (decrease) in net sales excludes foreign exchange translation and business transfer impacts.
3. The Other segment includes head office administration departments, IPSA Co., Ltd., manufacturing operations, and the Restaurant business, etc. In addition, net sales from the Personal Care Business recorded in the Other segment are no longer recorded with some exceptions from April 1, 2023 due to the transfer of Shiseido Kuki Factory.
4. Adjustments to core operating profit consist primarily of the elimination of transactions between segments.

2) Activities by Business Segment

Japan Business

Steady recovery in the mid-to-high price range, expansion of market share, return to profit at core operating level

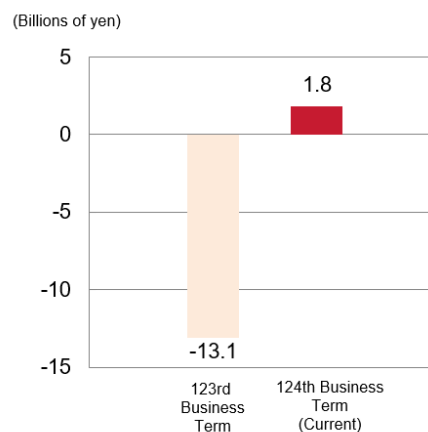
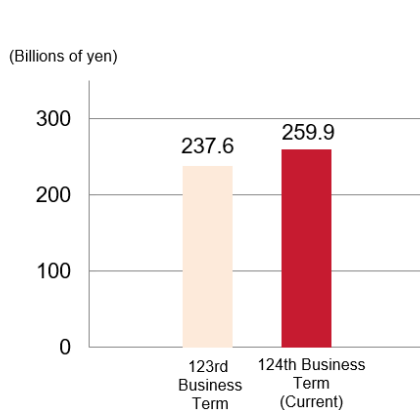


ELIXIR Total V Firming Cream

In the Japan Business, we successfully launched innovative new products and enhanced marketing activities across many brands to capture rising consumer demand on the back of market recovery and a rebound in out-of-home activities following the downgrade of COVID-19 to Class 5 under the Infectious Diseases Control Law. As a result, *Clé de Peau Beauté* and *SHISEIDO* delivered robust growth, benefitting from a steady increase of loyal users. *ELIXIR* also continued to perform steadily, buoyed by the renewal of an anti-wrinkle cream as well as the launch of an anti-aging cream designed to boost skin firmness by leveraging our unique technology based on advanced dermatological science and research, approaching to the multiple causes of loose skin. We also benefitted from a gradual recovery in inbound tourism consumption with the rising number of foreign visitors to Japan.

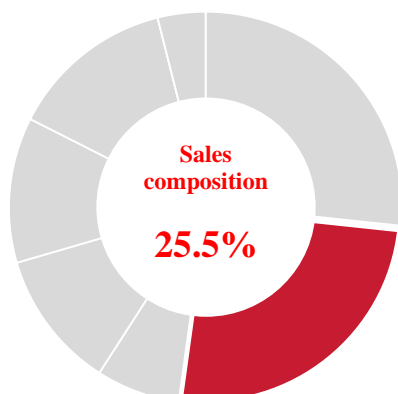
As a result, we ended the year with net sales of ¥259.9 billion, up 9.4% year on year on a reported basis, or up 10.0% on a like-for-like basis excluding business transfer impacts. Core operating profit was ¥1.8 billion, returning to profitability with a year on year improvement of ¥14.9 billion, thanks to the higher gross profit driven by an increase in sales as well as our cost management efforts.

<p>Net Sales: ¥259.9 billion</p> <p>Year-on-year change: +9.4% (Like for like: +10.0%)</p>	<p>Core Operating Profit (Loss): ¥1.8 billion</p> <p>Year-on-year change: +¥14.9 billion</p>
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China Business

Despite the impact of the treated water issue, cost management and other initiatives resulted in a return to profit at the core operating level



Shiseido booth at the 6th China International Import Expo in Shanghai

In the China Business, we are making a shift from a growth model primarily driven by large-scale promotions to a more sustainable growth model which focuses on value-based brand and product communication tailored to consumer needs. While *SHISEIDO* and *Clé de Peau Beauté* continued to be the key drivers of growth during the first half of the year, this was more than offset by the unfavorable impact of consumer pull back on purchases of Japanese products due to the release of treated water in Japan as well as the weakening sentiment towards China’s economy in the second half of the year, resulting in a year on year decline in net sales in the region. During “Double 11,” the largest e-commerce event in China, our e-commerce sales were most notably affected by the aforementioned developments, underperforming the overall market which also suffered a decline in sales from the prior year.

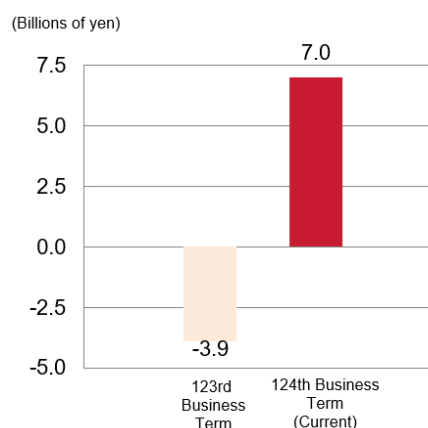
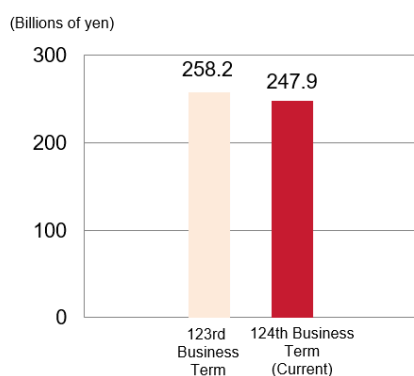
As a result, net sales were ¥247.9 billion, down 4.0 % year on year on a reported basis, down 6.4% year on year on a FX-neutral basis, or down 4.6% year on year on a like-for-like basis excluding foreign exchange and business transfer impacts. Core operating profit was ¥7.0 billion, returning to profitability with an improvement of ¥10.9 billion year on year due primarily to higher gross profit driven by an increase in sales during the first half of the year, as well as agile cost management mainly in marketing investments in light of the decline in sales which started to be seen in the second half of the year amid worsening market conditions.

Net Sales: ¥247.9 billion

Year-on-year change: -4.0%
(FX-neutral basis: -6.4%)
(Like for like: -4.6%)

Core Operating Profit (Loss): ¥7.0 billion

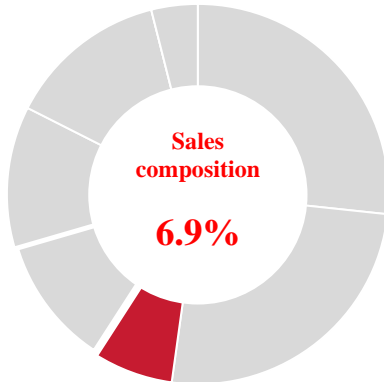
Year-on-year change: +¥10.9 billion



Asia Pacific Business

NARS and SHISEIDO remained favorable

Strong growth continued in South Korea and Southeast Asia

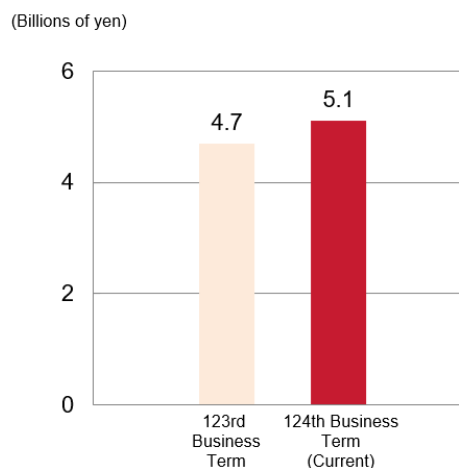
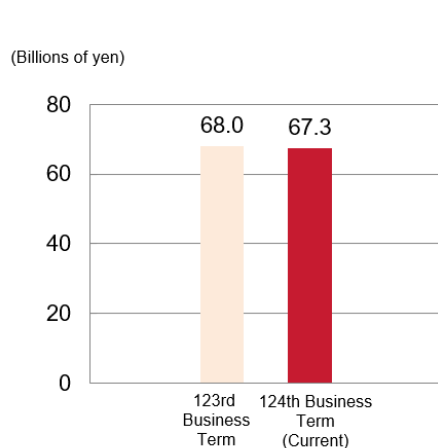


The NARS booth at an event in South Korea

In the countries and regions of the Asia Pacific Business, Taiwan returned to growth, and South Korea and Southeast Asia delivered strong results. Overall, NARS and SHISEIDO continued to drive growth in the region.

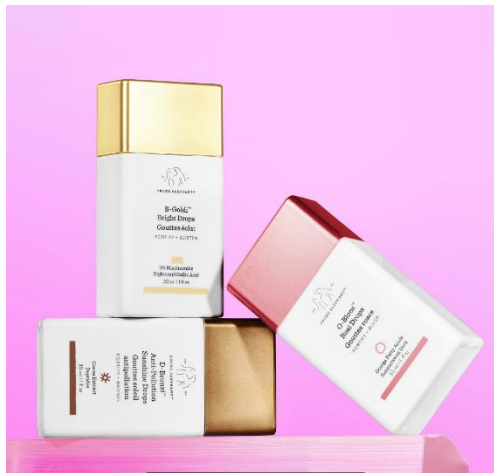
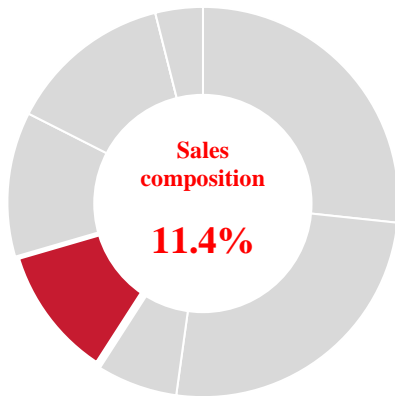
As a result, net sales were ¥67.3 billion, down 1.1% year on year on a reported basis, down 6.3% year on year on a FX-neutral basis, or up 12.5% year on year on a like-for-like basis excluding foreign exchange and business transfer impacts. Core operating profit increased year on year by ¥0.4 billion to ¥5.1 billion due primarily to higher gross profit driven by an increase in sales.

<p>Net Sales: ¥67.3 billion</p> <p>Year-on-year change: -1.1% (FX-neutral basis: -6.3%) (Like for like: +12.5%)</p>	<p>Core Operating Profit: ¥5.1 billion</p> <p>Year-on-year change: +¥0.4 billion</p>
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Americas Business

Strategic marketing activities that include the use of social media have led to robust growth for *Drunk Elephant* and consistent profitability

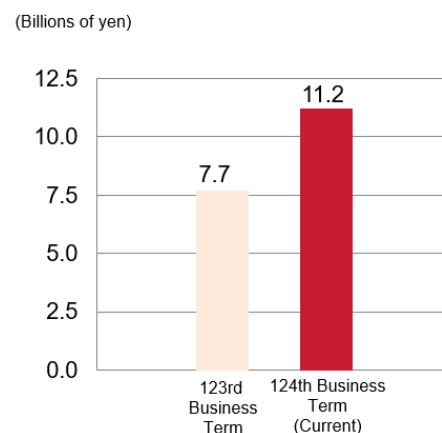
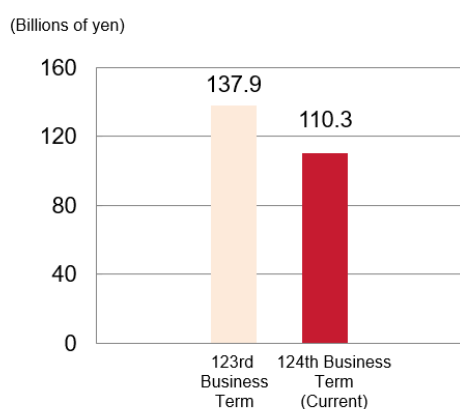


Drunk Elephant
B-Goldi™ Bright Drops, etc.

In the Americas Business, we successfully captured opportunities arising from the steady market growth through strategic marketing activities. As a result, *Drunk Elephant* continued to drive robust growth, benefiting from enhanced social media marketing, while *SHISEIDO* and *NARS* also enjoyed steady growth.

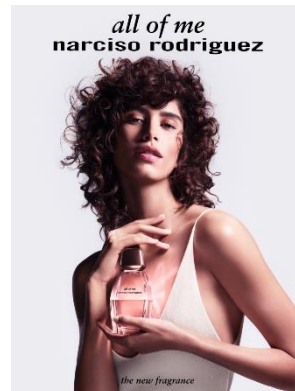
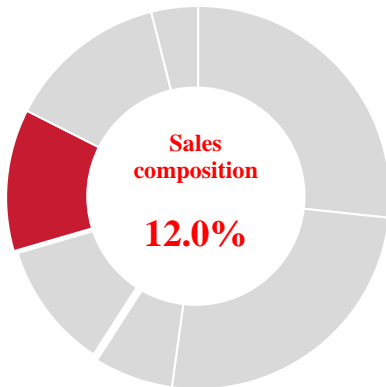
As a result, net sales were ¥110.3 billion, down 20.0% year on year on a reported basis, down 25.0% year on year on a FX-neutral basis, or up 15.2% year on year on a like-for-like basis excluding foreign exchange and business transfer impacts. Core operating profit increased by ¥3.5 billion year on year to ¥11.2 billion, driven primarily by higher gross profit from an increase in sales.

<p>Net Sales: ¥110.3 billion</p> <p>Year-on-year change: -20.0% (FX-neutral basis: -25.0%) (Like for like: +15.2%)</p>	<p>Core Operating Profit: ¥11.2 billion</p> <p>Year-on-year change: +¥3.5 billion</p>
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EMEA Business

Rollouts of new products and strengthened marketing activities led to continued growth for *narciso rodriguez*, *NARS*, and other brands



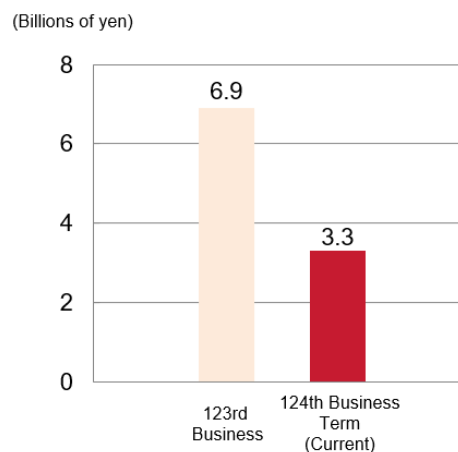
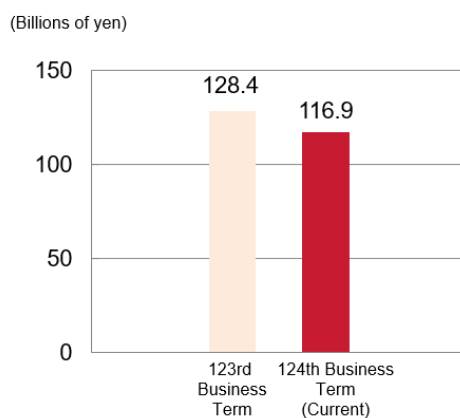
narciso rodriguez fragrance
all of me

In the EMEA Business, *narciso rodriguez* delivered strong growth, benefiting from the success of the newly launched *all of me* while *NARS* continued to drive overall growth thanks to our reinforced digital marketing strategy and accelerated rollouts of new products. *Drunk Elephant* also enjoyed steady growth in sales underpinned by a growing number of brick-and-mortar footprint as well as our proactive marketing activities.

As a result, net sales were ¥116.9 billion, down 8.9% year on year on a reported basis, down 17.3% year on year on a FX-neutral basis, or up 18.9% year on year on a like-for-like basis excluding foreign exchange and business transfer impacts. Core operating profit decreased by ¥3.6 billion year on year to ¥3.3 billion, owing primarily to the impact of business transfers.

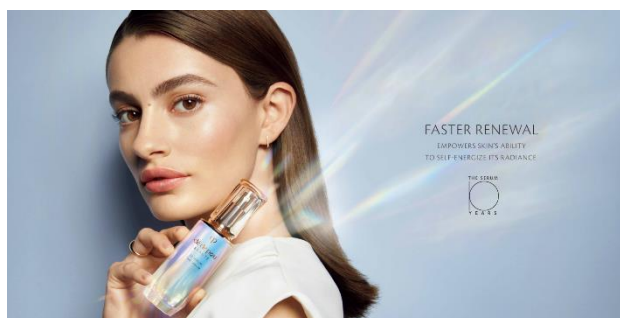
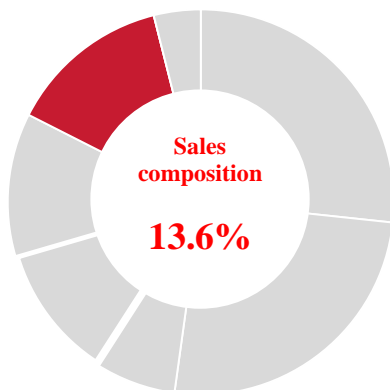
Net Sales: ¥116.9 billion
Year-on-year change: -8.9%
(FX-neutral basis: -17.3%)
(Like for like: +18.9%)

Core Operating Profit: ¥3.3 billion
Year-on-year change: -¥3.6 billion



Travel Retail Business

Despite being affected by retailer inventory adjustments in South Korea and Hainan Island in China, Japan posted a vigorous recovery thanks to the rebound in tourist traffic



Clé de Peau Beauté's new product
LE SERUM

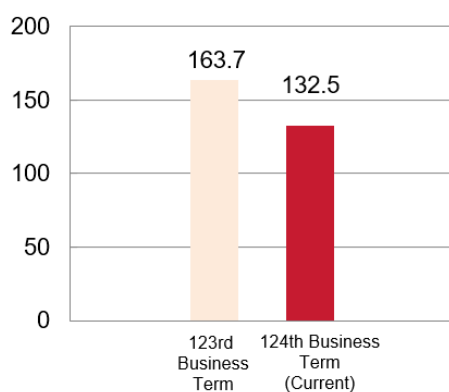
In the Travel Retail Business (sales of cosmetics and fragrances primarily through airport and downtown duty-free stores), we saw a vigorous recovery in Japan thanks to the rebound in tourist traffic amid the receding impact of COVID-19. Meanwhile, in South Korea and Hainan Island in China, sales declined year on year due to the impact of retailer inventory adjustments in light of the tighter regulations, as well as an ongoing trend of retailers shifting back towards the business model with focus on tourists.

As a result, net sales were ¥132.5 billion, down 19.0% year on year on a reported basis, down 24.1% year on year on a FX-neutral basis, or down 19.5% year on year on a like-for-like basis excluding foreign exchange and business transfer impacts. Core operating profit decreased by ¥20.6 billion year on year to ¥17.1 billion, due primarily to lower gross margins from a decline in sales.

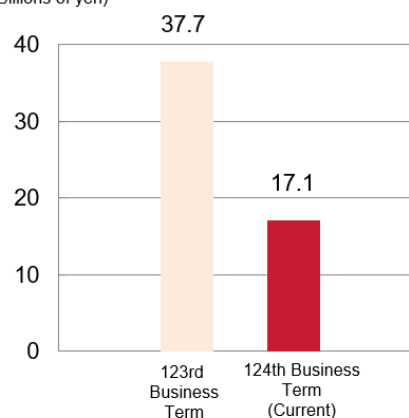
Net Sales: ¥132.5 billion
Year-on-year change: -19.0%
(FX-neutral basis: -24.1%)
(Like for like: -19.5%)

Core Operating Profit: ¥17.1 billion
Year-on-year change: -¥20.6 billion

(Billions of yen)



(Billions of yen)



(2) Capital Expenditures

	Investment (Millions of yen)	Purpose of Investment
Property, Plant and Equipment	26,920	Renovation and renewal of production facilities Acquisition of Fukuoka Kurume Factory's machinery and equipment
Intangible Assets	28,525	Global expansion of core IT system
Total	55,446	

Note: Capital expenditures: Includes capital expenditures, and investments in property, plant and equipment and intangible assets (excluding trademarks). Right-of-use assets are not included.

(3) Financing

In the fiscal year ended December 31, 2023, no significant financing took place.

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

(Millions of yen, unless otherwise noted)					
	121st Business Term (1/1/2020 - 12/31/2020)	122nd Business Term (1/1/2021 - 12/31/2021)	123rd Business Term (1/1/2022 - 12/31/2022)	124th Business Term (Current term) (1/1/2023 - 12/31/2023)	
	Japanese GAAP		IFRS		
Net Sales	920,888	1,035,165	1,009,966	1,067,355	973,038
Operating Profit/Core Operating Profit	14,963	41,586	42,553	51,340	39,842
Operating Profit Margin/Core Operating Profit Margin (%)	1.6	4.0	4.2	4.8	4.1
Net Profit (Loss) Attributable to Owners of Parent/Profit (Loss) Attributable to Owners of Parent	(11,660)	42,439	46,909	34,202	21,749
Comprehensive Income/Comprehensive income	10,431	81,222	90,198	89,061	59,488
Total Assets/Total Assets	1,204,229	1,179,360	1,300,979	1,307,661	1,255,497
Net Assets/Total Equity	506,593	567,433	562,179	625,754	640,392
Net Assets per Share/Equity Attributable to Owners of Parent per Share (Yen)	1,212.34	1,364.28	1,353.45	1,512.36	1,548.20
Cash Flows from Operating Activities	64,045	122,887	134,249	46,735	89,026
Cash Flows from Investing Activities	(70,084)	63,739	66,733	(41,308)	(35,536)
Cash Flows from Financing Activities	46,880	(176,222)	(190,575)	(52,418)	(75,642)
Cash and Cash Equivalents at End of Year/Period	136,347	156,503	156,503	119,036	104,685

Note: Items marked with “/” are “Japanese GAAP/IFRS.”

(5) Capital Policy

1) Fundamental Approach to Capital Policy (As of December 31, 2023)

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 places importance on increasing the efficiency of working capital with an emphasis on free cash flow and days sales in inventory, 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 net debt-to-equity ratio of 0.2 and net debt-to-EBITDA ratio of 0.5 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-to 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 attributable to owners of the parent (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

	121st Business Term (1/1/2020 - 12/31/2020)	122nd Business Term (1/1/2021 - 12/31/2021)	123rd Business Term (1/1/2022 - 12/31/2022)	124th Business Term (Current term) (1/1/2023 - 12/31/2023)	
	Japanese GAAP		IFRS		
Annual cash dividends per share (Yen)	40	50	100 (including a commemorative dividend of ¥50)	60	(Plan)
Annual dividends (Millions of yen)	15,978	19,974	39,954	23,978	(Plan)
Consolidated payout ratio (%)	–	47.1	42.6	116.8	110.2 (Plan)
DOE (%)	3.3	3.9	4.0	7.0	3.9 (Plan)

Notes:

- Figures of each item for the 124th 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 26, 2024.
- Consolidated payout ratio for the 121st Business Term is not shown because the amount of net profit (loss) attributable to owners of parent is negative.

(6) Issues to Be Addressed

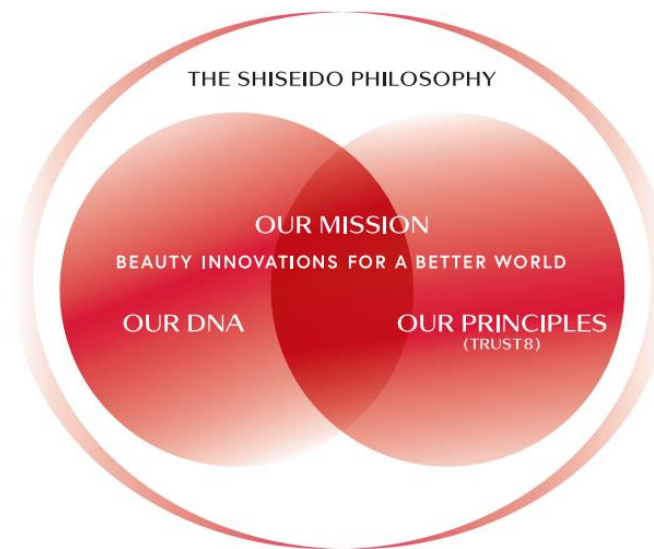
1) THE SHISEIDO PHILOSOPHY

Since our founding in 1872, 2022 marking the company’s 150th anniversary, we have been committed to serving our customers and contributing to society as an expert in beauty and health. In 2019, we adopted THE SHISEIDO PHILOSOPHY, the guiding light in our quest to become the world’s most trusted beauty company and remain vital for the next 100 years and beyond. Our corporate philosophy is at the heart of everything we do and everyone at Shiseido—regardless of country, region, organization, and brand— as we strive to be a global winner with our heritage.

THE SHISEIDO PHILOSOPHY consists of:

- 1. OUR MISSION, which is the reason we exist since our founding
- 2. OUR DNA embodies our unique heritage of over 150 years
- 3. OUR PRINCIPLES serve as the working principles we live by

THE SHISEIDO PHILOSOPHY



OUR MISSION

BEAUTY INNOVATIONS FOR A BETTER WORLD

We believe that beauty inspires hope and empowers happiness, contributing to a world of wellness and a lifetime of fulfillment for all things living.

Since our founding, we have expanded the possibilities of beauty through innovations to discover and create new value.

With the power of beauty, we strive to create a better, more sustainable world for all.

Creating a better world through the power of beauty.

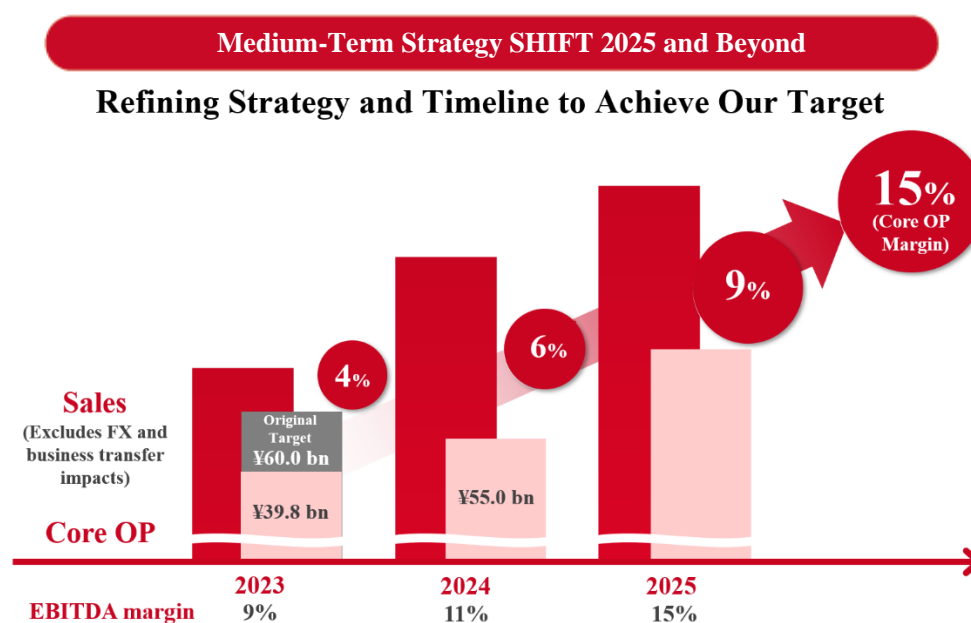
That is our corporate mission.

Learn more about THE SHISEIDO PHILOSOPHY on our corporate information website: About Us > THE SHISEIDO PHILOSOPHY <https://corp.shiseido.com/en/company/philosophy/>

2) SHIFT 2025 and Beyond: An Update on Our Medium-Term Strategy

Last year, we formulated SHIFT 2025 and Beyond, our medium-term strategy for the three-year period from 2023 to 2025. Under this strategy, we are stepping up investments in three key areas—brands, innovations, and people—to foster medium-to long-term growth. However, in response to a rapidly changing environment we are required to reconsider our approach to realize sustainable profitability and boost corporate value over the medium to long term. As such, while preserving our core strategic framework, we have updated our approach with the actions outlined on the website below.

We are implementing structural reforms in response to the market environment and have reset our core operating margin targets to 6% in 2024 and 9% in 2025. Looking ahead to 2030, we will take the following actions to achieve profitability targets appropriate to a global company: 1) maximize and accelerate the growth of existing businesses; 2) integrate measures to continue enhancing productivity into business management through cost structure reforms aimed at the end of 2025; and 3) leverage M&A and alliances with external parties to expand earnings in new areas, thereby working to achieve a core operating margin of 15% in 2028/2029 through Group-wide efforts.



For details on SHIFT 2025 and Beyond and the company's business plan for 2024, please refer to our corporate information website (<https://corp.shiseido.com/en/ir/library/tanshin/>): Investors > IR Library > Consolidated Settlements of Accounts/Briefing Materials > Consolidated Settlement of Accounts and Presentation Materials for the Fiscal Year Ended Dec. 31, 2023

3) Efforts to Create Social Value

Sustainability Initiatives

BEAUTY INNOVATIONS FOR A BETTER WORLD. This corporate mission guides everything we do at Shiseido. As part of our vision for 2030, we aim to enhance people's sense of well-being and fulfillment through our businesses, striving to create a sustainable world where everyone can enjoy a lifetime of happiness through the power of beauty. With sustainability at the center of our corporate strategy, we will work to create social value and contribute to solving social issues through our core business.

A System for Promoting Sustainability

At Shiseido, we promote sustainability across the entire company, including our brands and regional businesses. Sustainability Committee meetings are held regularly to ensure timely management decisions related to sustainability efforts and their proper implementation across the

Group. The committee decides on Group-wide sustainability strategies and policies, discusses specific topics such as TCFD/TNFD reporting¹, and monitors the progress of medium-to-long-term goals. The committee consists of the representative directors and executive officers in charge of Corporate Strategy, R&D, Supply Network, Corporate Communications, and our brands, as well as other executive officers from different fields, allowing us to discuss a range of issues from different perspectives. In addition, the Global Strategy Committee and the Board of Directors are specifically consulted when a decision is needed on important matters related to business execution.

We also publish an annual sustainability report² in which we disclose the medium-to-long-term targets we have for strategic actions that can be taken toward sustainability, as well as our progress toward those key targets. Shiseido also promotes sustainable initiatives through long-term incentive-type remuneration for key management positions, including Directors (excluding external Directors and Auditors), Executive Officers and leaders in critical positions in Japan and overseas by utilizing multiple internal and external targets concerning Environmental, Social, and Governance (ESG) matters, such as CO₂ emissions³ and women's empowerment.

1: The latest TCFD/TNFD report can be found here:

https://corp.shiseido.com/en/sustainability/env/pdf/risks_report.pdf

2: The latest Sustainability Report can be found here:

<https://corp.shiseido.com/en/sustainability/report.html>

3: Greenhouse gases (GHGs) refer to CO₂, CH₄, N₂O, HFCs, PFCs, SF₆, and NF₃, but in this report, these GHGs are collectively referred to as CO₂.

Medium-to Long-Term Targets

Strategic Action	Focus Areas	Targets		Target Year ⁴
Reduction of our environmental footprint	CO ₂ emissions	Carbon neutral ⁵		2026
		CO ₂ emission reduction (SBTi, Scope 1 and Scope 2)	46.2% ⁶	2030
		CO ₂ emissions reduction (SBTi, Scope 3)	55% ⁷	2030
	Water	Water consumption reduction	40% ⁸	2026
Development of sustainable products	Containers and packaging materials	Replacement with sustainable packaging ⁹	100%	2025
Sustainable and responsible procurement	Palm oil	Replacement with sustainable palm oil ¹⁰	100%	2026
	Paper	Replacement with sustainable paper ¹¹	100%	2023

Strategic Action	Society	Targets		Target Year
Percentage of female managers	In Japan	Percentage of female managers at all levels	50%	2030
Gender equality	Society	Empowerment of women at workplaces in Japan Support for educational and financial independence for socially vulnerable women worldwide	One million women (to reach directly)	2030
Empowering people through the power of beauty	Society	Improved self-efficacy through Shiseido Life Quality Beauty Center activities Cultivate self-esteem through respect for diverse forms of beauty	One million women (to reach directly)	2030

4: Actual results for 2023 will be disclosed in the Sustainability Report to be issued in 2024

5: At all our sites (compared to 2019, including offsets)

6: At all our sites (compared to 2019)

7: Throughout our value chain, excluding Shiseido sites (compared to 2019)

8: At all our sites, intensity per sales (compared to 2014)

9: For plastic containers

10: Certified based on RSPO's physical supply chain model: identity preserved, segregation, and/or mass balance

11: Including certified paper and recycled paper used in packaging

Responding to Climate Change and Biodiversity

In order to address the serious impacts of climate change and the accelerating loss of biodiversity on business growth and social sustainability, Shiseido has disclosed information in line with the TCFD/TNFD framework. Disclosures include the results of our qualitative and quantitative analyses of the risks and opportunities associated with the transition to a decarbonized society and changes in the natural environment for both the 1.5/2°C and 4°C scenarios, as well as our major actions over the short, medium, and long term.

In response to climate change, we are actively working to reduce CO₂ emissions toward the goal of achieving carbon neutrality¹ by 2026. In 2022, we obtained SBT Initiative (SBTi)² accreditation for our CO₂ emissions reduction targets³ throughout the value chain and also became a member of the RE100⁴ global initiative.

We are switching to renewable electricity at our factories and offices around the world. In 2023, we completed a transition to 100% renewable electricity at all 13 factories⁵ and Shiseido-owned distribution centers. In the China region, we have also completed the transition to 100% renewable electricity across all sites. We have also committed to achieving net-zero emissions by 2050 and will continue working to reduce CO₂ emissions, creating opportunities for innovation in this area.

In terms of biodiversity, we support the concept of Water Stewardship, we strive to understand the condition of water resources and the environment in the watershed, reduce water consumption, improve water effectively, and ensure thorough water quality management to advance the sustainable use of water resources. In addition, we have set biodiversity-related targets, such as switching to RSPO-certified palm raw materials and promote actions globally.

In 2023, Shiseido also held a sustainability policy briefing session for approximately 200 strategic suppliers to strengthen collaboration and work together on sustainable, responsible procurement in response to climate change and the need for traceability.

Shiseido was selected by the global non-profit CDP, which runs the world's environmental disclosure system, for its A List—the highest rank—in the two categories of Climate Change and Forests based on a 2023 survey. It is the first time Shiseido has been selected for the A List in both categories.

1: At all our sites, Scope 1 and Scope 2

2: A global initiative that promotes the setting of science-based greenhouse gas emission reduction targets for companies to achieve the targets of the Paris Agreement

3: Scope 1, Scope 2, and Scope 3

4: RE100 (100% Renewable Electricity) is a global initiative bringing together the world's most influential companies committed to 100% renewable electricity for electricity used in their business operations

5: 11 factories at the end of 2023

Sustainable Package Development and Stronger Collaboration with Stakeholders

Shiseido is addressing global environmental issues such as climate change and marine plastic pollution through the development of sustainable packaging and collaboration with stakeholders.

Shiseido aims to achieve 100% sustainable packaging¹ by 2025 through innovations based on our unique packaging development policy that invokes the 5Rs: respect, reduce, reuse, recycle, and replace.

In 2023, Shiseido became the first company in the world to sell cosmetics in packaging made with LiquiForm® technology², starting in Japan and China. Cosmetics packaging made with LiquiForm® can reduce plastic usage per package by approximately 70%³ compared to our conventional containers. Furthermore, the innovative refill container design can reduce CO₂ emissions across the entire value chain by around 70%³ compared to a conventional container of the same volume.

In April 2023, we launched the circular model project, BeauRing, to collect used plastic packaging and recycle them into new ones. In the pilot test, we have started collecting used plastic packaging in collaboration with POLA ORBIS HOLDINGS INC. at some department stores, cosmetics stores and the Shiseido Global Innovation Center in Yokohama.

In July 2023, Shiseido formed a strategic partnership with the Chitose Group, which is leading the MATSURI Project⁴ to build a new industry based on microalgae as a sustainable alternative to finite fossil resources. MATSURI Project partner companies are working together to develop ingredients for cosmetics and containers using microalgae, as well as ingredients for use in food-related industries in the future.

We are enhancing our collaboration with external stakeholders, including related industries and companies, and accelerating our efforts towards the realization of a circular economy, with the aim of contributing to a sustainable world that fosters a more positive interaction with cosmetics.

- 1: For plastic containers
- 2: The new packaging technology was developed chiefly by Amcor and put to practical use by Yoshino Kogyosho, a company that Shiseido has worked with to jointly develop cosmetic packaging
- 3: Comparing the new LiquiForm® refill containers of the same volume
- 4: A project to build a sustainable new industry led by the Chitose Group, which has considerable expertise in large-scale photosynthetic production technologies and the commercialization of microalgae



Cosmetic product refill container utilizing LiquiForm® (left) and the main container into which the container is set (right)

BeauRing Box

BeauRing logo

DE&I Initiatives for Corporate Growth and Solutions to Social Issues

Since its establishment in 1872, Shiseido has always created diverse values of beauty that symbolize each new era. Today, based on the recognition that people are inherently diverse, Shiseido challenges stereotypes, prejudices, and pressures to conform, placing diversity, equity, and inclusion (DE&I) as an important corporate strategy to realize an inclusive society where everyone can live their own authentic life.

Shiseido considers the active participation of women to be critical in realizing corporate growth. Currently, we are aiming to achieve a gender equality ratio of 50:50, a representation of equal opportunity at all management levels in Japan. As of January 2024, the ratio of women in management positions across the Shiseido Group in Japan is 40 percent (preliminary figure).

In November 2023, Forbes Japan selected Shiseido from approximately 1,900 companies to receive the Forbes JAPAN WOMEN AWARD 2023, achieving recognition as the company best aligned with the mission of Japan’s premier women’s award—closing the gender gap and empowering women. Shiseido’s initiatives that drew recognition for the award include: a business structure that promotes diversity, equity, and inclusion (DE&I), reaching out extensively from

supplier companies to products and services; a high percentage of women at top levels in all career levels; and a flexible and diverse work environment that allows women to thrive.

Starting in 2023, DE&I Sessions will be conducted for employees engaged in brand marketing activities in Japan, with the goal of creating proposals that reflect new societal values and lifestyle trends through a DE&I lens. Last year, 570 employees participated in such sessions. These training opportunities allow employees to learn to see global trends and changes in people’s values within the context of DE&I, giving them perspective on how to adapt and present ideas on advertising and marketing while also inspiring them to be more creative and, therefore, more innovative. In 2024, we intend to broaden the program’s reach to offer a greater number of employees to participate.

In February 2023, we established the Shiseido DE&I Lab within the company to explore ways to leverage the power of diversity and verify the cause-and-effect relationship between diversity and corporate growth. Using the Shiseido workplace as a testing ground, we are quantifying and visualizing the DE&I factors of high-performing organizations and conducting empirical research on how diversity affects organizational performance from an economic perspective. We are also gathering real-world examples that have led to innovation and analyzing the factors involved. Through this research, we aim to understand and clarify which factors are effective in maximizing the power of diversity.

Shiseido will continue working to realize our corporate mission—BEAUTY INNOVATIONS FOR A BETTER WORLD—understanding that fostering inclusivity within society is key to promoting the happiness of people, as it guarantees respect for every individual and “provides them with the chance to realize their full potential.



Shiseido DE&I Lab Logo



Forbes JAPAN WOMEN AWARD 2023 Logo

Launch of Shiseido Future University: Training the Next Generation of Business Leaders

On November 30, 2023, we opened Shiseido Future University, a facility for the professional development of Shiseido’s next generation of leaders, in Ginza—the birthplace of the company. The First Dean of the University will be Representative Director, Chairman and CEO Masahiko Uotani.

Driven by the company’s philosophy of “People First,” Shiseido has bolstered its investment in human capital based on the belief that it is the people who drive corporate value as a company’s most important asset.

Shiseido Future University aims to cultivate leaders who embody the essence of a beauty company, possessing a deep appreciation for beauty, a rich inner spirit, and a mastery of cutting-edge global business knowledge. These individuals are poised to generate unique value and innovation of Shiseido’s distinctive offerings. The leadership program attendees are selected from global members who will become our next generation of business leaders. The concept is “Inspired by Our Heritage & Building Our Future,” emphasizing leaders who grasp the cultural essence of beauty and harness it to drive forward-looking initiatives. We aim to develop outstanding leaders who can form a vision for the company inspired by the ideas of our founder and a heritage that stretches back 150 years and maintain a long-term perspective while working to enhance corporate value and drive change.



CAMELLIA presentation room



Training room that uses the colors from heritage posters on the theme of the female figure.

Publication of a special edition of *Hanatsubaki* 2023

One of Shiseido's strengths lies in its heritage, amassed over the 150 years since its founding in 1872. The knowledge and ideas we have developed over time are not only used to train employees but are also shared with other stakeholders through publications like *Hanatsubaki*, our corporate culture magazine.

The theme of the 2023 issue of *Hanatsubaki* is “Our Energy.” In today’s fast-paced world, isn’t energy what we all need to prioritize for better wellness? That’s why we chose this theme. The year 2023 marks the 100th anniversary of our chain store system through which we partner with cosmetics stores nationwide. In addition to the regular edition, a special edition commemorating the 100th anniversary of the system was published and distributed to some of our cosmetics partners. The special edition also includes information on the history of the system and future initiatives.

We will continue to build upon our heritage to ensure further business growth.



Special edition of *Hanatsubaki* 2023 (front and back cover)

We seek ongoing support from our shareholders and aim to solidify our position as “a global beauty company leveraging our Japanese heritage” to remain distinctive in the century ahead.

1.2 Outline of the Shiseido Group (As of December 31, 2023)

(1) Principal Businesses of the Shiseido Group

Segment	Principal Business
Japan Business	Cosmetics business in Japan (sale of cosmetics and cosmetic accessories, 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 and cosmetic accessories), etc.
Asia Pacific Business	Cosmetics business in Asia and Oceania excluding Japan and China (production and sale of cosmetics, and cosmetic accessories), 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 (sale of cosmetics and cosmetic accessories), etc.
Other	Cosmetics business (sale of cosmetics and cosmetic accessories), Manufacturing 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 Nasu Factory	Ohtawara-shi, Tochigi Pref.
Shiseido Osaka Ibaraki Factory	Ibaraki-shi, Osaka Pref.
Shiseido Fukuoka Kurume Factory	Kurume-shi, Fukuoka Pref.
Shiseido Cosmetics Manufacturing 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 China Innovation Center, Shanghai Zhangjiang Branch	Shanghai, China
Shiseido China Innovation Center Shanghai Fengxian Branch	Shanghai, China
Shiseido China Innovation Center, Shanghai Zhangjiang Second Branch	Shanghai, China
Shiseido Asia Pacific Innovation Center	Singapore
Shiseido Americas Innovation Center	East Windsor, New Jersey, 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.
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.	Taoyuan, 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	Holding company and sale of cosmetics, etc. 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.
Beauté Prestige International S.A.S.	Paris, France	(thousand EUR) 32,937	— (100.0)	Sale of cosmetics, etc.
Shiseido 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 RUB) 106,200	— (100.0)	Sale of cosmetics, etc.

Company Name	Location	Paid-in Capital	Ownership Percentage of Voting Rights	Principal Business
Shiseido International S.A.S.	France 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 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.
The Ginza Co., Ltd.	Chuo-ku, Tokyo	(million JPY) 100	98.1	Sale of cosmetics, etc.
Shiseido Cosmetics Manufacturing Co., Ltd.	Shanghai, China	(thousand CNY) 418,271	26.2 (92.6)	Production of cosmetics, etc.
Selan Anonymous Association	Chiyoda-ku, Tokyo	(million JPY) 27,150	— [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 the 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	10,573	[2,758]	-610	[-342]
China Business	6,881	[96]	-590	[-1]
Asia Pacific Business	2,542	[273]	-213	[-2]
Americas Business	1,805	[17]	-24	[-6]
EMEA Business	2,521	[228]	-240	[-50]
Travel Retail Business	561	[12]	+13	[+1]
Corporate staff	5,657	[1,935]	-1,210	[-113]
Total	30,540	[5,319]	-2,874	[-513]

Notes:

- The number of employees shown is the number of full-time employees. The annual average number of temporary employees is shown in []. Temporary employees refer to contract employees and part-time workers and excludes dispatched employees.
- 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 ended December 31, 2023, and corresponding period of the previous fiscal year.
- The ratio of female employees in the Shiseido Group worldwide is 82.2%, while in Japan the ratio is 80.9%.

(5) Main Suppliers of Loans to the Group

Lender	Outstanding Balance
Mizuho Bank, Ltd.	45,000 million JPY

2. Matters Concerning Shares Issued by the Company (As of December 31, 2023)

(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 344,199 shares of treasury stock)

(3) Number of Shareholders:

117,378

(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) 80,807	20.21 <20.20> %
Custody Bank of Japan, Ltd. (Trust Account)	27,007	6.75 <6.75>
STATE STREET BANK WEST CLIENT-TREATY 505234	7,374	1.84 <1.84>
Mizuho Trust & Banking Co., Ltd. re-trusted to Custody Bank of Japan, Ltd. Employees Pension Trust for Mizuho Bank	7,000	1.75 <1.75>
THE BANK OF NEW YORK 134104	6,458	1.61 <1.61>
THE BANK OF NEW YORK MELLON AS DEPOSITARY BANK FOR DEPOSITARY RECEIPT HOLDERS	6,270	1.56 <1.56>
BNYM AS AGT/CLTS 10 PERCENT	5,785	1.44 <1.44>
Nippon Life Insurance Company	5,615	1.40 <1.40>
SSBTC CLIENT OMNIBUS ACCOUNT	5,583	1.39 <1.39>
NORTHERN TRUST CO.(AVFC) RE NON TREATY CLIENTS ACCOUNT	5,581	1.39 <1.39>

Notes:

- 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.
- All shares held by The Master Trust Bank of Japan, Ltd. (Trust Account) and Custody Bank of Japan, Ltd. (Trust Account) are in connection with the respective bank's trust business.
- A report of amendment to large shareholdings from Baillie Gifford & Co has been filed with the Director-General of the Kanto Finance Bureau. The report said that on October 21, 2022 it held 28,878 thousand shares through joint holdings (percentage of shareholding: 7.22%), of which 9,477 thousand shares (2.37%) are held by Baillie Gifford & Co and 19,400 thousand shares (4.85%) are held by Baillie Gifford Overseas Limited.
However, Baillie Gifford & Co has been excluded from the above principal shareholders, as the actual number of shares held by the above two companies had 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., has been filed with the Director-General of the Kanto Finance Bureau. The report said that on July 7, 2023, it held 21,455 thousand shares through joint holdings (percentage of shareholding: 5.36%), of which 12,435 thousand shares (3.11%) are held by Asset Management One Co., Ltd.
However, Mizuho Bank, Ltd., has been excluded from the above principal shareholders, as the actual number of shares held by said company had not been confirmed by the Company as of the end of the fiscal year.
- A report of amendment to large shareholdings from BlackRock Japan Co., Ltd. has been filed with the Director-General of the Kanto Finance Bureau. The report said that on September 5, 2023, it held 28,433 thousand shares through joint holdings (percentage of shareholding: 7.11%), of which 9,787 thousand shares (2.44%) were held by BlackRock Japan Co., Ltd., 6,958 thousand shares (1.74%) were held by BlackRock Fund Advisors and 5,632 thousand shares (1.40%) were held by BlackRock Institutional Trust Company, N.A.
However, BlackRock Japan Co., Ltd. has been excluded from the above principal shareholders, as the actual number of shares held by the above three companies had 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. has been filed with the Director-General of the Kanto Finance Bureau. The report said that on October 30, 2023, it held 23,022 thousand shares through joint holdings (percentage of shareholding: 5.76%), of which 10,182 thousand shares (2.54%) and 6,372 thousand shares (1.59%) are held by Mitsubishi UFJ Trust and Banking Corporation and Mitsubishi UFJ Asset Management Co., Ltd., respectively.

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

7. A report of amendment to large shareholdings from Nomura Asset Management Co., Ltd. has been filed with the Director-General of the Kanto Finance Bureau. The report said that on November 7, 2023, it held 24,438 thousand shares (percentage of shareholding: 6.11%).

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

8. A report of amendment to large shareholdings from Sumitomo Mitsui Trust Bank, Limited, has been filed with the Director-General of the Kanto Finance Bureau. The report said that on December 21, 2023, it held 26,005 thousand shares through joint holdings (percentage of shareholding: 6.50%), of which 14,803 thousand shares (3.70%) and 11,202 thousand shares (2.80%) are held by Sumitomo Mitsui Trust Asset Management Co., Ltd. and Nikko Asset Management Co., Ltd., respectively.

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 had not been confirmed by the Company as of the end of the fiscal year.

(5) Shares Issued to Directors and Audit & Supervisory Board Members of the Company in Consideration of Execution of Duties in the Fiscal Year Ended December 31, 2023:

Shares issued to directors and Audit & Supervisory Board members of the Company in consideration of duties executed in the fiscal year ended December 31, 2023 are as follows.

	Number of Shares	Number of Eligible Persons
Directors (excluding External Directors)	8,166	3
Other (retired directors)	651	1

Shares delivered to directors during the fiscal year ended December 31, 2023 based on the exercise of stock option rights issued as long-term incentive-type remuneration to directors in the fiscal year ended December 31, 2022 are as follows.

	Number of Shares	Number of Eligible Persons
Directors (excluding External Directors)	42,000	1

Note: No shares or stock acquisition rights as a consideration for the execution of duties are allotted to external directors and Audit & Supervisory Board members.

3. Matters Concerning Shares Held by the Company (As of December 31, 2023)

(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.

During fiscal 2023, of listed companies' shares of strategic shareholdings, the Company sold all of its holdings in one stock, consequently holding two stocks as of December 31, 2023. Unlisted companies' shares of strategic shareholdings include 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:

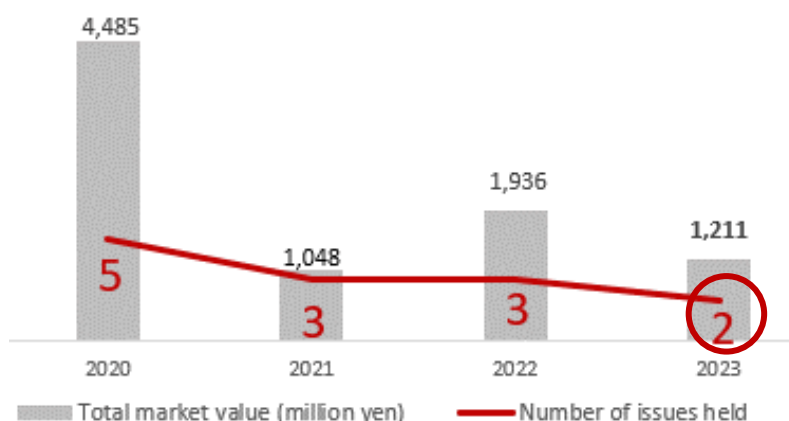
When exercising its voting rights with regard to shares of strategic shareholdings, the Company confirms whether the proposed item of business would lead to impairment of shareholder value. It then considers the situation of an investee company and other factors to determine its approval or disapproval 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
27 (of which 2 are listed issues)	¥2,744 million (of which ¥1,211 million accounts for listed issues)

Trends in Shares of Listed Issues the Company Holds for Purposes Other Than Realizing Direct Investment Gains (year-end)



(4) Complete List of Shareholdings of Publicly Listed Companies Which the Company Holds for Purposes Other Than Realizing Direct Investment Gains:

Company	FY2023		FY2022		Purpose of holding, outline of business alliance, etc., quantitative holding effects, and reasons for increase in the number of shares	Holding of the Company's shares								
	Number of Shares (thousand shares)	Amount on Balance Sheet (million yen)	Number of Shares (thousand shares)	Amount on Balance Sheet (million yen)										
Perfect Corp.	1,300		1,300		The Company pursues collaboration in the digital area with this company primarily for the development of virtual makeup and beauty platforms. In order to further strengthen the 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								
	571		1,224				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	640
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								
	640		565											

Notes:

1. The Company does not hold shares for the purpose of realizing direct investment gains.
2. Of the companies listed above, no company of which 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, 2023)

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

Total number of shares that are the object of all stock acquisition rights issued as of December 31, 2023 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 208,000	% 0.05

These stock acquisition rights were granted as stock options in order to link remuneration of the directors and executive 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 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 a design 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 incentive 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.

In fiscal 2019, the Company introduced performance share units, which are a type of performance-linked stock remuneration as a new long-term incentive (LTI).

The status of stock acquisition rights issued in the past fiscal years is posted as “matters not included in the documents delivered to shareholders who make a request for the delivery of hard copies in accordance with the relevant laws and regulations and the Articles of Incorporation of the Company in regard to the Notice of Convocation for the 124th Ordinary General Meeting of Shareholders” on our corporate information website: INVESTORS / General Meeting of Shareholders (<https://corp.shiseido.com/jp/ir/shareholders/>).

No stock acquisition rights are allotted to external directors and Audit & Supervisory Board members.

■ Stock Acquisition Rights Issued as a Consideration for the Execution of Duties as of December 31, 2023

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, 2023	
					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, 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	Others 1 person 13 rights	Common stock of the Company 1,300 shares
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	Others 4 persons 219 rights	Common stock of the Company 21,900 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	Others 7 persons 284 rights	Common stock of the Company 28,400 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	Others 6 persons 321 rights	Common stock of the Company 32,100 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	Others 5 persons 158 rights	Common stock of the Company 15,800 shares
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) 1 person 33 rights	Common stock of the Company 3,300 shares
					Executive officers who do not serve as a director of the Company 1 person 20 rights	Common stock of the Company 2,000 shares
					Others 14 persons 459 rights	Common stock of the Company 45,900 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 160 rights	Common stock of the Company 16,000 shares
					Executive officers who do not serve as a director of the Company 1 person 16 rights	Common stock of the Company 1,600 shares
					Others 13 persons 243 rights	Common stock of the Company 24,300 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, 2023	
					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 79 rights	Common stock of the Company 7,900 shares
					Executive officers who do not serve as a director of the Company 2 persons 10 rights	Common stock of the Company 1,000 shares
					Others 10 persons 65 rights	Common stock of the Company 6,500 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, 2023. There were no stock acquisition rights issued during fiscal 2023.

5. Status of Corporate Governance and Matters Concerning Directors, Audit & Supervisory Board Members and Executive Officers of the Company (As of December 31, 2023)

(1) Corporate Governance Policy

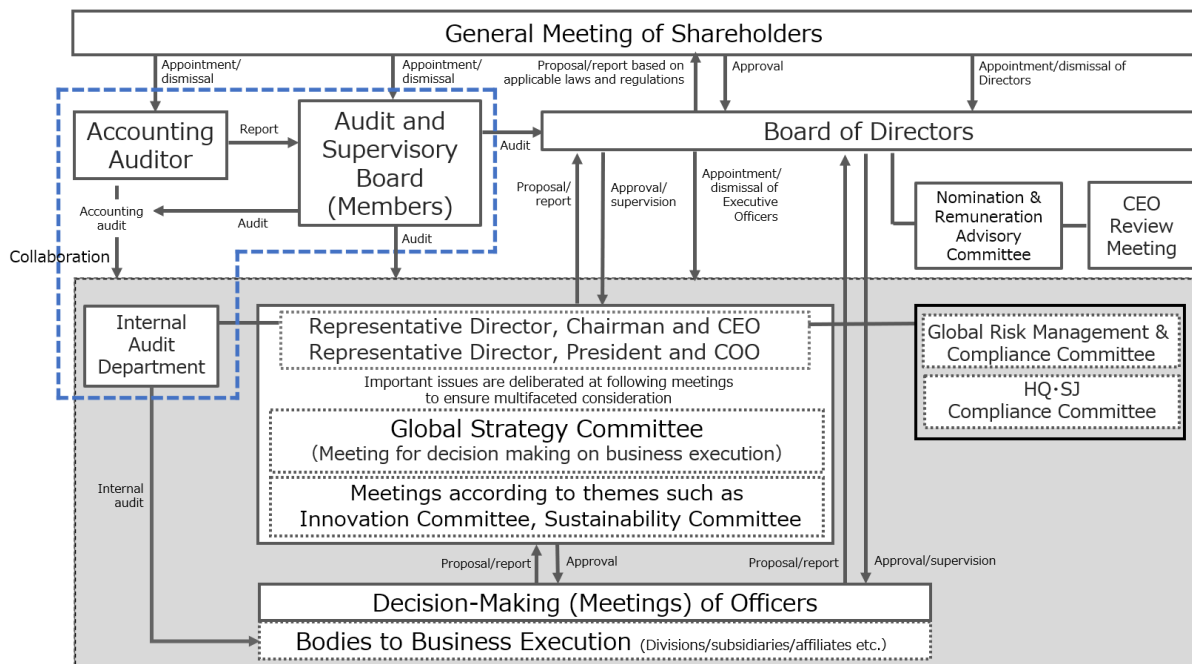
The Shiseido Group including the Company has established “BEAUTY INNOVATIONS FOR A BETTER WORLD” as OUR MISSION in its Corporate Philosophy, THE SHISEIDO PHILOSOPHY, and defines the corporate governance as our “platform to realize sustainable growth through fulfilling OUR MISSION.”

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

(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, 2023 is as follows.



2) **Activities of the Board of Directors and its Affiliated Bodies, and the Audit & Supervisory Board**

Board of Directors:

The Company's Board of Directors is composed of 10 members including 5 external directors, structured to be small for quick decision-making.

The Board of Directors meets approximately once a month to discuss all significant matters.

In fiscal 2023, 14 meetings were held with an average participation rate of 98.5%.

In addition to the number of Board of Directors meetings attended shown above, there was one deemed resolution where the resolution of the Board of Directors was deemed to have been made pursuant to the provisions of Article 370 of the Companies Act and Article 25, paragraph (2) of the Articles of Incorporation of the Company.

Nomination & Remuneration Advisory Committee:

The Nomination & Remuneration Advisory Committee makes reports to the Board of Directors on matters including the selection of candidates for directors, Audit & Supervisory Board members, and executive officers, promotion and demotion of directors and executive officers, and the remuneration policy for directors and executive officers as well as the details of remuneration payment based on the evaluation of their performance.

5 external directors (1 of whom is the chair) and the CEO are members.

In fiscal 2023, 5 meetings were held. The committee discussed annual incentive for directors and executive officers for fiscal 2022, as well as the remuneration policy for directors and executive officers, and remuneration for said individuals for fiscal 2023, and discussed and reported the selection of candidates for directors and Audit & Supervisory Board members, appointments of executive officers, etc.

In addition to the face-to-face meetings of the Nomination & Remuneration Advisory Committee stated above, the Committee reached resolutions in writing 3 times.

CEO Review Meeting:

In our corporate governance, there is a need to appropriately concentrate authority in the CEO while maintaining a strong supervisory function to counterbalance that authority. Accordingly, the Company has established the CEO Review Meeting as a special deliberation body for the Nomination & Remuneration Advisory Committee to comprehensively oversee CEO by discussing and considering matters relating to the CEO, including performance evaluation that includes a personal evaluation of the CEO, and confirming the appropriateness of the CEO's remuneration. To emphasize its independence from the CEO and the CEO's business execution framework, the CEO Review Meeting consists solely of external directors and external Audit & Supervisory Board members.

In fiscal 2023, 1 meeting was held.

Audit & Supervisory Board:

The Company's Audit & Supervisory Board is composed of 5 members, 2 full-time Audit & Supervisory Board members and 3 external Audit & Supervisory Board members. The Audit & Supervisory Board receives reports on important matters related to audits, holds discussions, and makes resolutions pursuant to the provisions of laws and regulations, the Articles of Incorporation, and the Rules of the Audit & Supervisory Board.

In fiscal 2023, 13 Audit & Supervisory Board meetings were held, with the attendance rate of Audit & Supervisory Board members reaching 100%.

(3) Actual Composition of Directors and Audit & Supervisory Board Members

Of 10 directors who are currently in office as of December 31, 2023, 5 directors (50.0%) are independent external directors who meet the “Criteria for Independence of External Directors and Audit & Supervisory Board Members” of the Company. The other 5 directors who serve concurrently as executive officers include 1 with career background in management outside the Shiseido Group, 1 with career background in head of finance outside the Shiseido Group, and 3 with career background in the Shiseido Group. The directors include 3 females (30.0%).

Of 5 Audit & Supervisory Board members, 3 members (60.0%) are independent external Audit & Supervisory Board members, and 2 are full-time members with career background in the Shiseido Group. The members include 3 females (60.0%).

Of the total 15 directors and Audit & Supervisory Board members, 8 members (53.3%) are independent external directors or independent external Audit & Supervisory Board members, and 6 members are female (40.0%).

Regarding the corporate governance of the Company, please refer to our corporate information website: INVESTORS / Corporate Governance (<https://corp.shiseido.com/en/ir/governance/>).

(4) Internal Control System

The Company adopted a resolution to implement the “Basic Policy Regarding Internal Control Systems” at the Board of Directors meeting on May 12, 2006, in order to establish highly effective internal control system operated in accordance with the basic policy and conduct reviews for improvement of the system as necessary. In fiscal 2023, the Company implemented the internal control system and monitored the process thereof based on the amendments made to the basic policy which had been approved at the Board of Directors meeting held on December 22, 2022, in consideration of business execution under the new structure led by the CEO and COO and other matters.

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 on Internal Control System” 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 150 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 Code of 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 "Shiseido Code of Conduct and Ethics" with which the whole Shiseido Group is required to comply. Every Group company and business site shall be fully aware of this policy and rules, along with THE SHISEIDO PHILOSOPHY, 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 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 internal audits shall be regularly reported to the representative director, chief financial officer, and Audit & Supervisory Board members. In addition, reports shall be made regularly to the Board of Directors.

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

“Shiseido Code of 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 cooperation 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 An 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 executive 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. 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 executive 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 report issues directly Audit & Supervisory Board members 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 to make progress on implementation and operation of its internal control system in accordance with the aforementioned basic policy and has operated the system during fiscal 2023 as described below. Overall status of implementation 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 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

- In March 2023, the Company checked the status of training practices in each region around the world during 2022 regarding the “Compliance Rules Regarding Prevention of Bribery” (revised in May 2022) and the “Compliance Rules Regarding Prevention of Cartels” (revised in January 2018), which are detailed rules of the “Shiseido Code of Conduct and Ethics.” In Japan, the Americas, China, Asia Pacific, and other regions, training on the rules was conducted mainly for office staff through e-learning and on-site training. The Company plans to collect responses on the status of training during 2023 by March 31, 2024.
- In fiscal 2023, the Company conducted e-learning training on the “Shiseido Code of Conduct and Ethics,” which was revised in fiscal 2022, to strengthen its ethical foundation into one that is apt for a truly global beauty wellness company.
- The Global Risk Management & Compliance Committee met in December and discussed material risks for the Shiseido Group and the response as well as compliance related topics. Matters such as response to major incidents were reported to the Board of Directors (matters for the first half: already reported in August; matters for the second half: scheduled to be reported in January 2024). In Japan, the HQ/SJ Compliance Committee was held in May and December to discuss issues and actions mainly on disciplinary cases and the Shiseido Consultation Office cases in the Japan region. We rolled out the “Shiseido Code of Conduct and Ethics” for training new and mid-career employees, and all global employees. In addition, whistleblowing reports were accepted at the Global Hotline directly managed by the headquarters (HQ) and hotline systems managed by each region. The hotline in the Japan region has three contact points, the Compliance Committee Hotline, the Shiseido Consultation Office, the Shiseido External Hotline, and the Business Partner Hotline to establish the function of a whistleblower contact point. At the HQ/SJ Compliance Committee meeting held in December 2023, it was decided to reorganize the three contact points of the hotline in the Japan region and to consolidate the operations as the “Shiseido Hotline” from January 2024.
- 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 the applicable laws, regulations, and internal rules, as well as safeguarding company assets. At the same time, the Company assessed the appropriateness and effectiveness of risk management and provided advice and suggestions for its improvement. The results of internal audits are reported on a monthly basis to the Representative Director, Chairman and CEO, Director Chief Financial Officer, and full-time Audit & Supervisory Board members, and biannually to the Board of Directors.

<Action Plans for Exclusion of Anti-Social Forces>

The pre-audit for anti-social forces for new suppliers was changed in connection with operation of the new accounting system NAIS launched in 2020 while enhancing the screening process. Since 2017, the Company has implemented a preliminary screening system for new customers of the cosmetics business, and it continues to promote the system. The Company is a member of two organizations promoting the exclusion of anti-social forces including the Special Violence Prevention Measures Association for the Jurisdiction of the Metropolitan Police Department (Tokubouren), and two employees in charge of related efforts conducted information gathering through seminars and so forth and strived to coordinate with local police departments.

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

- In the aim to clarify the allocation of responsibilities within management and to expedite the decision-making through delegation of authority, the Company adopted a corporate executive officer system in 2001. Under the medium-term business plan “WIN 2023 and Beyond,” which was commenced in 2021, the Company introduced a new management system of executive officers allowing to fully delegate the responsibility for business execution, in order to accelerate business transformation and structural reforms in the global business with the aim to further enhancing profitability. The corporate executive officer system was abolished in 2022, completing the transition to the executive officer system in 2022.
- Authority for making decisions on matters relating to business executions other than those specified in the Regulation of the Board of Directors has been delegated to the extent appropriate so that Representative Director, Chairman and CEO, who is the top executive of the Company or Representative Director, President and COO, is able to make decisions after deliberation with the Global Strategy Committee and other meeting bodies.
- Executive officers have each established their decision-making process within their respective areas of responsibility, and they reported the status of their annual plans and the status of progress thereof to the Board of Directors and other meeting bodies on a periodic basis.
- Subject to approval at the 124th Ordinary General Meeting of Shareholders scheduled to be held in March 2024, the institutional design of the Company’s Board of Directors will shift from a Company with an Audit & Supervisory Board to a Company with Three Statutory Committees. In this case, the “Basic Policy on Internal Control System” will be changed at the Board of Directors meeting following the close of the General Meeting of Shareholders.

(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

- The meeting minutes of the Board of Directors are prepared by the Legal and Governance Department and retained permanently, a longer duration than the statutory retention period of 10 years. To prepare for requests by shareholders to review board meeting minutes, a part of shareholder rights to be exercised, they are stored by the IR Department (the department responsible for dealing with shareholders). Minutes of important meetings related to the execution of the Global Strategy Committee, etc. are prepared by the COO Office Strategy Acceleration 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 Asset Handling Regulation,” “Confidential Information Controlling Regulation,” “Privacy Rules,” “Personal Information Protection 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 (for Directors, Audit & Supervisory Board members, Executive Officers, and Employees).” In addition, the Company has developed and implemented the “System for the Process for Disclosing Facts of Decisions Made and Financial Results” and the “System for the Process for Disclosing Facts of Actual Events.” With regard to important reports made by Group companies, the Company has arranged for executive officers in charge of a respective Group company to report to the Representative Director, Chairman and CEO and Representative Director, President and COO or at the Global Strategy Committee or the Board of Directors in compliance with the “Regulation of the Board of Directors,” as well as the “Regulation of the Executive Officers” or other internal rules and regulations.
- Due to the change in the executive structure as of January 1, 2023, the reporting lines for executive officers with the assigned areas of responsibility had been changed to report to the Representative Director, Chairman and CEO or report to the Representative Director, President and COO.

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

- Newsletters were distributed on an ongoing basis (three editions published in fiscal 2023) to provide helpful information to RMO and risk managers across the world. In March, we conducted a presentation meeting for 12 newly appointed managers of the risk managers (57 sections) appointed for the purpose of reinforcing support in our response when an incident occurs in Japanese territory. In October, we expanded the number of risk managers and appointed them to all sections of HQ and SJ (111 sections) with the aim of strengthening the incident management system in Japan, and conducted a presentation meeting for 46 newly appointed risk managers.
- In addition, we conducted training for an HQ Emergency Task Force in June in anticipation of the Nankai trough earthquake, and for an Osaka Emergency Task Force (training that simulates the establishment of an alternative to the HQ Emergency Task Force) in October in anticipation of an earthquake directly under Tokyo, with about 70 participants combined. Furthermore, to deal with product recalls, we revised the recall response manual.

(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 the Representative Director, Chairman 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 secretarial duties for the Audit & Supervisory Board. In addition, in order to ensure the independence of the employees from the directors, etc. and the 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 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

- In addition to legally mandated attendance at the Board of Directors meetings, the Company ensures that the full-time Audit & Supervisory Board members are offered opportunities to attend important meetings for business execution, such as the meetings of the Global Strategy 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 Audit & Supervisory Board members. In addition, upon request of Audit & Supervisory Board members, these committees provide materials and information.
- In Japan, the Company worked to ensure all employees are familiar with the whistleblowing to Audit & Supervisory Board members by providing information as part of the training for new and mid-career employees offered at the time of joining the Company, training for employees newly appointed to managerial positions, and e-learning training for all employees on harassment held by the HQ, along with information on other consultation contact points and hotlines. The Company also includes the whistleblowing to Audit & Supervisory Board members in the "Shiseido Code of Conduct and Ethics" revised in April 2022, so that employees in all regions will be fully aware of the system.

(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 sufficient expenses based on the annual activity plan at the beginning of every business year. The Company has established a rule 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 also 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, at the end of the first half and at the end of the fiscal year for sharing of information. Full-time Audit & Supervisory Board members receive reports monthly on internal audit performed by the Internal Audit Department, and receive audit results for each domain regularly from the Quality Management Department, the Information Security Department, the Risk Management Department, which are functional departments, and the Audit Group of the Business Management Department of Shiseido Japan Co., Ltd. In addition, "three-party audit liaison meetings" are held on a quarterly basis to allow full-time Audit & Supervisory Board members, the accounting auditor, and the Internal Audit Department to share audit information. Furthermore, they attended the Board of Directors, Global Strategy Committee and other meeting bodies for business execution and confirmed the details of deliberations.

3) The Confirmation Procedures for Transactions with Related Parties

The Company investigates to identify related parties that may potentially have an impact on the Company's financial position and operating results, and confirms the existence of any transactions involving the said related parties and determine the materiality thereof. Should there be any transaction that needs to be disclosed, the Company will publicly disclose such information accordingly.

The existence of related parties and transactions with such related parties, as well as the details of transactions or any other information related thereto are reported to the Board of Directors prior to the disclosure thereof, to be reviewed from quantitative perspective with respect to materiality, as well as qualitative materiality including the terms and conditions and rationale of the transaction. The Company applies certain criteria for determining quantitative materiality of such transactions.

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

(As of December 31, 2023)

Position	Name	Responsibilities at the Company
Representative Director Executive Officer Chairman and CEO	Masahiko Uotani	Chairman of the Board Member of the Nomination & Remuneration Advisory Committee Chair of Global Risk Management & Compliance Committee
Representative Director Executive Officer President and COO	Kentaro Fujiwara	Representative Director, Chairman, Shiseido Japan Co., Ltd. Member of Global Risk Management & Compliance Committee
Director Executive Officer Senior Executive Officer	Yukari Suzuki	Chief D&I Officer Member of Global Risk Management & Compliance Committee
Director Executive Officer Senior Executive Officer	Norio Tadakawa	Japan Region CEO Representative Director, President and CEO, Shiseido Japan Co., Ltd. Member of Global Risk Management & Compliance Committee
Director Executive Officer	Takayuki Yokota	Chief Financial Officer Member of Global Risk Management & Compliance Committee
External Director <Independent>	Kanoko Oishi	Member of Nomination & Remuneration Advisory Committee
External Director <Independent>	Shinsaku Iwahara	Chair of Nomination & Remuneration Advisory Committee
External Director <Independent>	Charles D. Lake II	Member of Nomination & Remuneration Advisory Committee
External Director <Independent>	Mariko Tokuno	Member of Nomination & Remuneration Advisory Committee
External Director <Independent>	Yoshihiko Hatanaka	Member of Nomination & Remuneration Advisory Committee
Audit & Supervisory Board Member (Full-time)	Takeshi Yoshida	Observer of Global Risk Management & Compliance Committee
Audit & Supervisory Board Member (Full-time)	Hiromi Anno	Observer of Global Risk Management & Compliance Committee
External Audit & Supervisory Board Member <Independent>	Hiroshi Ozu	—
External Audit & Supervisory Board Member <Independent>	Yasuko Gotoh	—
External Audit & Supervisory Board Member <Independent>	Ritsuko Nonomiya	—

(As of January 1, 2024)

Position	Name	Responsibilities at the Company
Representative Director Executive Officer Chairman and CEO	Masahiko Uotani	Chairman of the Board Member of the Nomination & Remuneration Advisory Committee Chair of Global Risk Management & Compliance Committee
Representative Director Executive Officer President and COO	Kentaro Fujiwara	Japan Region CEO Representative Director, President and CEO, Shiseido Japan Co., Ltd. Member of Global Risk Management & Compliance Committee
Director Executive Officer Senior Executive Officer	Norio Tadakawa	Chief Strategic Business Development Officer Member of Global Risk Management & Compliance Committee
Director Executive Officer	Takayuki Yokota	Chief Financial Officer Member of Global Risk Management & Compliance Committee
Director	Yukari Suzuki	—
External Director <Independent>	Kanoko Oishi	Member of Nomination & Remuneration Advisory Committee
External Director <Independent>	Shinsaku Iwahara	Chair of Nomination & Remuneration Advisory Committee
External Director <Independent>	Charles D. Lake II	Member of Nomination & Remuneration Advisory Committee
External Director <Independent>	Mariko Tokuno	Member of Nomination & Remuneration Advisory Committee
External Director <Independent>	Yoshihiko Hatanaka	Member of Nomination & Remuneration Advisory Committee
Audit & Supervisory Board Member (Full-time)	Takeshi Yoshida	Observer of Global Risk Management & Compliance Committee
Audit & Supervisory Board Member (Full-time)	Hiromi Anno	Observer of Global Risk Management & Compliance Committee
External Audit & Supervisory Board Member <Independent>	Hiroshi Ozu	—
External Audit & Supervisory Board Member <Independent>	Yasuko Gotoh	—
External Audit & Supervisory Board Member <Independent>	Ritsuko Nonomiya	—

Notes:

1. There are ten directors and five Audit & Supervisory Board members, totaling 15 officers who are directors or Audit & Supervisory Board members, as of December 31, 2023, of which nine are male and six are female.
2. Ms. Kanoko Oishi, Mr. Shinsaku Iwahara, Mr. Charles D. Lake II, Ms. Mariko Tokuno and Mr. Yoshihiko Hatanaka are external directors as provided in Article 2, item (xv) of the Companies Act of Japan.
3. Mr. Hiroshi Ozu, Ms. Yasuko Gotoh and Ms. Ritsuko Nonomiya are external Audit & Supervisory Board members as provided in Article 2, item (xvi) of the Companies Act of Japan.
4. The Company has designated Ms. Kanoko Oishi, Mr. Shinsaku Iwahara, Mr. Charles D. Lake II, Ms. Mariko Tokuno, Mr. Yoshihiko Hatanaka, Mr. Hiroshi Ozu, Ms. Yasuko Gotoh and Ms. Ritsuko Nonomiya 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” and have sufficient independency. The criteria are posted on our corporate information website: INVESTORS / Corporate Governance / Corporate Governance System (<https://corp.shiseido.com/en/ir/governance/system.html>).
5. Director Mr. Kentaro Fujiwara, External Director Mr. Yoshihiko Hatanaka and Full-time Audit & Supervisory Board member Ms. Hiromi Anno were newly elected at the 123rd ordinary general meeting of shareholders of the Company held on March 24, 2023 and assumed office on the same date. Other directors and External Audit & Supervisory Board member Ms. Yasuko Gotoh were reelected at the said general meeting of shareholders and reappointed. The legal name of Ms. Hiromi Anno, full-time Audit & Supervisory Board member, is Hiromi Hara.
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, an 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, Ms. Ritsuko Nonomiya, an external Audit & Supervisory Board member, 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, the GE Group and the Houlihan Lokey Group. Thus, she has expert knowledge in finance and accounting.
7. Regarding executive officers who do not concurrently serve as director, please refer to “Global Leadership | ABOUT US | Shiseido Company” on our corporate information website (<https://corp.shiseido.com/en/company/executiveofficers/>).

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

Position	Name	Important Positions at Other Organizations Concurrently Assumed
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 Director	Shinsaku Iwahara	Professor, Faculty of Law, Waseda University
External Director	Charles D. Lake II	Director, President of Aflac International Incorporated Outside Director of JAPAN POST HOLDINGS Co., Ltd. Representative Director, Chairman of Aflac Life Insurance Japan Ltd. Outside Director of Sumitomo Mitsui Financial Group, Inc.
External Director	Mariko Tokuno	Outside Director of HAPPINET CORPORATION Outside Director of Mitsubishi Materials Corporation Outside Director of YAMATO HOLDINGS CO., LTD.
External Director	Yoshihiko Hatanaka	Outside Director of SONY GROUP CORPORATION Outside Director of Sekisui Chemical Co., Ltd.
External Audit & Supervisory Board Member	Hiroshi Ozu	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)
External Audit & Supervisory Board Member	Yasuko Gotoh	Outside Auditor & Supervisory Board Member of DENSO CORPORATION Outside Audit & Supervisory Board Member of Mitsui Chemicals, Inc. Audit and Inspection Commissioner of the Tokyo Metropolitan Government
External Audit & Supervisory Board Member	Ritsuko Nonomiya	Outside Director of NAGASE & CO., LTD. CEO, Representative Director of Houlihan Lokey Corporation

Note:

- The Company has established “Criteria for Important Concurrent Positions.” The above information is provided in accordance with the criteria. The criteria are posted on our corporate information website: INVESTORS / Corporate Governance/Corporate Governance System (<https://corp.shiseido.com/en/ir/governance/system.html>).
- External Director Mr. Shinsaku Iwahara retired from the post of Professor, Faculty of Law, Waseda University in March 2023.
- External Director Mr. Charles D. Lake II retired from the post of Outside Director of JAPAN POST HOLDINGS Co., Ltd. in June 2023.
- External Director Ms. Mariko Tokuno retired from the post of Outside Director of HAPPINET CORPORATION in June 2023.
- External Audit & Supervisory Board Member Mr. Hiroshi Ozu retired from the post of External Audit & Supervisory Board Member of MITSUI & CO., LTD. and the post of Outside Audit & Supervisory Board Member of TOYOTA MOTOR CORPORATION in June 2023. Also he retired from the post of President of Criminal Justice Welfare Forum Oasis (general incorporated association) in June 2023.

(7) 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 eight of the external directors and Audit & Supervisory Board members under which his/her liability for compensation of damages shall be restricted to the minimum limited liability amount 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.

(8) Outline of Execution of Directors and Officers Liability Insurance Agreement

The Company has concluded a directors and officers liability insurance agreement provided for in Article 430-3, paragraph (1) of the Companies Act with an insurance company. The said insurance agreement shall compensate for damages including compensation for damages and legal expenses to be borne by the insureds.

Insureds in the said insurance agreement are directors, Audit & Supervisory Board members, and principal executive persons, including executive officers, of the Company, its subsidiaries, and their subsidiaries.

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

	Concurrent Positions at Other Organizations	Relationships Between Such Organizations and the Company				Value for Comparison
		Transaction Matter, etc.	Vendor, Recipient of Supporting Money, etc.	Purchaser, Provider of Supporting Money, etc.	Percentage of Transaction Value	
External Director Kanoko Oishi	CEO of MEDIVA Inc.	The Company has no special relationships of interest with MEDIVA Inc.				
	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, 2023
					Less than 1%	Consolidated net sales of Ezaki Glico Co., Ltd. for the fiscal year ended December 31, 2023
Outside Director of SANTEN PHARMACEUTICAL CO., LTD.	Cosmetics, etc. (sales)	Shiseido Group	SANTEN PHARMACEUTICAL 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, 2023	
				Less than 1%	Consolidated net revenue of SANTEN PHARMACEUTICAL CO., LTD. for the fiscal year ended March 31, 2023	
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.				

	Concurrent Positions at Other Organizations	Relationships Between Such Organizations and the Company				Value for Comparison
		Transaction Matter, etc.	Vendor, Recipient of Supporting Money, etc.	Purchaser, Provider of Supporting Money, etc.	Percentage of Transaction Value	
External Director Charles D. Lake II	Director, President of Aflac International Incorporated	The Company has no special relationships of interest with Aflac International Incorporated.				
	Outside Director of JAPAN POST HOLDINGS Co., Ltd.	Outsourcing business, etc.	JAPAN POST 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, 2023
					Less than 1%	Consolidated ordinary income of JAPAN POST HOLDINGS Co., Ltd. for the fiscal year ended March 31, 2023
	Representative Director, Chairman of Aflac Life Insurance Japan Ltd.	The Company has no special relationships of interest with Aflac Life Insurance Japan Ltd.				
	Outside Director of Sumitomo Mitsui Financial Group, Inc.	Borrowing of funds	Sumitomo Mitsui Financial 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, 2023
Less than 1%					Consolidated ordinary income of Sumitomo Mitsui Financial Group, Inc. for the fiscal year ended March 31, 2023	
External Director Mariko Tokuno	Outside Director of HAPPINET CORPORATION	The Company has no special relationships of interest with HAPPINET CORPORATION.				
	Outside Director of Mitsubishi Materials Corporation	Outsourcing business, etc.	Mitsubishi Materials 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, 2023
					Less than 1%	Consolidated net sales of Mitsubishi Materials Corporation for the fiscal year ended March 31, 2023
	Outside Director of YAMATO HOLDINGS CO., LTD.	Outsourcing business, etc.	YAMATO HOLDINGS 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, 2023
					Less than 1%	Consolidated operating revenue of YAMATO HOLDINGS CO., LTD. for the fiscal year ended March 31, 2023
External Director Yoshihiko Hatanaka	Outside Director of SONY GROUP CORPORATION	Outsourcing business, etc.	SONY 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, 2023
					Less than 1%	Consolidated net sales and financial services revenue of SONY GROUP CORPORATION for the fiscal year ended March 31, 2023
	Outside Director of 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, 2023
					Less than 1%	Consolidated net sales of Sekisui Chemical Co., Ltd. for the fiscal year ended March 31, 2023

	Concurrent Positions at Other Organizations	Relationships Between Such Organizations and the Company				Value for Comparison
		Transaction Matter, etc.	Vendor, Recipient of Supporting Money, etc.	Purchaser, Provider of Supporting Money, etc.	Percentage of Transaction Value	
External Audit & Supervisory Board Member Hiroshi Ozu	Attorney	There are no special relationships of interest.				
	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, 2023
					Less than 1%	Consolidated revenue of MITSUI & CO., LTD. for the fiscal year ended March 31, 2023
	Outside Audit & Supervisory Board Member of TOYOTA MOTOR CORPORATION	Outsourcing business, etc.	TOYOTA MOTOR 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, 2023
					Less than 1%	Sales revenues of TOYOTA MOTOR CORPORATION on a consolidated basis for the fiscal year ended March 31, 2023
	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).					
External Audit & Supervisory Board Member Yasuko Gotoh	Outside Auditor & Supervisory Board Member of DENSO CORPORATION	Outsourcing business, etc.	DENSO 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, 2023
					Less than 1%	Consolidated net revenue of DENSO CORPORATION for the fiscal year ended March 31, 2023
	Outside Audit & Supervisory Board Member of Mitsui Chemicals, Inc.	Outsourcing business, etc.	Mitsui Chemicals 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, 2023
					Less than 1%	Consolidated net revenue of Mitsui Chemicals, Inc. for the fiscal year ended March 31, 2023
Audit and Inspection Commissioner of the Tokyo Metropolitan Government	The Company has no special relationships of interest with the Tokyo Metropolitan Government					
External Audit & Supervisory Board Member Ritsuko Nonomiya	Outside Director of NAGASE & CO., LTD.	Raw materials, etc.	NAGASE & 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, 2023
					Less than 1%	Consolidated net sales of NAGASE & CO., LTD. for the fiscal year ended March 31, 2023
CEO, Representative Director of Houlihan Lokey Corporation	The Company has no special relationships of interest with Houlihan Lokey Corporation.					

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 associates, etc. whose names are listed under the “Information on subsidiaries and associates” 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 associates whose names are listed under the “Information on subsidiaries and associates” 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 / Corporate Governance/Corporate Governance System (<https://corp.shiseido.com/en/ir/governance/system.html>)

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

Position	Name	Attendance, Remarks, and Outline of Duties Performed in Relation to the Expected Roles as External Director
External Director	Kanoko Oishi	Ms. Oishi attended 14 out of 14 Board of Directors meetings (Attendance rate: 100%). Based on her experience and knowledge gained through her career in business management inside and outside Japan as well as from a standpoint of an active manager who is pushing forward with a patient-centered transformation of the medical industry, she raised questions and made remarks particularly on management strategy and brand and marketing strategies, and fulfilled a supervisory function in regard to the management. As a member of the Nomination & Remuneration Advisory Committee, she attended 5 out of 5 committee meetings and made comments based on her experience and knowledge.
External Director	Shinsaku Iwahara	Mr. Iwahara attended 14 out of 14 Board of Directors meetings (Attendance rate: 100%). Based on his knowledge concerning the capital market, finance industry and corporate governance, in addition to his legal knowledge as a university professor specializing in legal studies, he raised questions and made remarks particularly on internal control, corporate governance, examination of the transition to a Company with Three Statutory Committees, and risks associated with individual agenda items, and fulfilled a supervisory function in regard to the management. He served as Chair of the Nomination & Remuneration Advisory Committee, attended 5 out of 5 committee meetings and made comments based on his experience and knowledge, while leading the discussions at committee meetings as Chair.
External Director	Charles D. Lake II	Mr. Lake attended 14 out of 14 Board of Directors meetings (Attendance rate: 100%). Based on his abundant knowledge and track record in business management in companies operating in both Japan and the U.S. in addition to his experiences in vital posts in the U.S. government and as a lawyer, he raised questions and made remarks particularly on management strategy, company-wide risks, corporate governance, and examination of the transition to a Company with Three Statutory Committees, and fulfilled a supervisory function in regard to the management. As a member of the Nomination & Remuneration Advisory Committee, he attended 5 out of 5 meetings of the Committee and expressed opinions based on his experience and knowledge.
External Director	Mariko Tokuno	Ms. Tokuno attended 13 out of 14 Board of Directors meetings (Attendance rate: 92.8%). Based on her abundant experience and track record in business management at companies having global prestigious brands, she raised questions and made remarks particularly on management strategy and brand and marketing strategies, and fulfilled a supervisory function in regard to the management. As a member of the Nomination & Remuneration Advisory Committee, she attended 5 out of 5 meetings of the Committee and expressed opinions based on her experience and knowledge.

Position	Name	Attendance, Remarks, and Outline of Duties Performed in Relation to the Expected Roles as External Director
External Director	Yoshihiko Hatanaka	After his appointment in March 2023, Mr. Hatanaka attended 10 out of 11 Board of Directors meetings (Attendance rate: 90.9%). Based on his diversified and broad knowledge into corporate management in addition to his experience and track record as a top executive of a globally operating listed company, he raised questions and made remarks particularly on management strategy and global business development, and fulfilled a supervisory function in regard to the management. As a member of the Nomination & Remuneration Advisory Committee, he attended 3 out of 3 meetings of the Committee and expressed opinions based on his experience and knowledge.
External Audit & Supervisory Board Member	Hiroshi Ozu	Mr. Ozu attended 14 out of 14 Board of Directors meetings (Attendance rate: 100%) and 13 out of 13 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	Yasuko Gotoh	Ms. Gotoh attended 14 out of 14 Board of Directors meetings (Attendance rate: 100%) and 13 out of 13 Audit & Supervisory Board meetings (Attendance rate: 100%). Based on her experiences as a public officer inside and outside Japan and her experiences and knowledge gained through participation in management of a listed business company, she made remarks as necessary and fulfilled an auditing function.
External Audit & Supervisory Board Member	Ritsuko Nonomiya	Ms. Nonomiya attended 14 out of 14 Board of Directors meetings (Attendance rate: 100%) and 13 out of 13 Audit & Supervisory Board meetings (Attendance rate: 100%). Based on her experience as an expert in finance and accounting as well as M&A and experience and knowledge gained in international business, she made remarks as necessary and fulfilled an auditing function.

Notes:

1. The average attendance rate at the Board of Directors meetings of five external directors is 97.0%, that of five directors excluding external directors is 100%, and that of all ten directors is 98.5%. In addition, the average attendance rate of the three external Audit & Supervisory Board members, that of the three full-time Audit & Supervisory Board members (including one Audit & Supervisory Board member who retired in March 2023), and that of all six Audit & Supervisory Board members at the Board of Directors meetings are all 100%. The average attendance rate of all directors and Audit & Supervisory Board members at the Board of Directors meetings is 99.0%.
2. In addition to the number of Board of Directors meetings shown above, there was one deemed resolution where the resolution of the Board of Directors was deemed to have been made pursuant to the provisions of Article 370 of the Companies Act and Article 25, paragraph (2) of the Articles of Incorporation of the Company.

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

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

The Company regards the directors and executive officers remuneration policy (remuneration policy for the executive officers including directors who concurrently serve as the executive officers) as an important matter for corporate governance. For this reason, in accordance with the following basic philosophy, the directors and executive officers remuneration policy of the Company is deliberated in the Nomination & Remuneration Advisory Committee chaired by an external director to incorporate 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 executive officers

The remuneration policy to directors and executive officers shall:

1. encourage to realize the corporate mission;
2. aim to ensure attractive remuneration to acquire and retain top talent in global talent market;
3. aim to enhance the long-term corporate value and strongly incentivize to achieve the company's long-term vision and medium-to long-term strategy;
4. have a mechanism incorporated to prevent overemphasis on short-term views while instilling motivation to achieve short-term goals;
5. be designed as transparent, fair and reasonable from the viewpoint of accountability to stakeholders including shareholders and employees, and remuneration shall be determined through appropriate processes to ensure those points.
6. be designed to establish remuneration standards based on the significance (Grade) of role/responsibility reflecting the mission of respective directors and executive officers, and differentiate remuneration according to the level of strategic target accomplished (achievements).

2) The Company's Directors and Executive Officers Remuneration Policy

Based on the above basic philosophy, the Board of Directors of the Company has resolved its policy on decisions regarding matters including remuneration, etc. of individual directors.

The Company's directors and executive officers remuneration policy, including an outline of the contents of the policy on decisions regarding matters including remuneration, etc. of individual directors, is described below in detail.

■ Overall picture

The remuneration of the directors and executive officers of the Company comprises "basic remuneration" as fixed remuneration as well as "annual incentive" and "long-term incentive-type remuneration (non-monetary remuneration)" as performance-linked remuneration, and the Company sets remuneration levels by benchmarking peer companies in the same business industry or in the similar business size inside or outside Japan and overseas and by taking the Company's financial condition into consideration. Matters including remuneration, etc. of individual directors are determined at the Board of Directors meetings after deliberations by the Nomination & Remuneration Advisory Committee. Matters including remuneration, etc. of individual directors for the fiscal year ended December 31, 2023 were deliberated on by the Nomination & Remuneration Advisory Committee, while taking into account the social conditions and economic situation surrounding the Company, according to the specific remuneration framework and indicators designed based on the policy on decisions regarding matters including remuneration, etc. of individual directors. They were then reported to the Board of Directors, and the Board of Directors made decisions on matters including remuneration in deference to the said report. The Company therefore determines that matters including remuneration, etc. are in line with the aforementioned policy on decisions.

External directors and Audit & Supervisory Board members receive only basic remuneration, as variable remuneration such as performance-linked remuneration is inconsistent with their supervisory roles independent from business execution. Furthermore, the Company does not have an officers' retirement benefit plan.

The proportion of each remuneration element for directors eligible for the payment by remuneration type and rank as executive officer

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

Rank as Executive Officer	Composition of Remuneration for Directors and Executive Officers			Total
	Basic Remuneration	Performance-linked Remuneration		
		Annual Incentive	Long-Term Incentive-Type Remuneration	
Chairman and CEO	33.3%	33.3%	33.3%	100%
President and COO, Executive Vice President, Senior Executive Officer and Executive Officer	36%–63%	18.5%–32%	18.5%–32%	

Notes:

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

■ Basic remuneration

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

Basic remuneration for executive is determined by the Board of Directors after deliberations by the Nomination & Remuneration Advisory Committee, and is paid in equal installments every month.

For external directors and Audit & Supervisory Board members, the Company shall pay fixed remuneration only, which is determined in accordance with their respective roles.

■ Performance-linked remuneration

The performance-linked remuneration consists of an "annual incentive" provided as an incentive for achieving goals for the corresponding fiscal year, and "performance-linked stock compensation (performance share units) as long-term incentive-type remuneration" provided with the aims of establishing a sense of common interests with the shareholders and instilling motivation to enhance corporate value over the medium to long term. Accordingly, it is designed to motivate the directors and executive officers to manage business operations while being more conscious about the Company's performance and share price from the perspectives of not only a single year but also over the medium to long term.

● **Annual incentive**

Of the performance-linked remuneration the Company has set evaluation items for the annual incentive in accordance with the scope that executive officers are in charge of as described in the table below, in addition to the achievement rate of target consolidated net sales and core operating profit which are financial indicators, as common performance indicators across executive officers, and the range of changes in the percentage amount of payment is set between 0% and 200%. Although it is essential that the entire management team remain aware of matters involving profit attributable to owners of parent, it is crucial that management not let the benchmark weigh too heavily on proactive efforts particularly involving future growth-oriented investment and resolving challenges with our sights set on achieving long-term growth. As such, upon the Nomination & 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 Nomination & Remuneration Advisory Committee will consider the possibility of lowering the percentage amount of the annual incentive payment attributable to the whole group performance component of the total annual incentive, if results fall below the thresholds. In determining the achievement rate of each target and threshold for consolidated net sales, core operating profit and profit attributable to owners of parent, actual performance may be adjusted by resolution of the Board of Directors following deliberation by the Nomination & Remuneration Advisory Committee. In cases where such adjustments are made, it shall be stated in the disclosure materials of the actual remuneration of directors.

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

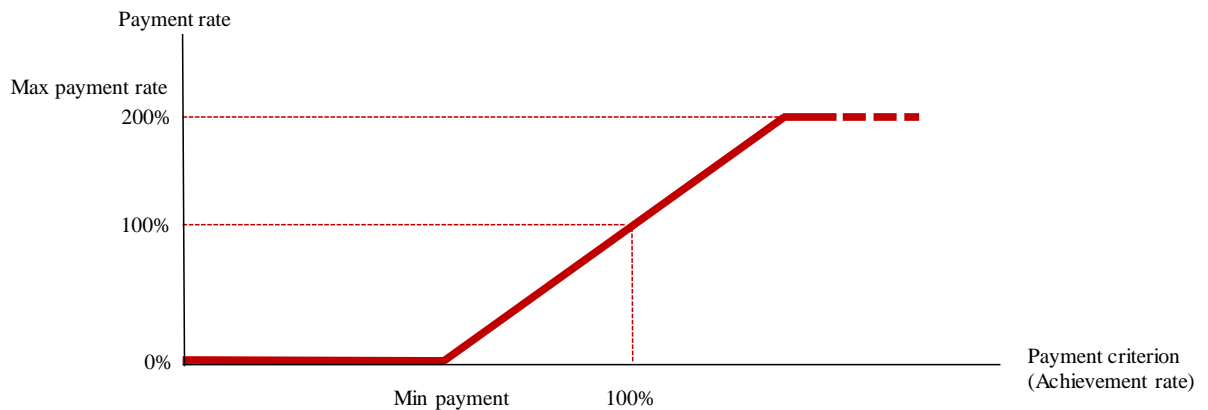
Annual incentive is paid once a year.

Performance indicators and evaluation weights for annual incentive for directors eligible for the payment as executive officers

Evaluation Item	Performance Indicators	Evaluation Weight							
		Chairman and CEO President and COO, Executive Vice President		Executive Officers in Charge of Businesses				Executive Officers Other than Those in Charge of Businesses	
				Regional Headquarters President		Other			
Whole Group Performance	Consolidated net sales	30%	70%	10%	20%	10%	20%	30%	70%
	Core operating profit	40%		10%		10%		40%	
	Profit attributable to owners of parent	If this amount ends up below the threshold, the Nomination & Remuneration Advisory Committee will consider lowering the percentage amount of the payment attributable to the whole group performance component.							
Performance of Business Unit in Charge	Business performance	—		50%		50%		—	
Personal Performance	Level of achievement of strategic goals set individually	30%							
		Strategically prioritized transformations and initiatives for realizing our long-term vision and strategy, building and strengthening organizational capabilities to realize said transformations and initiatives, own growth goals and recommendations to the CEO							

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 incentive payment rate



● Long-term incentive-type remuneration

From fiscal 2019, the Company has introduced performance share units, a type of performance-linked stock compensation, and has incentivized the creation of corporate value over the medium to long term through annual payments. As performance indicators to evaluate the enhancement of economic value, a mix of quantitative targets to be aimed for with a long-term perspective has been set under the medium- to long-term strategy. In addition, as benchmarks on creation of social value, the Company has set multiple internal and external indicators pertaining to the environment, society and governance (ESG). Accordingly, the remuneration is designed for the purpose of creating corporate value from both aspects of economic and social values, as well as establishing a sense of common interests with shareholders.

Purposes of introducing the LTI

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

- i) promote efforts to create value by achieving our long-term vision and strategic goals,
- ii) curb potential damage to the corporate value and maintain substantial corporate value over the long term,
- iii) attract and retain talent capable of taking on leadership in business, and
- iv) realize a "Global One Team" by fostering a sense of solidarity among management teams of the entire Shiseido Group and instilling the consciousness of participating in the running of the Company.

Under the Company's performance share units, the Company will allot a reference share unit to each of the eligible parties once every fiscal year, and on each annual allotment, the number of fiscal years that the payment relates to shall be one fiscal year. To make such allotments, the Company shall establish multiple performance indicators whose evaluation period is for three years including the fiscal year related to the payment. The Company shall use the respective achievement ratios of each performance indicator to calculate the payment rate in a range from 50% to 150% after the end of the evaluation period, and it shall use the payment rate to increase or decrease the number of share units. The eligible parties shall be paid monetary remuneration claims for the delivery of the shares of the Company's common stock and cash corresponding to the applicable number of share units, and then each eligible party shall receive delivery of shares of common stock of the Company by paying all the monetary remuneration claims using the method of contribution in kind. Meanwhile, it features a fixed portion involving a set payment in addition to its performance-linked portion. As such, the LTI is designed to help eligible parties realize the aims of more robustly ensuring that their sense of interests consistently aligns with those of our shareholders, curbing potential damage to corporate value and maintaining substantial corporate value over the long term, and helping to attract and retain competent talent.

The performance indicators for the 2023 long-term incentive-type remuneration have been determined by setting the following benchmarks to measure economic value: the compound average growth rate (CAGR) of consolidated net sales calculated based on performance in fiscal 2023 through

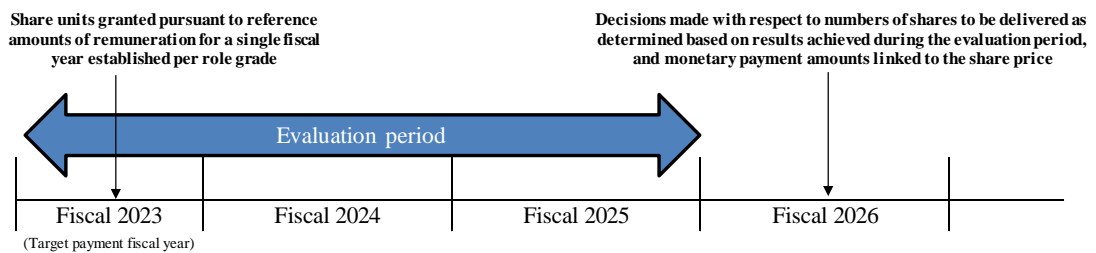
fiscal 2025, and the consolidated core operating profit margin designated as a target in the medium-term strategy “SHIFT 2025 and Beyond.” In addition, as benchmarks pertaining to social value, the Company has adopted multiple internal and external indicators pertaining to the environment, society and governance (ESG). The composition of these performance indicators pushes forward the enhancement of corporate value from both aspects of economic and social values. Moreover, the performance indicators also include consolidated ROE which acts as an important benchmark for measuring corporate value from the perspective of sharing common interests with our shareholders.

To receive payments under the LTI, eligible parties are required to have served continuously in the position of director or executive officer during a certain period set in advance.

The Company adopts the malus and clawback provisions with regard to performance share units. Specifically, under certain conditions, such as in case of serious misconduct of a person eligible for payment, the Board of Directors may, based on its decision, reduce the number of share units or receive a refund.

In addition, the Company grants LTI for key global executives, with the aim to realize a “Global One Team” by fostering a sense of solidarity among management teams around the world and instilling the consciousness of participating in the running of the Company.

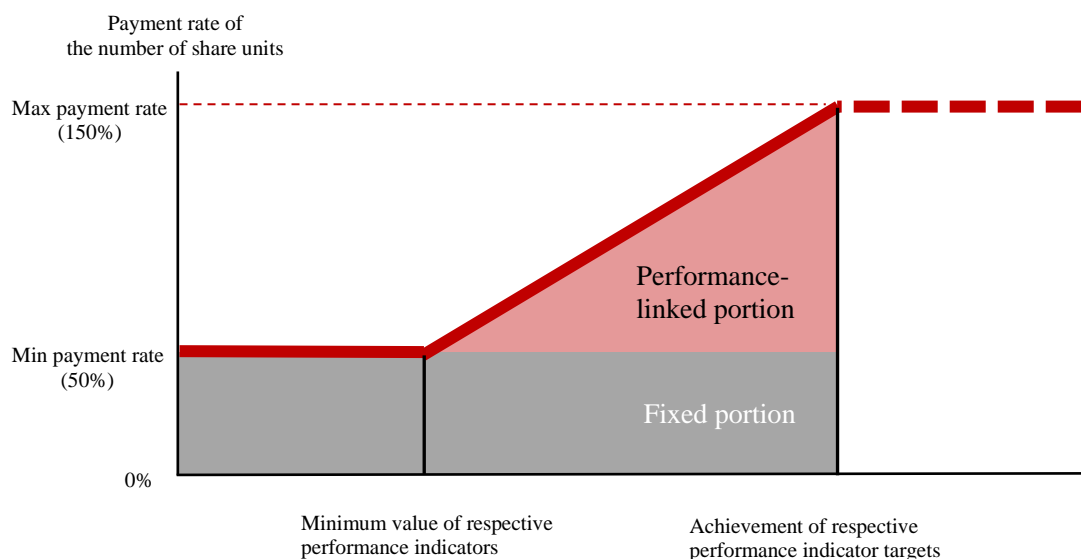
LTI schedule



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

Evaluation Item	Performance Indicators		Evaluation Weight	
Economic Value	Consolidated core operating profit margin in the final fiscal year of the evaluation period		50%	100%
	Compound average growth rate (CAGR) of consolidated net sales		30%	
Social Value	Environment	Status of the achievement of the CO ₂ emissions reduction target	20%	
	Society	Ratio of female managers/leaders in Japan and overseas at the Company, and the status of inclusion in the indices related to the promotion of women by ESG rating agencies designated by the Company		
	ESG	Evaluation scores by ESG rating agencies designated by the Company		
Economic Value	Consolidated ROE		If this ends up below the threshold, the Nomination & Remuneration Advisory Committee will consider lowering the percentage amount of the payment attributable to the performance-linked portion.	

Model for payment rate of the number of share units 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 executive officers remuneration policy, personal evaluation of each executive officer has a significant impact on determination of the amount of remuneration including basic remuneration and annual incentive. 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 CEO in CEO Review Meeting. The CEO Review Meeting also deliberates and reviews reappointment, etc. of CEO, playing an extensive role concerning appropriate appointment of the CEO and determining incentives. The CEO Review Meeting comprises only external directors and external Audit & Supervisory Board members, as importance is placed on the independence from the CEO as well as business execution structure led by the CEO.

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

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

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

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

Notes:

1. The total amount of the basic remuneration and annual incentive for directors has a ceiling of ¥2.0 billion annually (including a total of ¥0.2 billion or less for external directors) as per the resolution of the 118th ordinary general meeting of shareholders held on March 27, 2018. The number of directors at the conclusion of the said general meeting of shareholders was six (three of whom were external directors). Furthermore, it was resolved at the 123rd ordinary general meeting of shareholders (March 24, 2023) that, separate from the monetary remuneration, up to 136,000 shares would be provided as performance-linked stock compensation (performance share units) (of which, with a maximum of 68,000 shares, the portion equivalent to 50% of the remuneration, etc. based on the aforesaid remuneration policy is provided in monetary remuneration claims for the delivery of shares of the common stock of the Company and the rest in cash) to directors excluding external directors. The number of directors at the conclusion of the said general meeting of shareholders was ten (five of whom were external directors). Basic remuneration for Audit & Supervisory Board members has a ceiling of ¥10 million per month as per the resolution of the 105th ordinary general meeting of shareholders held on June 29, 2005. The number of Audit & Supervisory Board members at the conclusion of the said general meeting of shareholders was five.
2. The annual incentive of directors for fiscal 2023 indicated above represent the amounts that will be paid upon the resolution of the Board of Directors based on the resolution of the 118th ordinary general meeting of shareholders, as stated in note 1. Regarding the calculation of those amounts, please refer to the following 5) Performance-linked targets, actual performance and payment percentage, etc. of annual incentives paid to directors excluding external directors.
3. The amount of long-term incentive-type remuneration (stock compensation) indicated above represents the total amount of the expenses recognized and measured in accordance with IFRS 2 “Share-based Payment” for the fiscal year ended December 31, 2023, on the performance-linked stock compensation (performance share units), upon the approval of the ordinary general meeting of shareholders, in consideration of duties executed by

directors. It has been resolved that the portion equivalent to 50% of the remuneration, etc. based on the aforesaid remuneration policy is provided in monetary remuneration claims for the delivery of shares of the common stock of the Company and the rest in cash. The said amount of the expenses recognized includes -¥22 million in adjustment to the expenses recognized based on the achievement rate of performance indicator of the delivered long-term incentive-type remuneration (stock compensation).

4. In addition, an adjustment of -¥1 million was recorded to the expenses recognized for the fiscal year ended December 31, 2022, on the performance-linked stock compensation (performance share units) delivered to one director of the Company, at the time the directors served as corporate officers or employee not holding the office of directors.
5. None of the directors or the Audit & Supervisory Board members was paid remuneration other than described above (including that described in notes 1. through 4.).

4) Amounts of Remuneration, etc. to Representative Directors and Directors Whose Total Amount of Remuneration, etc. Exceeded ¥100 Million for the Fiscal Year Ended December 31, 2023

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

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

Notes:

1. The annual incentive of directors for fiscal 2023 indicated above represent the amounts that will be paid upon the resolution of the Board of Directors based on the resolution of the 118th ordinary general meeting of shareholders, as stated in note 1. of 3) Amount of Remuneration, etc. to Directors and Audit & Supervisory Board Members for the Fiscal Year Ended December 31, 2023.
2. The amount of long-term incentive-type remuneration (stock compensation) indicated above represents the total amount of the expenses recognized for the fiscal year ended December 31, 2023, recognized and measured in accordance with IFRS 2 “Share-based Payment” on the performance-linked stock compensation (performance share units), upon the approval of the ordinary general meeting of shareholders, in consideration of duties executed by directors. The said amount of the expenses recognized includes an adjustment of -¥21 million to the expenses recognized based on the achievement rate of performance indicator of the delivered long-term incentive-type remuneration (stock compensation).
3. No director above was paid remuneration other than described above (including that described in notes 1. through 2.).

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

(Billions of yen)

Performance Evaluation Indicators	Fluctuation Range of Payment Percentage	Targets for Payment Factor at 100%	Actual Performance	Achievement Rate	Payment Factor Calculated Based on the Target Achievement Rate
Consolidated Net Sales	0%–200%	1,000.0	973.0	97.3%	58.0%
Core Operating Profit		60.0	39.8	66.4%	0%
Profit Attributable to Owners of Parent	–	(Note 4.)	21.7	–	Not subject to lowering of the payment amount percentage by thresholds
Performance of Business in Charge		(Note 1.)			
Personal Performance Evaluation	0%–200%	(Note 2.)	–	–	(Note 2.) 43.3% (Average)

Total payment rate	(Note 3.) 43.6%
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Notes:

1. Key performance evaluation indicators such as net sales, profits and cost indices, etc. are set to measure performance of respective business. Specific figures are not disclosed.
2. 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.
3. The total payment rate is the ratio of the actual amount paid to the target amount of annual incentive for directors.
4. Net profit attributable to owners of parent is set as a benchmark for the Nomination & Remuneration Advisory Committee to discuss the notion of lowering the payment percentage in the event that profit attributable to owners of parent falls below certain thresholds set.

6) Performance-linked targets, actual performance and payment percentage, etc. of long term incentive-type remuneration granted for fiscal 2020 and paid to directors excluding external directors

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

Total payment rate	58.0% (including fixed portion 50.0%)
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Notes:

1. The period of evaluation for the performance-linked stock remuneration (performance share units) granted for fiscal 2020 is from January 1, 2020 to December 31, 2022.
2. As for performance evaluation indicators, from the perspective of creating corporate value from both aspects of economic and social values, the Company has adopted the compound average growth rate (CAGR) of consolidated net sales and the compound average growth rate (CAGR) of corporate operating profit as indicators related to economic value among corporate value, and the multiple internal and external indicators pertaining to the environment, society and corporate governance (ESG) as benchmarks on creation of social value.
3. Since the fixed portion (50%) is set, the fluctuation range of the total payment percentage, which is the sum of the fixed portion and the performance-linked portion, is from 50% to 150%.

4. Consolidated ROE is set as a benchmark for the Nomination & Remuneration Advisory Committee to discuss the notion of lowering the percentage amount of payment of the performance-linked portion in the event that consolidated ROE falls below certain thresholds set.
5. Of the performance evaluation indicators, the actual performance ratio of the ESG indicator is calculated by rounding off to the nearest whole number.

(12) 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 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, 2023	242
Total cash and other remuneration to be paid by the Company and its subsidiaries to the accounting auditor	288

Note: In the audit contract between the Company and its accounting auditor, remuneration paid for audits under the Companies Act and remuneration paid for audits under the Financial Instruments and Exchange Act are not clearly distinguished and cannot be practically separated. Therefore, the total payment for both is shown in “Remuneration paid for services rendered as the accounting auditor for the fiscal year ended December 31, 2023” above.

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 current fiscal year and the estimated amount of remuneration, using the “Practical Guidelines for Cooperation with Accounting Auditors” released by the Japan Audit & Supervisory Board Members Association as a guide, and by way of necessary documents obtained from the directors, internal relevant departments and the accounting auditor as well as interviews to obtain information from them, and determined that the fees, etc. of the accounting auditor were appropriate, and expressed agreement in accordance with Article 399, paragraph (1) and paragraph (2) of the Companies Act.

4) Details of Services Other Than Audit

Not applicable.

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 its duties, negated its 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 not to 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, or thousand SGD. In the notation of 1,000 shares, shares of less than one unit have been omitted.
2. In regard to the calculation of percentages, the ownership percentage of shares, 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 denote negative value such as loss or decrease.
4. “Shain (employee)” in this business report is not “shain (shareholder/interest holder)” as defined by the Companies Act, but has the same meaning as “employee.”

The business report according to Article 435, paragraph (2) of the Companies Act is as indicated above.

Consolidated Statement of Financial Position

(As of December 31, 2023)

(Millions of yen)

	December 31, 2023	December 31, 2022 (Reference)		December 31, 2023	December 31, 2022 (Reference)
ASSETS			LIABILITIES		
Current Assets:	470,014	524,229	Current Liabilities:	368,345	389,562
Cash and Cash Equivalents	104,685	119,036	Trade and Other Payables	178,526	203,770
Trade and Other Receivables	149,688	182,069	Bonds and Borrowings	50,000	25,990
Inventories	149,646	130,942	Lease Liabilities	21,916	23,757
Other Financial Assets	21,956	18,498	Other Financial Liabilities	5,385	4,744
Other Current Assets	44,038	54,753	Income Taxes Payable	3,553	5,442
Subtotal	470,014	505,299	Provisions	5,847	8,136
Assets Held for Sale	—	18,929	Other Current Liabilities	103,116	116,180
Non-Current Assets:	785,483	783,432	Subtotal	368,345	388,021
Property, Plant and Equipment	301,838	318,339	Liabilities Directly Associated with Assets Held for Sale	—	1,541
Goodwill	62,143	57,879	Non-Current Liabilities:	246,758	292,344
Intangible Assets	137,663	123,217	Bonds and Borrowings	110,559	140,000
Right-of-Use Assets	100,548	114,276	Lease Liabilities	98,506	107,441
Investments Accounted for Using Equity Method	18,449	15,535	Other Financial Liabilities	6,482	4,950
Other Financial Assets	95,321	84,701	Retirement Benefit Liability	15,055	25,346
Deferred Tax Assets	61,187	63,382	Provisions	1,227	1,328
Other Non-Current Assets	8,331	6,098	Deferred Tax Liabilities	2,870	2,174
			Other Non-Current Liabilities	12,056	11,103
			Total Liabilities	615,104	681,907
			EQUITY		
			Share Capital	64,506	64,506
			Capital Surplus	74,000	73,560
			Treasury Shares	(1,591)	(2,089)
			Retained Earnings	380,208	394,877
			Other Components of Equity	101,624	73,404
			Total Equity Attributable to Owners of Parent	618,748	604,259
			Non-Controlling Interests	21,644	21,494
TOTAL ASSETS	1,255,497	1,307,661	Total Equity	640,392	625,754
			TOTAL LIABILITIES AND EQUITY	1,255,497	1,307,661

Consolidated Statement of Profit or Loss
(Fiscal Year from January 1, 2023 to December 31, 2023)

(Millions of yen)

	Fiscal Year 2023	Fiscal Year 2022 (Reference) Restated (Note)
Net Sales	973,038	1,067,355
Cost of Sales	259,674	327,071
Gross Profit	713,364	740,283
Selling, General and Administrative Expenses	696,625	717,841
Other Operating Income	21,023	27,573
Other Operating Expenses	9,629	3,442
Operating Profit	28,133	46,572
Finance Income	6,734	5,877
Finance Costs	7,574	3,627
Share of Profit (Loss) of Investment Accounted for Using Equity Method	3,744	1,607
Profit Before Tax	31,037	50,428
Income Tax Expense	6,860	12,845
Profit	24,177	37,583
Profit Attributable to		
Owners of Parent	21,749	34,202
Non-Controlling Interests	2,427	3,381
Profit	24,177	37,583

Note: For details, please refer to “Notes to Changes in Accounting Policies” in the “Notes to Consolidated Financial Statements.”

Reference: Consolidated Statement of Comprehensive Income

(Fiscal Year from January 1, 2023 to December 31, 2023)

(Millions of yen)

	Fiscal Year 2023	Fiscal Year 2022 (Reference)
Profit	24,177	37,583
Other Comprehensive Income:		
Items That Will Not Be Reclassified to Profit or Loss		
Financial Assets Measured at Fair Value Through Other Comprehensive Income	(823)	(675)
Remeasurements of Defined Benefit Plans	6,568	11,134
Share of Other Comprehensive Income of Investments Accounted for Using Equity Method	68	24
Total of Items That Will Not Be Reclassified to Profit or Loss	5,813	10,483
Items That May Be Reclassified to Profit or Loss		
Exchange Differences on Translation of Foreign Operations	30,007	40,024
Cash Flow Hedges	43	96
Share of Other Comprehensive Income of Investments Accounted for Using Equity Method	(553)	873
Total of Items That May Be Reclassified to Profit or Loss	29,497	40,994
Other Comprehensive Income, Net of Tax	35,311	51,477
Comprehensive Income	59,488	89,061
Comprehensive Income Attributable to		
Owners of Parent	55,801	84,722
Non-Controlling Interests	3,687	4,338
Comprehensive Income	59,488	89,061

Consolidated Statement of Changes in Equity
(Fiscal Year from January 1, 2023 to December 31, 2023)

(Millions of yen)

	Equity Attributable to Owners of Parent					
	Share Capital	Capital Surplus	Treasury Shares	Retained Earnings	Other Components of Equity	
					Exchange Differences on Transition of Foreign Operations	Financial Assets Measured at Fair Value Through Other Comprehensive Income
Balance as of January 1, 2023	64,506	73,560	(2,089)	394,877	73,447	—
Comprehensive Income						
Profit				21,749		
Other Comprehensive Income					28,176	(706)
Total Comprehensive Income	—	—	—	21,749	28,176	(706)
Transactions with Owners						
Purchase of Treasury Shares			(8)			
Disposal of Treasury Shares		17	506			
Dividends				(41,954)		
Changes in Ownership Interest in Subsidiaries		(0)				
Change in Scope of Consolidation						
Share-Based Payment Transactions		422		48		
Transfer to Retained Earnings				5,831		706
Other		0		(343)		
Total Transactions with Owners	—	440	498	(36,419)	—	706
Balance as of December 31, 2023	64,506	74,000	(1,591)	380,208	101,624	—

(Millions of yen)

	Equity Attributable to Owners of Parent				Non-Controlling Interests	Total
	Other Components of Equity			Total		
	Cash Flow Hedges	Remeasurements of Defined Benefit Plans	Total			
Balance as of January 1, 2023	(43)	—	73,404	604,259	21,494	625,754
Comprehensive Income						
Profit			—	21,749	2,427	24,177
Other Comprehensive Income	43	6,537	34,051	34,051	1,259	35,311
Total Comprehensive Income	43	6,537	34,051	55,801	3,687	59,488
Transactions with Owners						
Purchase of Treasury Shares			—	(8)		(8)
Disposal of Treasury Shares			—	524		524
Dividends			—	(41,954)	(1,451)	(43,406)
Changes in Ownership Interest in Subsidiaries			—	(0)	0	—
Change in Scope of Consolidation			—	—	(4)	(4)
Share-Based Payment Transactions			—	470		470
Transfer to Retained Earnings		(6,537)	(5,831)	—		—
Other			—	(343)	(2,081)	(2,424)
Total Transactions with Owners	—	(6,537)	(5,831)	(41,312)	(3,537)	(44,849)
Balance as of December 31, 2023	—	—	101,624	618,748	21,644	640,392

Notes to Consolidated Financial Statements

Basis of Presenting Consolidated Financial Statements

1. Standards for the Preparation of Consolidated Financial Statements

The consolidated financial statements of the Company and its subsidiaries (hereinafter the “Group”) are prepared in accordance with International Financial Reporting Standards (hereinafter “IFRS”) under the provision of Article 120, paragraph (1) of the Regulations on Corporate Accounting. The consolidated financial statements omit part of the disclosures required under IFRS pursuant to the provisions of the second sentence of the first paragraph of Article 120.

2. Scope of Consolidation

Number of consolidated subsidiaries: 69

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

[Addition: 3 companies]

Three companies have been included in the scope of consolidation effective from the fiscal year following their establishment.

[Exclusion: 8 companies]

Fine Today Industries Co., Ltd. was excluded from the scope of consolidation effective from the fiscal year following the transfer of shares held.

Shiseido Vietnam Inc. was excluded from the scope of consolidation effective from the fiscal year following the transfer of investments in capital held. Others were excluded from the scope of consolidation effective from the fiscal year as their liquidation was completed.

3. Application of the Equity Method

Associates accounted for under the equity method: 17

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

[Addition: 2 companies]

Fine Today Industries, Co., Ltd. has been included in the scope of equity method application effective from the fiscal year following the transfer of shares held to FineToday Holdings Co., Ltd.

Shiseido Vietnam Inc. has been included in the scope of equity method application effective from the fiscal year following the transfer of investments in capital held to FineToday Holdings Co., Ltd.

4. Notes on Accounting Policies

(1) Basis of consolidation

1) Subsidiaries

Subsidiaries refer to an entity controlled by the Group. An entity is deemed to be controlled by the Group when the Group has exposure or rights to variable returns arising from its involvement in an entity and has the ability to influence such returns through its power over the entity.

The financial statements of subsidiaries are included in consolidation from the date the Group obtains control until the date it loses control. Balances of receivables and payables between Group companies and internal transactions volumes, as well as unrealized gains and losses arising from transactions between Group companies, are eliminated in the preparation of the consolidated financial statements.

Partial disposals of interests in subsidiaries are accounted for as equity transactions if control continues. The difference between the amount by which the non-controlling interests are adjusted and

the fair value of the consideration is recognized directly in equity as equity attributable to owners of parent.

When control is lost, any gain or loss arising from the loss of control is recognized as profit or loss.

2) Associates

Associates refer to companies over which the Group does not have control or joint control, despite having significant influence over finance or operating policy. Generally, when the Group has between 20% and 50% of the voting rights of another company, the Group is assumed to have significant influence over that company.

In principle, associates are accounted for by the equity method from the day that the Group assumes a significant influence until the day that it loses the significant influence. Investments in associates include goodwill recognized upon acquisition (net of accumulated impairment losses).

Where associates have adopted different accounting policies to those adopted by the Group, adjustments are made to the associates' financial statements as needed.

(2) Business combinations

Business combinations are accounted for under the acquisition method. Non-controlling interests are initially measured at fair value or their proportionate share of the acquiree's identifiable net assets at the acquisition date.

If the sum of the fair value of the consideration paid, the amount of non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree at the acquisition date in the case of an acquisition in phases, exceeds the fair value of the identifiable assets and liabilities assumed at the acquisition date, the excess amount is recognized as goodwill in the consolidated statement of financial position. On the other hand, if the total consideration is less than the fair value of the identifiable assets and liabilities assumed, it is recognized immediately in the consolidated statement of income as profit or loss.

Acquisition-related costs incurred in connection with a business combination are recognized as expenses as incurred.

If the initial accounting for the business combination is not completed by the end of the consolidated fiscal year in which the business combination occurred, items not completed are accounted for using provisional amounts and the provisional amounts recognized at the acquisition date are adjusted retrospectively for measurement periods within one year of the acquisition date.

(3) Foreign currency translation

1) Foreign currency denominated transactions

Foreign currency transactions are translated into the functional currency of each entity in the Group using the exchange rates at the date of the transactions.

Foreign currency monetary assets and liabilities at the end of the reporting period are translated into the functional at the exchange rate at the reporting date.

Differences arising from translation or settlement are recognized as profit or loss. However, the translation differences arising from equity financial assets measured at fair value through other comprehensive income and from the hedging instruments of cash flow hedges are recognized as other comprehensive income to the extent that the hedges are effective.

2) Financial statements of foreign operations

Assets and liabilities of foreign operations are translated into Japanese yen at the year-end exchange rate, and revenues and expenses are translated into Japanese yen at the average exchange rate unless the exchange rate fluctuates significantly. Translation differences arising from the

translation of financial statements of foreign operations are recognized as other comprehensive income, the accumulated amount of which is recognized as other components of equity. Upon disposal of a subsidiary resulting in loss of control, the entire accumulated translation differences related to foreign operations are transferred to profit or loss.

(4) Financial instruments

1) Non-derivative financial assets

(i) Initial recognition and measurement

Financial assets measured at amortized cost are initially recognized on the date they arise. All other financial assets are recognized on the date of becoming a party to the contract for the financial instrument.

Financial assets are classified at initial recognition as follows:

(a) Financial assets measured at amortized cost

Financial assets that meet both of the following conditions are classified into financial assets measured at amortized cost.

- Financial assets held within a business model whose objective is to hold financial assets to collect contractual cash flows.

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(b) Equity financial assets measured at fair value through other comprehensive income

The Group has elected to present subsequent changes in the fair value of investments to all equity instruments, which are not held for sale, as other comprehensive income upon initial recognition.

(c) Debt financial assets measured at fair value through other comprehensive income

Financial assets that meet both of the following conditions are classified into debt financial assets measured at fair value through other comprehensive income.

- Financial assets held in a business model whose objective is achieved by both the collection and sale of contractual cash flows.

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(d) Financial assets measured at fair value through profit or loss

Financial assets other than above are classified as financial assets measured at fair value through profit or loss.

In principle, financial assets are measured at fair value plus transaction costs directly attributable to the financial assets. However, for financial assets measured at fair value through profit or loss, transaction costs are recognized as profit or loss as incurred.

In addition, trade receivables that do not contain a significant financing component are measured at transaction price.

(ii) Subsequent measurement

After initial recognition, financial assets are measured based on the classification as follows:

(a) Financial assets measured at amortized cost

Financial assets measured at amortized cost are measured at amortized cost using the effective interest method, with interest recognized as profit or loss. When necessary, an allowance for doubtful accounts is deducted from the gross carrying amount to which the effective interest method is applied.

(b) Financial assets measured at fair value

For equity financial assets measured at fair value through other comprehensive income, changes in the fair value and gains or losses on derecognition are recognized as other comprehensive income. The cumulative amount recognized as other comprehensive income is transferred to retained earnings immediately after recognition in other components of equity. Dividends from such financial assets are recognized as profit or loss for the current period as part of financial income, unless such dividends clearly represent a recovery of the cost of the investment.

Changes in the fair value of financial assets measured at fair value, other than those above, are recognized as profit or loss.

(iii) Derecognition

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or when the Group transfers substantially all the risks and rewards of ownership of the asset to another entity.

(iv) Impairment of financial assets

For impairment losses on financial assets, etc. measured at amortized cost, an allowance for doubtful accounts is recognized for expected credit losses on such assets.

The Group assesses whether the credit risk associated with each financial asset has increased significantly since the initial recognition at each reporting date, and when the credit risk has not increased significantly, the Group recognizes the 12-month expected credit loss as allowance for doubtful accounts.

When the credit risk has increased significantly since the initial recognition, the Group recognizes the amount equal to the lifetime expected credit loss as allowance for doubtful accounts.

For trade and lease receivables that do not contain a significant financial component, the Group always recognizes an allowance for doubtful accounts in an amount equal to the expected credit loss for the entire term, regardless of whether credit risk has increased significantly from the time of initial recognition.

The Group measures expected credit loss by grouping assets with similar credit risk characteristics, considering past credit loss experience, current conditions, and information that is reasonably available and supportable (internal and external credit ratings, etc.). Expected credit loss is measured based on the present value of the difference between all contractual cash flows payable to a company, and all contractual cash flows expected to be received by a company.

Any issuer or debtor is deemed to be in default when the recovery of all or a portion of financial assets to such an issuer or debtor is judged to be impossible or extremely difficult due to condition such as its significant financial difficulty or breach of contract including past due status. In the event of default, it is determined that objective evidence of credit impairment exists and the asset is classified as a credit impaired financial asset.

In addition, if the Group does not have a reasonable expectation of recovering all or a portion of given financial assets, the Group directly reduces the gross carrying amount of financial assets.

The provision for allowance for doubtful accounts on financial assets is recognized as profit or loss. When an event that reduces the allowance for doubtful accounts occurs, a reversal of the allowance for doubtful accounts is recognized as profit or loss.

2) Non-derivative financial liabilities

The Group initially recognizes financial liabilities on the date when they arise, and measures them at amortization cost. At initial recognition, financial liabilities are measured by deducting transaction costs directly attributable to the issuance of the financial liability from the fair value. In addition, after initial recognition, they are measured at amortized cost based on the effective interest method.

Financial liabilities are derecognized when they are extinguished, that is, when the obligation specified in the contract is discharged, canceled or expires.

3) Derivatives and hedge accounting

The Group uses derivatives such as foreign exchange forward contracts and interest rate swaps to hedge foreign exchange risk and interest rate risk. Of these derivatives, derivative instruments that meet requirements for hedge accounting are designated as hedging instruments, and hedge accounting is applied to them.

In applying hedge accounting, the Group officially documents risk management purposes, relationship between the hedging instrument and the hedged item such as strategy in executing the hedge transaction, and method for assessing effectiveness of the hedging relationship at the inception of the hedge. In addition, the Group assesses whether the derivative designated as a hedging instrument is effective in offsetting changes in cash flows of the hedged item at the inception of the hedge, and subsequently on an ongoing basis.

These derivatives are initially recognized at fair value when the contract is entered into, and subsequently remeasured at fair value, and its subsequent changes are accounted for as follows:

(i) Cash flow hedges

Of gains or losses on hedging instruments, the effective portion is recognized as other comprehensive income, and the ineffective portion is recognized immediately as profit or loss in the consolidated statement of profit or loss.

Amounts relating to hedging instruments recognized as other comprehensive income are recognized as other components of equity until the hedged transaction is executed and recognized as profit or loss. Amounts relating to hedging instruments recognized as other components of equity are reclassified as profit or loss when a transaction that is the hedged item affects profit or loss. If the hedged item is a forecasted transaction that gives rise to the recognition of non-financial assets or non-financial liabilities, the amount recognized as other comprehensive income is accounted for as adjustment to the initial carrying amount of the non-financial assets or non-financial liabilities.

(ii) Derivatives not designated as hedges

Changes in the fair value of derivatives are recognized as profit or loss in the consolidated statement of profit or loss.

(5) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposits withdrawable at any time, and short-term investments that are readily convertible to cash and subject only to insignificant risk of changes in value, and have a maturity of three months or less from the acquisition date.

(6) Inventories

Inventories are measured at the lower cost and net realizable value. Net realizable value is the amount of the estimated selling price in the ordinary course of business less the estimated costs and estimated selling costs required up to the completion. Cost is calculated based on the periodic average method, and includes cost of purchase, processing cost, and all expenses required to reach the current place and status.

(7) Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, using the cost model.

Cost includes expenses directly related to acquisition of assets, demolition and removal costs and restoration costs for land, and borrowings costs to be capitalized.

Depreciation of each asset other than land and construction in progress is recognized using the straight-line method over respective estimated useful lives. Estimated useful lives by major asset item are as follows:

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

Estimated useful lives, residual value and depreciation method are reviewed at the end of each fiscal year, and if there is any change, the change is applied prospectively as a change in accounting estimates.

(8) Goodwill

Goodwill is not amortized. Goodwill is allocated to cash-generating units that are expected to benefit from synergies of the business combination, and is tested for impairment in each period, or whenever there is any indication of impairment.

Impairment losses on goodwill are recognized in the consolidated statement of profit or loss, and no subsequent reversal is made.

In addition, goodwill is presented at cost less accumulated impairment losses in the consolidated statement of financial position.

(9) Intangible assets

Intangible assets are presented at cost less accumulated depreciation and accumulated impairment losses, using the cost model.

Individually acquired intangible assets are measured at cost at initial recognition. Intangible assets acquired through business combinations are recognized separately from goodwill at initial recognition, and measured at fair value on the date of obtaining control.

Internally generated research-related costs are recognized as expenses when they arise. Internally generated development costs are recognized as assets only if all the requirements for being recognized as assets are met. When research-related costs and development costs are not clearly distinguishable, they are recognized as expenses, as research-related costs, when they arise.

Acquisition of software for internal use and its development costs are recognized as intangible assets when future economic benefits are expected to flow to the Group.

Intangible assets with definite useful lives are amortized using the straight-line method over respective estimated useful lives after initial recognition. Estimated useful lives of major intangible assets are as follows:

Software:	mainly 5–10 years
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Intangible assets with indefinite useful lives and intangible assets that are not yet available for use are not amortized. Such intangible assets are tested for impairment individually or at the level of each cash-generating unit in each period and whenever there is any indication of impairment.

Estimated useful lives, residual value and amortization method are reviewed at the end of each fiscal year, and if there is any change, the change is applied prospectively as a change in accounting estimates.

(10) Leases

The Group assesses whether a contract is a lease or contains a lease, at the inception of the contract. If the contract transfers the right to control the use of an identified asset over a certain period of time in exchange for consideration, the contract is judged to be a lease or contain a lease.

(i) Lessee

In leases as a lessee, right-of-use assets and lease liabilities are recognized at the inception of the lease. The amount of initial measurement of right-of-use assets is the amount of initial measurement of the lease liability adjusted for lease payments that were paid at the inception or before the inception. Lease liabilities are initially measured at the present value of lease payments that have not been paid at the inception, discounted using the interest rate implicit in the lease. When the interest rate implicit in the lease cannot be calculated easily, the Group's incremental borrowing rate of interest is used.

After initial recognition, right-of-use assets are depreciated using the straight-line method from the inception to the earlier of the end of the useful life of the right-of-use asset and the end of the lease period. Estimated useful lives of right-of-use assets are determined in the same manner as the Group's own property, plant and equipment. Lease liabilities are measured at amortized cost based on the effective interest method. Lease payments are allocated to interest expenses and repayments of lease liabilities based on the effective interest method. Interest expenses are included in "Finance Costs" in the consolidated statement of profit or loss.

The Group has chosen not to recognize right-of-use assets and lease liabilities for leases with the lease period of 12 months or less or leases of small assets. The Group recognizes lease payments for these leases as expenses over the lease period using either the straight-line method or any other systematic basis. In addition, as a practical expedient, the Group has chosen to account for a lease component and related non-lease components as a single lease component without separating non-lease components from lease components.

(ii) Lessor

When the Group is a lessor in leases, each lease is classified as finance lease or operating lease at the time of entering into a lease agreement. In classifying each lease, the Group comprehensively assesses whether or not all risks and rewards incidental to ownership of the underlying asset are transferred. Leases are classified as finance leases if such risks and rewards are transferred, and otherwise as operating leases.

When the Group is an intermediate lessor, head leases and sub leases are accounted for separately. The classification of sub leases is determined by reference to right-of-use assets generated from head leases, rather than underlying assets.

Lease payments in operating lease transactions are recognized as revenue using the straight-line method over the lease period, and included in "Other Operating Income" in the consolidated statement of profit or loss.

(11) Impairment of non-financial assets

For carrying amounts of non-financial assets of the Group excluding inventories and deferred tax assets, it is judged at the end of each period whether there is any indication of impairment. If there is an indication of impairment, the recoverable amount of the relevant asset is estimated. For goodwill and intangible assets with indefinite useful lives or that are not yet available for use, the recoverable amount is estimated at the same time each year, regardless of any indication of impairment.

The recoverable amount of assets or cash-generating units is the larger of value in use and fair value less disposal costs. In the calculation of value in use, estimated future cash flows are discounted to the present value using a pre-tax discount rate that reflects time value of money and risks inherent in the asset. Assets that are not tested individually in impairment tests are aggregated to the smallest cash-generating unit which generates cash inflows from continuing use that are largely independent of cash inflows from other assets or asset groups. When goodwill is tested for impairment, cash-generating units to which the goodwill is allocated are aggregated so that the level at which impairment is tested reflects the lowest level to which the goodwill relates. Goodwill acquired through business combinations is allocated to the cash-generating unit expected to benefit from synergies of the combination.

Impairment losses are recognized as profit or loss if the carrying amount of assets or cash-generating units exceeds the estimated recoverable amount. Impairment losses recognized in relation

to a cash-generating unit are first allocated to reduce the carrying amount of the goodwill allocated to the unit, and then to reduce the carrying amount of other assets in the cash-generating unit on a pro rata basis.

Previously recognized impairment losses, except for goodwill, are assessed at the end of each period for whether or not there is any indication of decrease or extinguishment of loss, and reversed up to the carrying amount after deducting necessary depreciation and amortization from the carrying amount in the case where the impairment losses had not been recognized.

(12) Employee benefits

The Group adopts defined benefit pension plans and defined contribution pension plans as post-employment benefits for employees.

The Group determines the present value of defined benefit obligations and related current service cost and past service cost using the projected unit credit method.

The discount rate is determined by reference to market yields on high-quality corporate bonds at the end of the reporting period corresponding to the discount period, which is established to reflect the period until the estimated timing of benefit payments in each fiscal year in the future.

Liabilities or assets pertaining to defined benefit pension plans are calculated by deducting the fair value of plan assets from the present value of defined benefit obligations.

Remeasurements of defined benefit pension plans are collectively recognized as other comprehensive income for the period when they are incurred, and the cumulative amount is immediately transferred from other components of equity to retained earnings.

Past service cost is recognized as profit or loss for the period when it is incurred.

Expenses relating to defined contribution retirement benefits are recognized as expenses in the period when employees render services.

(13) Share-based payments

The Group has adopted a stock option plan as equity-settled stock-based compensation plan, and a performance share unit plan as equity-settled and cash-settled performance-linked stock remuneration plan.

Stock options are estimated based on fair value on the grant date, and recognized as expenses in the consolidated statement of profit or loss over the vesting period with consideration of the number of stock options expected to eventually vest, and the same amount is recognized as an increase in equity in the consolidated statement of financial position. Fair value of granted options is calculated using the Hull-White modified binomial model with consideration of various conditions of the options. In addition, the conditions are reviewed regularly, and the estimate of the number of stock options vested is revised as necessary.

Of the performance share unit plan, the portion that falls under the category of equity-settled payment transactions is measured by reference to fair value of the Company's shares granted and recognized as expenses over the vesting period, and the same amount is recognized as an increase in equity. On the other hand, for the portion that falls under the category of cash-settled payment transactions, services received are measured at fair value of liabilities arising and recognized as expenses over the vesting period, and the same amount is recognized as an increase in liabilities. The fair value of these liabilities is remeasured on the reporting date and the settlement date, and any change in the fair value is recognized as profit or loss.

(14) Provisions

Provisions are recognized when the Group has present legal or constructive obligations as a result of past events, it is probable that an outflow of economic resources will be required to settle the obligations, and the amount of the obligations can be estimated reliably. When time value of money

is material, estimated future cash flows are discounted to the present value using a pre-tax interest rate that reflects time value of money and risks inherent in the liabilities. Unwinding of the discount over time is recognized as financial expenses.

(15) Revenue

The Group is engaged in manufacturing and sales of cosmetics such as skin-care products, makeup products and fragrances, and in restaurant and hair salon businesses. As for sales of products, because customers obtain control of the product at the time of delivery of the product, etc., revenue is recognized at the time of delivery of the product, etc. In addition, revenue is measured at the amount of consideration promised in the agreement with the customer less discounts, rebates, sales returns and others. The consideration expected to be refunded to customers is recorded as refund liabilities in “Trade and Other Payables” in the consolidated statement of financial position. Variable consideration is included in the transaction price to the extent that it is highly probable that a significant reversal of the cumulative amount of revenue recognized will not occur, when uncertainty associated with the variable consideration is subsequently resolved.

The consideration in contracts with customers does not contain a significant financing component.

The Group offers a point program under which it is possible to make payments using the points at the time of purchase of products in the future, to customers according to sales of products, and identifies the portion of points expected to be exercised by customers in the future as performance obligations in the point program. Transaction prices are allocated to these performance obligations based on the ratio of stand-alone selling prices, which are consideration promised in the agreement with the customer less discounts, rebates, sales returns and others. The amount allocated to performance obligations in the point program is deferred as “Other Current Liabilities” in the consolidated statement of financial position as contract liabilities, and revenue is recognized according to the use of points with consideration of the forfeit rate.

(16) Governmental subsidies

Governmental subsidies are recognized at fair value when incidental conditions for grant of subsidies are satisfied, and reasonable assurance that the subsidies will be received is obtained.

If governmental subsidies relate to an expense item, they are recognized on a regular basis as revenue over the period in which related costs that are intended to be covered by the subsidiaries are recognized as expenses. Subsidies related to assets are recognized as deferred revenue, and recognized as profit or loss on a regular basis over useful lives of the related assets.

(17) Income taxes

Income tax expense consist of current taxes and deferred taxes. They are recognized as profit or loss, unless they arise from items recognized directly as other comprehensive income or equity, and from business combinations.

Current taxes are measured at the amount expected to be paid to or refunded from tax authorities. Tax rates and tax law used in the calculation of the tax amount are those which have been enacted or substantially enacted by the period-end.

Deferred taxes are recognized for temporary differences that are differences between tax base of assets and liabilities and their carrying amount for accounting purposes at the period-end, unused tax losses and unused tax credits.

For the following temporary differences, deferred tax assets and liabilities are not recognized.

- Taxable temporary differences arising from initial recognition of goodwill
- Temporary differences arising from initial recognition of assets and liabilities generated from transactions that affect neither accounting profit nor taxable income for tax purposes (tax loss), except for business combination transactions

- As for deductible temporary differences related to investments in subsidiaries and associates, cases where it is probable that the temporary difference will not be reversed in the foreseeable future, or where it is less likely that taxable income against which the temporary difference will be used will be earned
- As for taxable temporary differences related to investments in subsidiaries and associates, cases where the period when the temporary difference will be reversed can be controlled and it is probable that the temporary difference will not be reversed in the foreseeable future

Deferred tax liabilities are recognized for all taxable temporary differences in principle, and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable income sufficient to use the deductible temporary differences, unused tax losses and unused tax credits will be earned.

Deferred tax assets and liabilities are measured using the tax rates and tax law that are expected to be applied during the period in which the assets will be realized or the liabilities will be settled based on tax rates and tax law which have been enacted or substantially enacted by the period-end.

Deferred tax assets and liabilities are offset when the legally enforceable right to set off current tax assets against current tax liabilities is possessed, and taxes are levied by the same taxation authority on the same taxable entity.

(18) Earnings per share

Basic earnings per share are calculated by dividing profit or loss attributable to common shareholders of the parent company by the weighted average number of shares of common stock issued, which is adjusted for treasury shares during the period.

(19) Non-current assets held for sale

When the carrying amount of non-current assets (or disposal groups) is recovered principally through a sale transaction rather than continuing use, the non-current assets (or disposal groups) are classified as held for sale. To be classified as held for sale, assets are subject to the condition that the sale is highly probable and the asset is available for immediate sale in its present state, and are classified as held for sale only if the management of the Group is committed to implementation of a plan to sell the asset and the sale is expected to be completed within one year.

Non-current assets (or disposal groups) classified as held for sale are measured at the lower of the carrying amount and fair value less costs to sell, and they are not depreciated or amortized after being classified as held for sale.

(20) Equity and other equity items

(i) Common stock

Common stock is recognized at issuance value in share capital and capital surplus. In addition, stock issuing expenses are deducted from issuance value.

(ii) Treasury shares

Treasury shares are valued at acquisition cost and deducted from equity. In purchase, sale or retirement of treasury shares of the Company, gains or losses are not recognized. A difference between the carrying amount and consideration at the time of sale is recognized as equity.

(iii) Dividends

Of dividends paid to shareholders of the Company, a year-end dividend is recognized as a liability in the period in which the day when it was resolved at the Company's General Meeting of Shareholders falls, and an interim dividend is recognized as a liability in the period in which the day when it was resolved by the Board of Directors falls.

(21) Other significant accounting policies for preparation of consolidated financial statements

Application of the group tax sharing system

The Company and certain domestic consolidated subsidiaries applied the group tax sharing system.

Notes to Changes in Accounting Policies

(Change in cost aggregation method for inventory)

The Group has changed the scope of expenses to be included as manufacturing cost from the fiscal year ended December 31, 2023.

The Group adopted a new Global Cost Control Policy in August 2023 and a new manufacturing cost system. Upon this adoption, the Group re-assessed the method to aggregate indirect manufacturing cost, and believes the new method enables more accurate inventory valuation and periodic profit or loss calculation.

Compared with the previous method, for the fiscal year ended December 31, 2023, “Cost of sales” increased by ¥4,545 million, “Selling, general and administrative expenses” decreased by ¥4,545 million, and there is no change in “Operating profit” nor “Profit before tax.”

Basic earnings per share and diluted earnings per share for the fiscal year ended December 31, 2023 remain unchanged compared with the previous method. As the impact on “Inventories” is immaterial, the Group has not estimated the affected amount on the “Inventories.”

This change in accounting policy is retrospectively applied, and Consolidated Financial Statements for the fiscal year ended December 31, 2022 has been restated to reflect the change.

As a result, compared with the previous method, for the fiscal year ended December 31, 2022, “Cost of sales” increased by ¥3,880 million, “Selling, general and administrative expenses” decreased by ¥3,880 million, and there is no change in “Operating profit” nor “Profit before tax.”

As the impact on “inventories” is immaterial, the Group has not estimated the affected amount on the “inventories.”

(International Tax Reform-Pillar Two Model Rules)

The Group has applied the temporary exception under the IAS12 amendment on May 23, 2023 to recognizing and disclosing information about deferred tax assets and liabilities related to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organization for Economic Co-operation and Development (OECD).

The Group is currently assessing the impact of the application of the Pillar Two model rules.

Notes to Accounting Estimates

The preparation of consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, revenues and expenses. Actual results may differ from such estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. The effect of any changes in accounting estimates is recognized in the accounting period in which they occurred and in future accounting periods.

The items in the consolidated financial statements for the next fiscal year that may be significantly affected by the accounting estimates are as follows:

1. Valuation of Goodwill related to Shiseido Americas Corporation (“SAC”) cash-generating unit and Drunk Elephant

(1) Main carrying amounts of the goodwill allocated to each cash-generating unit

The main carrying amounts of goodwill allocated to each cash-generating unit are as follows. The Group has identified a significant estimate risk for the valuation of goodwill related to the SAC cash-generating unit and Drunk Elephant.

The SAC cash-generating unit is identified as the cash-generating unit that handles products under the SAC brand, including Drunk Elephant, allocated to each segment as a cash-generating unit.

Cash-generating unit	Amounts (Millions of yen)
SAC	29,439
Drunk Elephant (China Business)	6,468
Drunk Elephant (EMEA Business)	7,113
Drunk Elephant (Travel Retail Business)	7,840

(2) Other information that contributes to the understanding of users of the consolidated financial statements regarding the accounting estimates

The recoverable amount for the SAC cash-generating unit and Drunk Elephant is calculated using the fair value less disposal costs. Estimates of the fair value less disposal costs are calculated by the discounted cash flow method, which uses many estimates and assumptions such as discount rates, long-term market growth rate, and future cash flow which considers future projections, past performance, current and expected economic conditions, and market data. These estimates and assumptions may significantly affect the result of the impairment test and impairment loss. Valuation by outside specialists is utilized for these estimates of goodwill fair value less disposal costs and the impairment test.

For the fiscal year ended December 31, 2023, because the recoverable amount for the SAC cash-generating unit and Drunk Elephant exceeded the carrying amount based on the results of the annual test for impairment, an impairment loss on goodwill is not recognized. Future cash flow used to calculate the fair value less disposal costs is estimated based on the future business plan of each cash-generating unit and long-term market growth rate of from 2.0% to 4.0%, and incorporates the long-term market growth rate of the cosmetics market and an improvement in sales, operating margin, and other fronts through sales expansion plan as primary assumptions. In addition, discount rate of from 10.9% to 12.5% which considers the company-specific risk premium and risk-free rate in each country is used.

Management determined that the estimates for the fair value less disposal costs on this test is reasonable, but it is possible that the recoverable amount declines and impairment loss occurs due to unexpectable changes in the future business assumptions.

Notes to Consolidated Statement of Financial Position

(1) Inventories

Merchandise and finished goods	¥83,137 million
Work in process	¥7,966 million
Raw materials and supplies	¥58,542 million

(2) Accumulated depreciation of property, plant and equipment ¥270,936 million

(3) Accumulated amortization of intangible assets ¥57,658 million

(4) Accumulated depreciation of right-of-use assets

¥68,336 million

Notes to Consolidated Statement of Profit or Loss

(1) Other operating income and operating expenses

The breakdown of other operating income is as follows:

	Millions of yen
Rental income	497
Government grant income	4,656
Gain on sale of non-current assets	13,870
Gain on transfer of businesses	822
Other	1,177
Total	<u>21,023</u>

Gain on sale of non-current assets is related to the sales of the real estates.

The breakdown of other operating expenses is as follows:

	Millions of yen
Loss on sale of businesses	7,767
Structural reform expenses	1,861
Total	<u>9,629</u>

Loss on sale of businesses is mainly related to the transfer of manufacturing operations of Personal Care products. For details, please refer to “Loss of control.”

(2) Impairment losses

The Group recognizes an impairment loss on the following asset groups.

In calculating impairment losses, the Group organizes assets into groups on the basis of minimum units of asset groups identified as those generating independent cash inflows. Store assets among business-use assets are grouped by each of the stores.

Reportable segment	Location	Use	Type	Amount (Millions of yen)
Japan Business	Minato-ku, Tokyo, Japan	Assets for business use	Software	40
Americas Business (Note 1)	New York and others, United States	Assets for business use	Right-of-use assets	1,328
Other (Note 2)	Meguro-ku and others, Tokyo, Japan	Assets for business use	Tools, furniture and fixtures	66
			Right-of-use assets	76
			Other	0
			Subtotal	143
Other (Note 3)	Kuki-shi, Saitama Pref., Japan	Assets for business use	Buildings and structures	41
			Machinery, equipment and vehicles	127
			Other	523
			Subtotal	693
Other (Note 3)	Dong Nai Province, Vietnam	Assets for business use	Machinery, equipment and vehicles	42
			Other	41
			Subtotal	84
Other (Note 4)	Osaka-shi, Osaka Pref., Japan	Assets for business use	Buildings and structures	2,805
			Machinery, equipment and vehicles	2,939
			Other	451
			Subtotal	6,196
Total				8,485

Notes:

1. Due to decline in profitability of offices subleased by Shiseido Americas Corporation, the carrying amount was reduced to the recoverable amount. Value in use is used as the recoverable amount. The impairment losses recognized is included in "Selling, General and Administrative Expenses" in the consolidated statement of profit or loss.
2. In the Japan subsidiary, the carrying amount of the assets group for the stores from which a decision has been made to withdraw is reduced to the recoverable amount. The recoverable amount is based on value in use, using a discount rate of 6.1%, and has been determined to be zero. The impairment losses recognized is included in "Cost of Sales" and "Selling, General and Administrative Expenses" in the consolidated statement of profit or loss.
3. This is due to the conclusion of agreement to transfer manufacturing operations of Personal Care products concluded at Shiseido Kuki Factory and Shiseido Vietnam Factory. The assets are measured at the lower of the carrying amount or fair value less costs to sell. The impairment losses recognized is included in "Cost of Sales" and "Selling, General and Administrative Expenses" in the consolidated statement of profit or loss.
4. In connection with the integration of production at the Shiseido Osaka Factory operated by the Company into the Shiseido Osaka Ibaraki Factory, the Company changed the cash-generating unit of certain assets for business use and reduced the relevant carrying amount to the recoverable amount. The recoverable amount was measured by the value in use using a discount rate of 6.1%. The impairment losses recognized is included in "Cost of Sales" in the consolidated statement of profit or loss.

Notes to Consolidated Statement of Changes in Equity

(1) Shares issued (including treasury shares)

Class and number of shares issued (including treasury shares) as of December 31, 2023

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 24, 2023	Common stock	29,966	75.00	December 31, 2022	March 27, 2023
Board of Directors Meeting on August 8, 2023	Common stock	11,988	30.00	June 30, 2023	September 7, 2023
Total		41,954			

Note: Cash dividends per share with a record date of December 31, 2022 include a commemorative dividend of ¥50 for the 150th anniversary of the founding.

2) Resolution at the Ordinary General Meeting of Shareholders to be held on March 26, 2024 concerning dividends on shares of common stock with the record date in the fiscal year ended December 31, 2023 but for which the effective date is after the end of the fiscal year

Cash dividends to be paid:	¥11,989 million
Cash dividends per share:	¥30
Record date:	December 31, 2023
Effective date:	March 27, 2024
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 208 thousand shares

Financial Instruments

1. Financial Instruments

(1) Management of financial risk

In the course of business activities, the Shiseido Group is exposed to financial risks, such as credit risks, liquidity risks and market risks, and performs risk management activities in accordance with certain policies to reduce said financial risks. The Shiseido Group limits fund management to short-term deposits, investment 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.

1) Credit risk management

Credit risk is risk that a counterparty to a financial asset held goes into default in association with contractual obligations, resulting in any financial loss for the Group. Credit risk mainly occurs from the Group's receivables from customers, loans receivable and derivatives.

The Group has a system under which it manages settlement date and amount due for each counterparty, and regularly assesses the credit status of its major counterparties. The Group has no overly concentrated credit risk with regard to specific counterparties or groups to which these counterparties belong.

In the use of derivative transactions, while there is counterparty risk, the Group reduces this risk by limiting counterparties to highly creditworthy financial institutions, etc.

The carrying amount of financial assets after impairment losses presented in the consolidated financial statements represents the maximum amount of exposure to credit risk of financial assets of the Group, which does not take into account the appraisal value of collateral obtained.

2) Liquidity risk management

Liquidity risk is the risk that the Shiseido Group will become unable to execute payments on the payment date when performing its obligations to repay financial liabilities whose due date has arrived.

The Shiseido Group aims to secure appropriate funds, maintain liquidity, and stay in a healthy financial condition at all times for business operations and strives to generate stable operating cash flow and secure a wide range of fund procurement methods. The Group restricts its investment of funds to investments such as short-term deposits and marketable securities.

Furthermore, the Shiseido Group manages liquidity risk through means such as the preparation and updating of monthly cash flow plans.

3) Market risk management

In conducting its business activities, the Shiseido Group is exposed to risks associated with market fluctuations, such as fluctuations in foreign exchange rates and interest rates. To manage these market risks appropriately, the Group may utilize derivatives such as foreign exchange forward contracts, currency swap contracts, and interest rate swap contracts. The Group executes and manages derivatives in accordance with internal rules and regulations that prescribe transaction authority. The Group's policy is not to use derivatives for speculative purposes. Therefore, in principle, fluctuations in the fair value of derivatives held by the Group have the effect of offsetting fluctuations in the fair value of the corresponding transaction or fluctuations in cash flow.

(i) Currency risks

Since the Group operates its business globally, it is exposed to risk from foreign exchange fluctuations, mainly with respect to receivables and payables denominated in foreign currencies arising from transactions denominated in foreign currencies. The Group hedges foreign exchange risks for transactions denominated in foreign currencies using derivatives (foreign exchange forward contracts and currency options) to mitigate their impact on its operating results.

(ii) Interest rate risk management

The Group is exposed to various interest rate risks in its business activities. Within its interest-bearing debt, short-term borrowings and commercial paper are funds procured mainly in relation to operating transactions, while long-term borrowings, bonds, and lease liabilities are funds procured mainly in relation to investment and loans, capital investment, and operating transactions. Although floating-rate debt is exposed to the risk of interest rate fluctuations, the Group hedges the risk of interest rate fluctuations using interest rate swap contracts and other derivatives on an individual loan contract basis as needed. Therefore, the Group's exposure to the risk of interest rate fluctuations is limited and the Group has determined that the impact of the interest rate fluctuations is immaterial.

2. Fair Value of Financial Instruments

(1) Carrying amount and fair value of financial instruments

The carrying amounts and fair values as of December 31, 2023 are as follows. Financial instruments measured at fair value and financial instruments measured at amortized cost whose carrying amount and fair value are extremely close are not included in the following table.

(Millions of yen)		
	Carrying amount	Fair value
Assets:		
Financial assets measured at amortized cost		
Other financial assets (non-current)		
Leasehold and guarantee deposits	24,522	18,593
Long-term loans receivable	46,304	37,601

Note: These are classified as level 2 in the fair value hierarchy.

(2) Method of calculating fair value of financial instruments

(Cash and cash equivalents, trade and other receivables, trade and other payables)

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

(Other financial assets and other financial liabilities)

Among financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit or loss, listed shares are calculated using the market price on the last day of the period. Unlisted shares and investments in capital are calculated using discounted future cash flows, etc.

Other financial assets measured at amortized cost are mainly long-term borrowings and leasehold and guarantee deposits. Moreover, other financial liabilities measured at amortized cost are mainly long-term payables. Fair values of long-term borrowings, leasehold and guarantee deposits, and long-term payables are calculated at present value by discounting future cash flows using current market interest rates, etc. For financial assets and financial liabilities measured at amortized cost that have short terms, the carrying amount is used for the fair value because the amounts are approximately the same.

Within derivatives that are financial assets or financial liabilities measured at fair value through profit or loss, foreign exchange forward contracts or interest rate swaps are calculated based on the forward market rates presented by the counterparty financial institutions or the interest rate swap rate on the last day of the accounting period, etc. Liabilities from written call options related to investments accounted for using equity method are calculated using a binomial model based on the fair value of the underlying shares, the time to maturity, volatility, and other factors.

(Bonds and borrowings)

For short-term borrowings, since the terms are short, the carrying amount is used for the fair value because the amounts are approximately the same.

For long-term borrowings that have floating interest rates, since the market rate is reflected over the short term, the carrying amount is used for the fair value because the amounts are approximately the same.

Long-term borrowings that have fixed interest rates are calculated using the present value by discounting future cash flows at the assumed interest rate in the case where a similar contract is newly executed.

Bonds are calculated using market prices, etc.

3. Matters related to the breakdown, etc. of the fair value of financial instruments by appropriate category

The measured fair value amounts of financial instruments measured at fair value are classified from level 1 to level 3 in accordance with the observability and materiality of the inputs used for measurement.

Level 1: (Unadjusted) quoted prices in active markets for identical assets or liabilities

Level 2: Fair values calculated using observable prices other than level 1, either directly or indirectly

Level 3: Fair values calculated using valuation methods that include unobservable inputs

	Level 1	Level 2	Level 3	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Assets:				
Financial assets measured at fair value through profit or loss				
Other financial assets				
Derivatives	–	1,206	–	1,206
Investments in capital	–	–	4,092	4,092
Other	282	–	3,534	3,816
Financial assets measured at fair value through other comprehensive income				
Other financial assets				
Shares and investments in capital	5,138	153	4,754	10,045
Total	<u>5,420</u>	<u>1,360</u>	<u>12,380</u>	<u>19,161</u>
Liabilities:				
Financial liabilities measured at fair value through profit or loss				
Other financial liabilities				
Derivatives	–	1,645	515	2,161
Total	<u>–</u>	<u>1,645</u>	<u>515</u>	<u>2,161</u>

Transfers between levels of the fair value hierarchy are recognized on the date of the event or change in circumstances that caused the transfer. In each fiscal year, there are no transfers between fair value level 1 and level 2 or between level 1 and level 3.

Per-Share Information

Equity attributable to owners of parent per share	¥1,548.20
Basic earnings per share	¥54.43

Notes to Revenue Recognition

(1) Disaggregation of revenue

The net sales of the Group consists mainly of revenue recognized from contracts with customers, and a breakdown by segment, mainly by region, is as follows.

	Japan Business	China Business	Asia Pacific Business	Americas Business	EMEA Business	Travel Retail Business
Revenue recognized from contracts with customers	259,900	247,921	67,283	110,294	116,949	132,525

	Other	Total
Revenue recognized from contracts with customers	38,163	973,038

Notes:

1. The amounts indicate the net sales to external customers.
2. The EMEA Business includes the Middle East and African regions.
3. The Other segment includes head office administration departments, IPSA Co., Ltd., manufacturing operations, and the Restaurant business, etc. Also, net sales from the Personal Care business are no longer recorded with some exceptions from April 1, 2023, due to the transfer of Shiseido Kuki Factory.
4. The Group has revised its reportable segment classifications. As a result, the business results previously included in the Professional Business segment are now included in the Other segment.

(2) Contract balances

A breakdown of the contract balances in the Shiseido Group is as follows.

Receivables from contracts with customers

Notes and accounts receivable ¥133,512 million

Contract liabilities ¥6,879 million

Contract liabilities are mainly recognition of the advance price related to a customer loyalty program that awards points to customers.

In the consolidated financial statement of financial position, notes and accounts receivable are included in “Trade and Other Receivables,” and contract liabilities are included in “Other Current Liabilities.”

The balance of contract liabilities as of the start of the current fiscal year is broadly recognized as revenue for the current fiscal year.

In the current fiscal year, the amount of revenue recognized from performance obligations satisfied in past periods was immaterial.

(3) Transaction prices allocated to remaining performance obligations

Since the Shiseido Group has no important transactions with individual expected contact periods exceeding one year, it applies the practical expedient of omitting information regarding remaining performance obligations. Furthermore, there are no material amounts excluded from transactions prices within consideration arising from contracts with customers.

(4) Assets recognized from costs of securing or performing contracts with customers

In the current fiscal year, the amount of assets recognized from the costs of securing or performing contracts with customers was immaterial. Moreover, when the amortization period of assets eligible for recognition is within one year, the Group applies the practical expedient of recognizing the increased cost for securing the contract as an expense at the time it arises.

Loss of control

(Company split and share transfer of succeeding company accompanying the transfer of manufacturing operations of the Personal Care products, and equity interest transfer)

(1) Overview of loss of control

On April 1, 2023, the manufacturing operations of Personal Care products conducted at Shiseido Kuki Factory were succeeded by Fine Today Industries Co., Ltd. (“FTI”) through an absorption-type company split, followed by a transfer of all of the outstanding shares of FTI to FineToday Holdings Co., Ltd. (“FTH”).

In addition, all of the equity interest in the Company’s wholly owned subsidiary Shiseido Vietnam Inc., (“SVI”), which operates the Vietnam Factory, was transferred to FTH on December 1, 2023.

These company split and the share transfer were executed based on the transfer agreement between the Company and then K.K. Asian Personal Care Holding (current FTH) signed on August 1, 2022.

The following section details the transfer executed in 2023.

(2) Breakdown of assets and liabilities at the time of loss of control

	Millions of yen
Breakdown of assets at the time of loss of control	
Current assets	22,191
Non-current assets	465
Breakdown of liabilities at the time of loss of control	
Current liabilities	1,621
Non-current liabilities	692

(3) Relationship between consideration received and income and expenditure due to sale

	Millions of yen
Consideration received by cash	10,554
Cash and cash equivalents of assets at the time of loss of control	10,681
Other accounts receivable	(1,573)
Expenditure for the sale of the business	1,700

Note: The amounts are after adjustment for net decrease, etc. in operating capital. Other accounts receivable represents the amount of consideration not yet received as of the end of the current fiscal year.

(4) Profit or loss due to loss of control

The loss recognized on the loss of control over the shares of FTI and the equity interest in SVI held by the Company during the current fiscal year amounted to ¥7,767 million and is included in “Other Operating Expenses” in the consolidated statement of profit or loss. Although the counterparty to the transfers was an investee accounted for using equity method, the loss on sale of businesses was recognized in full because of the loss of control.

Share of profit of investment accounted for using equity method recorded in the current fiscal year includes ¥1,730 million arising from the transfer of business. This amount is provisional as of the end of the current fiscal year, due to the ongoing fair value measurement of the acquired assets and assumed liabilities at FTH, an equity-method associate of the Company, and thus the allocation of acquisition cost has not been completed. The calculation of this amount is based on the currently available reasonable information.

Significant Contingencies

(A claim from a business partner regarding the agreement)

In February 2023, European subsidiary of the Company has received a claim from a business partner regarding performance of the services stipulated in the agreement with the business partner. The Group has reviewed the alleged claim and has submitted its claims to the arbitration court. The Group is unable to reasonably estimate the amount of payment, and has not recorded any liability.

Significant Subsequent Events

(Business combination through acquisition)

On December 22, 2023, the Company entered into an agreement on the acquisition of DDG Skincare Holdings LLC (hereafter, “the Acquiree”), owner of Dr. Dennis Gross Skincare which is the dermatologist-led, science-based prestige skincare brand, via the Company’s subsidiary Shiseido Americas Corporation (hereafter, “SAC”). The equity purchase agreement was concluded by SAC, the Acquiree and the shareholders of the Acquiree. On February 5, 2024, the Company completed the procedures to acquire the shares of the Acquiree pursuant to the agreement.

1. Overview of business combination

(1) Name and business description of the Acquiree

Name: DDG Skincare Holdings LLC
Business description: Cosmetics sales

(2) Reason for business combination

By acquiring Dr. Dennis Gross Skincare brand, the Company will accelerate its mainstay prestige beauty business to capture opportunity in the rapidly growing dermatologist-developed skincare products market, unlocking further potential in the U.S. The addition of the brand to the Americas region is expected to drive significant benefits to the Company both in terms of growth and profitability, in addition to providing an opportunity to diversify our geographical footprint. Together, we are well positioned to leverage the Company’s rich heritage in skincare, R&D capabilities, and global platforms to make the brand grow into one of our iconic prestige beauty brands in the future.

(3) Form of business combination

Cash share acquisition

(4) Date of acquisition

February 5, 2024

(5) Percentage of equity acquired

100%

* A company by the name of MPGC DDG II Blocker, LLC (hereafter, “Blocker”) exists to temporarily hold a portion of equity (10%) to organize the equity owners of the Acquiree. SAC has also acquired Blocker and holds 100% of the equity in the Acquiree, either directly or indirectly.

2. Fair value of consideration transferred

Cash: ¥64,613 million

For the payment on the date of acquisition, the Company took out the short-term borrowings of ¥48,000 million on February 2, 2024.

3. Acquisition-related costs

The Company incurred acquisition-related costs of ¥914 million for the fiscal year of 2023 and it is included in “Selling, General and Administrative Expenses” and ¥232 million is estimated for the fiscal year 2024.

4. Assets acquired and liabilities assumed

It is under evaluation.

5. Recognized goodwill

It is under evaluation.

Other

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

Non-Consolidated Balance Sheet

(As of December 31, 2023)

(Millions of yen)

	December 31, 2023	December 31, 2022 (Reference)		December 31, 2023	December 31, 2022 (Reference)
ASSETS			LIABILITIES		
Current Assets:	206,801	244,971	Current Liabilities:	240,839	222,396
Cash and Deposits	19,207	15,136	Electronically Recorded Obligations-Operating	33,650	33,056
Accounts Receivable	73,900	96,560	Accounts Payable	10,593	11,849
Merchandise and Finished Goods	10,811	13,995	Short-Term Borrowings	20,000	—
Work in Process	5,585	5,913	Current Portion of Long-Term Borrowings	30,000	—
Raw Materials and Supplies	21,948	19,345	Current Portion of Bonds Payable	—	10,000
Prepaid Expenses	6,143	4,817	Lease Liabilities	1,073	1,508
Short-Term Loans Receivable	—	527	Other Payables	28,187	39,286
Other Accounts Receivable	22,453	20,876	Accrued Expenses	1,097	1,578
Other Current Assets	46,948	67,953	Income Taxes Payable	173	—
Less: Allowance for Doubtful Accounts	(196)	(155)	Deposits Received	1,243	650
Non-current Assets:	662,792	660,681	Deposits Received from Subsidiaries and Affiliates	100,115	94,635
Property, Plant and Equipment:	216,293	235,055	Provision for Bonuses	5,137	6,650
Buildings	107,813	115,146	Provision for Bonuses for Directors (and Other Officers)	208	246
Structures	3,850	4,076	Provision for Structural Reforms	687	2,040
Machinery and Equipment	56,064	60,698	Other Current Liabilities	8,670	20,893
Vehicles	127	204	Non-current Liabilities:	117,245	149,877
Tools, Furniture and Fixtures	10,483	11,574	Bonds	60,000	60,000
Land	34,889	38,718	Long-Term Debt	50,000	80,000
Leased Assets	1,907	2,500	Lease Liabilities	928	1,104
Construction in Progress	1,158	2,136	Provision for Retirement Benefits	3,440	4,900
Intangible Assets:	55,105	48,642	Provision for Loss on Guarantees	350	350
Patent Rights	11	16	Other Non-current Liabilities	2,526	3,522
Telephone Rights	95	118	Total Liabilities	358,084	372,273
Software	48,307	31,401	NET ASSETS		
Software in Progress	5,998	16,282	Shareholders' Equity:	510,351	532,443
Leased Assets	49	59	Share Capital	64,506	64,506
Other Intangible Assets	643	764	Capital Surplus	70,275	70,258
Investments and Other Assets:	391,392	376,983	Legal Capital Surplus	70,258	70,258
Investment Securities	3,058	2,782	Other Capital Surplus	17	—
Shares of Subsidiaries and Associates	315,257	315,357	Retained Earnings	377,160	399,768
Investments in Other Securities of Subsidiaries and Associates	27,150	17,631	Legal Reserve	16,230	16,230
Investments in Capital	110	110	Other Retained Earnings	360,929	383,538
Investments in Capital of Subsidiaries and Associates	12,565	11,816	Reserve for Tax Purpose	4,795	4,739
Long-Term Loans Receivable	1,278	734	Reduction Entry of Non-current Assets	—	—
Long-Term Prepaid Expenses	480	516	Retained Earnings Brought Forward	356,134	378,798
Deferred Tax Assets	25,795	23,913	Less: Treasury Shares	(1,591)	(2,089)
Other Investments	5,695	4,120	Valuation, Translation Adjustments and Others:	441	(23)
TOTAL ASSETS	869,593	905,652	Valuation Difference on Available-for-Sale Securities	441	(23)
			Stock Acquisition Rights	716	958
			Total Net Assets	511,508	533,379
			TOTAL LIABILITIES AND NET ASSETS	869,593	905,652

Non-Consolidated Statement of Income

(Fiscal Year from January 1, 2023 to December 31, 2023)

(Millions of yen)

	Fiscal Year 2023	Fiscal Year 2022 (Reference)
Net Sales	259,361	305,969
Cost of Sales	153,161	187,048
Gross Profit	106,200	118,920
Selling, General and Administrative Expenses	109,931	104,135
Operating Profit (Loss)	(3,730)	14,785
Non-operating Income	37,876	34,820
Interest Income	1,849	625
Dividend Income	31,015	27,630
Foreign Exchange Gains	—	275
Gain on Investments in Investment Partnerships	1,548	1,493
Royalty Income	1,205	1,194
Other	2,257	3,601
Non-operating Expenses	4,685	1,840
Interest Expense	3,572	1,126
Loss on Investments in Investment Partnerships	314	162
Provision of Allowance for Doubtful Accounts	41	19
Foreign Exchange Losses	527	—
Other	230	533
Ordinary Profit	29,459	47,765
Extraordinary Income	15,724	6,642
Gain on Sale of Non-current Assets	7,080	443
Gain on Sale of Investment Securities	143	260
Gain on Sale of Shares of Subsidiaries and Associates	8,500	—
Gain on Cancellation of Leases	0	63
Gain on Sale of Businesses	—	5,868
Grant Income	—	5
Extraordinary Losses	28,185	18,644
Loss on Disposal of Non-current Assets	1,049	706
Impairment Losses	6,889	10,809
Structural Reform Expenses	5,957	4,186
Loss on valuation of Investment Securities	1,368	—
Loss on sale of businesses	12,920	—
Loss on valuation of Shares of Subsidiaries and Associates	—	2,943
Profit before Income Taxes	16,999	35,763
Income Taxes – Current	(256)	6,635
Income Taxes – Deferred	(2,091)	657
Net Profit	19,346	28,470

Non-Consolidated Statement of Changes in Net Assets
(Fiscal Year from January 1, 2023 to December 31, 2023)

(Millions of yen)

	Shareholders' Equity			
	Share Capital	Capital Surplus		
		Legal Capital Surplus	Other Capital Surplus	Total Capital Surplus
Balance at the Beginning of Period	64,506	70,258	—	70,258
Changes during Period				
Dividends of Surplus				
Net Profit				
Provision of Reserve for Tax Purpose Reduction Entry				
Purchase of Treasury Shares				
Disposal of Treasury Shares			17	17
Net Changes of Items Other than Shareholders' Equity				
Total Changes during Period	—	—	17	17
Balance at the End of Period	64,506	70,258	17	70,275

(Millions of yen)

	Shareholders' Equity					
	Retained Earnings				Treasury Shares	Total Shareholders' Equity
	Legal Retained Earnings	Other Retained Earnings		Total Retained Earnings		
		Reserve for Tax Purpose Reduction Entry of Non-current Assets	Retained Earnings Brought Forward			
Balance at the Beginning of Period	16,230	4,739	378,798	399,768	(2,089)	532,443
Changes during Period						
Dividends of Surplus			(41,954)	(41,954)		(41,954)
Net Profit			19,346	19,346		19,346
Provision of Reserve for Tax Purpose Reduction Entry		55	(55)	—		—
Purchase of Treasury Shares				—	(8)	(8)
Disposal of Treasury Shares				—	506	524
Net Changes of Items Other than Shareholders' Equity						—
Total Changes during Period	—	55	(22,663)	(22,608)	498	(22,092)
Balance at the End of Period	16,230	4,795	356,134	377,160	(1,591)	510,351

(Millions of yen)

	Valuation Difference on Available-for-Sale Securities		Share Acquisition Rights	Total Net Assets
	Valuation Difference on Available-for-Sale Securities	Total Valuation and Translation Adjustments and Others		
Balance at the Beginning of Period	(23)	(23)	958	533,379
Changes during Period				
Dividends of Surplus				(41,954)
Net Profit				19,346
Provision of Reserve for Tax Purpose Reduction Entry				—
Purchase of Treasury Shares				(8)
Disposal of Treasury Shares				524
Net Changes of Items Other than Shareholders' Equity	464	464	(242)	222
Total Changes during Period	464	464	(242)	(21,870)
Balance at the End of Period	441	441	716	511,508

Notes to Non-Consolidated Financial Statements

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

Significant Accounting Policies

(1) Valuation of Assets

1) Securities

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

Available-for-sale securities

Other than non-marketable equity securities:

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.

Non-marketable equity securities:

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

Investments in limited partnerships are recorded as investment 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 Non-current 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 3–7 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
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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 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 executive officers who are non-Board members, for whom the calculations are the same as those for provision for bonuses for directors (and other officers).

3) Provision for Bonuses for Directors (and Other Officers)

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

4) Provision for Structural Reforms

To provide for losses related to structural reforms, the amount of losses expected to be incurred in the future is recorded.

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 Loss 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.

(4) Significant Accounting for Hedges

Methods of Hedge Accounting

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) Recognition of Revenues and Expenses

The Company is primarily engaged in the manufacture and sale of cosmetics and related products. For the sale of goods and services, revenue is recognized at the time, etc. of transfer of the goods and services since the customer acquires control over them at the time they are transferred. Furthermore, revenue is measured as the amount of consideration promised in contracts with customers less discounts, rebates, and returns, etc.

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

1) Application of the group tax sharing system: The Company applied the group tax sharing system.

- 2) 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 Accounting Estimates

(Valuation of shares of subsidiaries and associates in connection with Shiseido Americas Corporation (“Shiseido Americas”))

- (1) The amount recorded in the financial statements for the fiscal year 2023

Shares of subsidiaries and associates in connection with Shiseido Americas	¥259,260 million
Loss on valuation of shares of subsidiaries and associates in connection with Shiseido Americas	¥— million

- (2) Other information that contributes to the understanding of users of the financial statements regarding the accounting estimates

As for non-marketable equity securities, such as investments in subsidiaries and associates, when actual value of the shares declines significantly due to deterioration in their issuer’s financial position, valuation loss needs to be recognized for the investment, unless the recoverability is backed up by sufficient evidence. For shares of subsidiaries and associates in connection with Shiseido Americas, the carrying amount in the balance sheet is based on the acquisition cost. Since the real value had not declined significantly as at the end of the fiscal year, no loss on valuation of shares of subsidiaries and associates in connection with Shiseido Americas was recorded. The real value of Shiseido Americas includes excess earning power related to SAC cash-generating unit. For details, please refer to “Notes to Accounting Estimates” in the Notes to Consolidated Financial Statements.

Notes to Non-Consolidated Balance Sheet

- (1) Accumulated depreciation of property, plant and equipment: ¥106,967 million

- (2) Monetary receivables from and payables to subsidiaries and associates are as follows. (Note)

Short-term receivables	¥128,238 million
Long-term receivables	¥1,278 million
Short-term payables	¥14,432 million

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

Notes to Non-Consolidated Statement of Income

- (1) Transactions with subsidiaries and associates

Net sales	¥256,704 million
Purchases	¥14,572 million
Other operating transactions	¥25,610 million
Non-operating transactions	¥50,031 million

- (2) Gain on sale of non-current assets

The gain arising through the sale of real estate held by the Company has been recognized as gain on sale of non-current assets in extraordinary income.

- (3) Impairment loss

Impairment losses of ¥693 million in relation to the non-current assets of the Kuki factory, which was transferred in fiscal 2023 following the conclusion of an agreement to transfer the manufacturing

business of Personal Care products, and impairment loss of ¥6,196 million in relation to non-current assets associated with the integration of production at the Osaka Factory into the Osaka Ibaraki Factory were recognized in extraordinary losses.

(4) Structural reform expenses

Expenses of ¥5,025 million associated with the conclusion of an agreement to transfer the manufacturing business of Personal Care products, and expenses ¥664 million incurred as a result of Shiseido Japan Co., Ltd. taking over the business of Shiseido Pharmaceutical Co., Ltd. were recognized as structural reform expenses in extraordinary losses.

(5) Loss on sale of businesses

On April 1, 2023, the manufacturing operations of Personal Care products conducted at the Kuki Factory were succeeded by the Company's subsidiary Fine Today Industries Co., Ltd. ("FTI") through an absorption-type company split, followed by a transfer of all of the outstanding shares of FTI to the Company's associate FineToday Holdings Co., Ltd. ("FTH"). Subsequently, all of the equity interest in the Company's wholly owned subsidiary Shiseido Vietnam Inc., which operates the Vietnam Factory, were transferred to FTH on December 1, 2023. The losses arising from these transfers have been recognized as loss on sale of businesses in extraordinary losses.

Notes to Non-Consolidated Statement of Changes in Net Assets

Treasury shares

(Thousand shares)				
	Number of shares on January 1, 2023	Increase in shares in the year ended December 31, 2023	Decrease in shares in the year ended December 31, 2023	Number of shares on December 31, 2023
Common stock	452	1	109	344

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

Note 2: Shares of common stock held as treasury shares decreased due to exercise of stock options for 66 thousand shares, disposal of 43 thousand shares as long-term incentive-type remuneration in accordance with the performance-linked stock remuneration plan, and sale of 0 thousand shares in response to requests from less-than-one-unit shareholders.

Tax-Effect Accounting

Major components of deferred tax assets and deferred tax liabilities

	(Millions of yen)
Deferred tax assets	
Shares of subsidiaries and associates	27,477
Carryforward of unused tax losses	12,264
Provision for retirement benefits	1,066
Inventories	3,669
Depreciation	4,299
Provision for bonuses	1,774
Write-down of investment securities and other investments	249
Refund liabilities	248
Allowance for doubtful accounts	60
Other	2,916
Subtotal	54,027
Valuation allowance related to carryforward of unused tax losses	(312)
Valuation allowance related to total deductible temporary differences	(25,233)
Subtotal	(25,545)
Total	28,482
Deferred tax liabilities	
Reserve for tax purpose reduction entry	(2,154)
Unrealized losses on non-current assets due to company split	(322)
Unrealized losses on available-for-sale securities	(138)
Asset retirement obligation	(71)
Total	(2,686)
Net deferred tax assets	25,795

(Accounting for corporation and regional corporation taxes or tax effect accounting related to these taxes)

The Company has transitioned from the consolidated taxation system to the group tax sharing system from the current fiscal year. In accordance with this change, the accounting treatment and disclosure of corporation tax, regional tax, and tax effect accounting are based on the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (PITF No. 42, August 12, 2021; “PITF No. 42”). In accordance with paragraph 32(1) of the PITF No. 42, the Company has assumed that there is no impact from the change in accounting policy resulting from the application of the PITF No. 42.

Transactions with Related Parties

Subsidiaries, associates and other related parties

Type	Name	Voting Rights Held by Company (or held by others)	Relationship	Transactions	Amount of Transactions (Millions of yen)	Accounts Name	Balance as of December 31, 2023 (Millions of yen)
Subsidiary	Shiseido Japan Co., Ltd.	Direct, 100%	Product sales Concurrent directors	Sales of cosmetics (Note 1)	33,713	Accounts receivable	16,939
				Deposit received (Note 2)	–	Deposits received from subsidiaries and associates	15,853
Subsidiary	Shiseido International Inc.	Direct, 100%	Product sales	Sales of cosmetics (Note 1)	17,716	Accounts receivable	9,448
Subsidiary	Selan Anonymous Association	–, [100.0]	Leasing of buildings and equipment	Subscription of investment (Note 3)	15,550	–	–
Subsidiary	Shiseido Americas Corporation	Direct, 100%	Product sales Concurrent directors	Deposit of funds (Note 2)	–	Other current assets	21,680
Subsidiary	Shiseido Europe S.A.	Direct, 100%	Concurrent directors	Deposit received (Note 2)	–	Deposits received from subsidiaries and associates	55,214
Subsidiary	Shiseido China Co., Ltd.	Direct, 100%	Product sales Concurrent directors	Sales of cosmetics (Note 1)	44,526	Accounts receivable	9,547
Subsidiary	Shiseido Travel Retail Asia Pacific Pte. Ltd.	Indirect, 100%	Product sales	Sales of cosmetics (Note 1)	53,154	Accounts receivable	9,288
				Deposit received (Note 2)	–	Deposits received from subsidiaries and associates	12,108
Subsidiary	Fine Today Industries Co., Ltd.	Direct, 100%	Absorption-type company split	Succession through company split (Note 4) Succeeded assets Assumed liabilities	20,027 965	–	–
Associate	FineToday Holdings Co., Ltd.	Direct, 20.1%	Concurrent directors	Business transfers (Note 4)	10,554	Other accounts receivable	1,531

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: Subscription to the full amount of additional investment into the anonymous association.

Note 4: For details, please refer to Notes to Non-Consolidated Statement of Income (5) in the “Notes to Non-Consolidated Financial Statements.”

Note 5: The square brackets [] in the “Voting Rights Held by Company (or held by others)” indicate the share of related or approved parties.

Per-Share Information

Net assets per share ¥1,278.08

Net profit per share ¥48.41

Significant Subsequent Events

(Borrowing of large amount of funds)

As described in “(Business combination through acquisition)” in “Significant Subsequent Events” in the Notes to Consolidated Financial Statements.

The non-consolidated financial statements according to Article 435, paragraph (2) of the Companies Act and the consolidated financial statements according to Article 444, paragraph (3) of the Companies Act are as indicated above.

Independent Auditor's Report

February 21, 2024

To the Board of Directors of Shiseido Company, Limited:

KPMG AZSA LLC

Tokyo Office, Japan

Masakazu Hattori (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Kentaro Hayashi (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Unshil Kang (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Opinion

We have audited the consolidated financial statements, which comprise the consolidated statement of financial position, the consolidated statement of profit or loss, the consolidated statement of changes in equity and the related notes, of Shiseido Company, Limited (“the Company”) and its consolidated subsidiaries (collectively referred to as “the Group”) as at December 31, 2023 and for the year from January 1, 2023 to December 31, 2023 in accordance with Article 444-4 of the Companies Act.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position and the results of operations of the Group for the period, for which the consolidated financial statements were prepared, in accordance with the latter part of Article 120-1 of the Regulations on Corporate Accounting that prescribes some omissions of disclosure items required under International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The other information comprises the business report and its supplementary schedules. Management is responsible for the preparation and presentation of the other information. The Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and the Audit & Supervisory Board Members and the Audit & Supervisory Board for the Financial Statements and Others

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the latter part of Article 120-1 of the Regulations on Corporate Accounting that prescribes some omissions of disclosure items required under International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with the latter part of Article 120-1 of the Regulations on Corporate Accounting that prescribes some omissions of disclosure items required under International Financial Reporting Standards.

The Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The selection and application of audit procedures depend on the auditor's judgment.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease

to continue as a going concern.

- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with the latter part of Article 120-1 of the Regulations on Corporate Accounting that prescribes some omissions of disclosure items required under International Financial Reporting Standards, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Reader of Independent Auditor's Report:

This is an English translation of the Independent Auditor's Report as required by the Companies Act of Japan for the conveniences of the reader.

Independent Auditor's Report

February 21, 2024

To the Board of Directors of Shiseido Company, Limited:

KPMG AZSA LLC

Tokyo Office, Japan

Masakazu Hattori (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Kentaro Hayashi (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Unshil Kang (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Opinion

We have audited the financial statements, which comprise the balance sheet, the statement of income, the statement of changes in net assets and the related notes, and the accompanying supplementary schedules (“the financial statements and the accompanying supplementary schedules”) of Shiseido Company., Limited. (“the Company”) as at December 31, 2023 and for the year from January 1, 2023 to December 31, 2023 in accordance with Article 436-2-1 of the Companies Act.

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

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements and the Accompanying Supplementary Schedules* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The other information comprises the business report and its supplementary schedules. Management is responsible for the preparation and presentation of the other information. The Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

Our opinion on the financial statements and the accompanying supplementary schedules does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements and the accompanying supplementary schedules, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the accompanying supplementary schedules or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and the Audit & Supervisory Board Members and the Audit & Supervisory Board for the Financial Statements and the Accompanying Supplementary Schedules

Management is responsible for the preparation and fair presentation of the financial statements and the accompanying 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 accompanying supplementary schedules that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the accompanying supplementary schedules, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

The Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements and the Accompanying Supplementary Schedules

Our objectives are to obtain reasonable assurance about whether the financial statements and the accompanying supplementary schedules as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements and the accompanying supplementary schedules.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements and the accompanying supplementary schedules, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The selection and application of audit procedures depends on the auditor's judgment.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the accompanying supplementary schedules or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on

the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate whether the presentation and disclosures in the financial statements and the accompanying supplementary schedules are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the financial statements and the accompanying supplementary schedules, including the disclosures, and whether the financial statements and the accompanying supplementary schedules represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Reader of Independent Auditor's Report:

This is an English translation of the Independent Auditor's Report as required by the Companies Act of Japan for the conveniences of the reader.

Copy of the Audit & Supervisory Board's Report**Audit Report**

With respect to the directors' performance of their duties during the 124th business period (from January 1, 2023 to December 31, 2023), 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 executive 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 executive 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 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 accounting auditors, 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 November 16, 2021), 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 or loss statement, statement of changes in net assets, and schedule of individual notes) and the annexed specifications thereto, as well as the consolidated financial statements (consolidated statement of financial position, consolidated profit or loss statement, consolidated statement of changes in equity, 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, 2024

Audit & Supervisory Board of
 Shiseido Company, Limited
 Audit & Supervisory Board Member (Full-time)
 Takeshi Yoshida (Seal)
 Audit & Supervisory Board Member (Full-time)
 Hiromi Anno
 Audit & Supervisory Board Member (External)
 Hiroshi Ozu
 Audit & Supervisory Board Member (External)
 Yasuko Gotoh
 Audit & Supervisory Board Member (External)
 Ritsuko Nonomiya

Reference Document Concerning the General Meeting of Shareholders

1. Total Number of Voting Rights Held by Shareholders: 3,992,138

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, 2023 as follows, taking into account the basic policy for shareholder returns 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 2023 including the interim dividend will be ¥60. Total dividends per share for the previous fiscal year were ¥100. This included the ¥50 dividend commemorating the 150th anniversary of our founding. Therefore, a year-on-year comparison of the dividends excluding the commemorative dividend shows an increase of ¥10 for the fiscal year 2023.

Matters related to the year-end dividend

(1) Type of assets to be distributed as dividend

Cash

(2) 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: ¥11,989,674,030

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

March 27, 2024

Basic Policy for Shareholder Returns (As of December 31, 2023)

The Company's shareholder return policy targets total returns, comprising direct returns to shareholders through dividends and medium-to long-term share price gains. Based on this approach, our fundamental policy involves maximizing corporate value which entails focusing on strategic investments for sustainable growth, while also enhancing efficiency of invested capital exceeding capital costs to achieve medium-to 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 ratio of dividend on equity attributable to owners of parent (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.

	121st Business Term (1/1/2020 - 12/31/2020)	122nd Business Term (1/1/2021 - 12/31/2021)		123rd Business Term (1/1/2022 - 12/31/2022)	124th Business Term (Current term) (1/1/2023 - 12/31/2023)
	Japanese GAAP		IFRS		
Annual cash dividends per share (Yen)	40	50		(including a commemorative dividend of ¥50) 100	60 (Plan)
Annual dividends (Millions of yen)	15,978	19,974		39,954	23,978 (Plan)
Consolidated payout ratio (%)	–	47.1	42.6	116.8	110.2 (Plan)
DOE (%)	3.3	3.9	4.0	7.0	3.9 (Plan)

Notes:

1. Figures of each item for the 124th Business Term (current term) are predicated on the approval of this item of business at this general meeting of shareholders.
2. Consolidated payout ratio for the 121st Business Term is not shown because the amount of net profit attributable to owners of parent is negative.

Second Item of Business: Partial Amendment to the Articles of Incorporation

1. Reasons for amendments

The Company will transition to a “Company with Three Statutory Committees” to increase the transparency and objectivity of management and ensure effective implementation of its strategies even in an increasingly volatile business environment by clearly separating the functions between management oversight and execution of the Company’s business while strengthening each of these functions. Details are stated in “<Reference> Transition to a ‘Company with Statutory Committees’” on page 124-125 of the Reference Document Concerning the General Meeting of Shareholders. In conjunction with this transition, the Company will make necessary amendments, including the establishment of new provisions concerning the Nominating Committee, Audit Committee and Compensation Committee as well as the Corporate Executive Officers and the deletion of provisions concerning Corporate Auditors and Board of Corporate Auditors. In regard to the establishment of Article 32 (Exemption of liabilities of Corporate Executive Officers) of the Articles of Incorporation after the amendment, the consent of each Audit & Supervisory Board member has been obtained.

In addition, the Company will also amend wordings to more clearly state the purport of the current Articles of Incorporation and the number of articles in conjunction with the changes, among others.

This amendment to the Articles of Incorporation shall take effect at the conclusion of the 124th Ordinary General Meeting of Shareholders.

2. Details of amendments

Details of the amendments mentioned above are as follows:

(Underline indicates amended portions)

Current Articles	Proposed Amendment
<p>(Organs)</p> <p>Article 4. The Company shall have the following organs in addition to the general meeting of shareholders and Directors:</p> <p>(1) The Board of Directors;</p> <p>(2) <u>Corporate Auditors</u>;</p> <p>(3) <u>The Board of Corporate Auditors</u>; and</p> <p>(4) Account Auditors.</p>	<p>(Organs)</p> <p>Article 4. The Company, as a Company with <u>Three Statutory Committees</u>, shall have the following organs in addition to the general meeting of shareholders and Directors:</p> <p>(1) The Board of Directors;</p> <p>(2) <u>Nominating Committee, Audit Committee, and Compensation Committee</u>;</p> <p>(3) <u>Corporate Executive Officers</u>; and</p> <p>(4) Accounting Auditors.</p>

Current Articles	Proposed Amendment
<p>(Share registrar)</p> <p>Article 11. The Company shall have a share registrar. The share registrar and its business office shall be designated by resolution of the Board of Directors and public notice shall be given thereof. The preparation and keeping of the register of shareholders and the register of stock acquisition rights of the Company and other affairs relating to the register of shareholders and the register of stock acquisition rights shall be delegated to the share registrar and shall not be handled by the Company.</p>	<p>(Share registrar)</p> <p>Article 11. The Company shall have a share registrar.</p> <p>2. The share registrar and its business office shall be designated by resolution of the Board of Directors <u>or a determination by the Corporate Executive Officer authorized by the resolution of the Board of Directors,</u> and public notice shall be given thereof.</p> <p>3. The preparation and keeping of the register of shareholders and the register of stock acquisition rights of the Company and other affairs relating to the register of shareholders and the register of stock acquisition rights shall be delegated to the share registrar and shall not be handled by the Company.</p>
<p>(Share Handling Regulations)</p> <p>Article 12. The handling relating to the exercise of rights by the shareholders of the Company, its shares and stock acquisition rights and the fees therefor shall be governed by the Share Handling Regulations adopted by the Board of Directors as well as laws, ordinances or these Articles of Incorporation.</p>	<p>(Share Handling Regulations)</p> <p>Article 12. The handling relating to the exercise of rights by the shareholders of the Company, its shares and stock acquisition rights and the fees therefor shall be governed by the Share Handling Regulations adopted by the Board of Directors <u>or the Corporate Executive Officer authorized by the resolution of the Board of Directors,</u> as well as laws and regulations, or these Articles of Incorporation.</p>

Current Articles	Proposed Amendment
<p>(Person to convene general meetings and chairman)</p> <p>Article 15. <u>Unless otherwise provided for in laws or ordinances, a general meeting of shareholders shall be convened by the Representative Director in accordance with the resolution of the Board of Directors and chairmanship of such general meeting of shareholders shall be assumed by the Representative Director.</u></p> <p><u>If the Company has two (2) or more Representative Directors, such general meeting of shareholders shall be convened and presided over by one of the Representative Directors in the order previously fixed by the Board of Directors.</u></p> <p><u>If the Representative Director or Directors are unable to act, another Director shall act in his/her/their place in the order previously fixed by the Board of Directors.</u></p>	<p>(Person to convene general meetings and chairperson)</p> <p>Article 15. <u>A general meeting of shareholders shall be convened by a Director designated by the Board of Directors. If the said Director is unable to act, a general meeting of shareholders shall be convened by another Director in order of the sequence determined by the Board of Directors.</u></p> <p><u>2. The chairpersonship of a general meeting of shareholders shall be assumed by the Director or Corporate Executive Officer designated by the Board of Directors. If the said Director or Corporate Executive Officer is unable to act, another Director or Corporate Executive Officer shall act in their place, in order of the sequence determined by the Board of Directors.</u></p>
<p>(Authorized number and method of election)</p> <p>Article 21. The Company shall have not more than <u>twelve (12)</u> Directors, all of whom shall be elected by the general meeting of shareholders.</p> <p>2. Resolutions for the election of Directors shall be adopted at a general meeting of shareholders at which shareholders holding one-third (1/3) or more of voting rights of the shareholders entitled to vote shall be present, by a majority of the voting rights of the shareholders so present.</p> <p>3. Resolutions for the election of Directors shall not be by cumulative voting.</p>	<p>(Authorized number and method of election)</p> <p>Article 21. The Company shall have not more than <u>fourteen (14)</u> Directors, all of whom shall be elected by the general meeting of shareholders.</p> <p>2. Resolutions for the election of Directors shall be adopted at a general meeting of shareholders at which shareholders holding one-third (1/3) or more of voting rights of the shareholders entitled to vote shall be present, by a majority of the voting rights of the shareholders so present.</p> <p>3. Resolutions for the election of Directors shall not be by cumulative voting.</p>

Current Articles	Proposed Amendment
<p>(newly established)</p>	<p><u>(Convener and chairperson of a meeting of the Board of Directors)</u></p> <p><u>Article 23. Unless otherwise provided for in laws and regulations, a meeting of the Board of Directors shall be convened and chaired by a Director designated by the Board of Directors.</u></p> <p><u>2. If the Director designated pursuant to the previous paragraph is unable to act, a meeting of the Board of Directors shall be convened and chaired by another Director in order of the sequence determined by the Board of Directors.</u></p>
<p><u>(Convening of meetings of the Board of Directors)</u></p> <p><u>Article 23. The convening of a meeting of the Board of Directors shall be as prescribed by the Board of Directors.</u></p> <p><u>2. Notice for convening a meeting under the foregoing paragraph shall be dispatched to each Director and each Corporate Auditor at least three (3) days prior to the date of the meeting; provided, however, that such period of notice may be shortened in the case of urgent necessity.</u></p>	<p><u>(Notice for convening a meeting of the Board of Directors)</u></p> <p><u>Article 24. The notice for convening a meeting of the Board of Directors shall be dispatched to each Director at least three (3) days prior to the date of the meeting, provided, however, that the said notice period may be shortened in case of urgent necessity.</u></p> <p><u>2. A meeting of the Board of Directors may be convened without going through the said process to convene a meeting of the Board of Directors if the consent of all members of the Board of Directors are obtained.</u></p>
<p><u>(Powers of the Board of Directors)</u></p> <p><u>Article 24. In addition to the matters provided for in laws, ordinances or these Articles of Incorporation, the Board of Directors shall make decisions on <u>important matters relating to the execution of business.</u></u></p>	<p><u>(Powers of the Board of Directors)</u></p> <p><u>Article 25. In addition to the matters provided for in laws and regulations, or these Articles of Incorporation, the Board of Directors shall make decisions on <u>the Company's important business execution and oversee the Directors' performance of duty and the Corporate Executive Officers' execution of business.</u></u></p> <p><u>2. The Board of Directors, unless otherwise provided for in laws and regulations, may <u>delegate decision-making regarding the Company's execution of business to the Corporate Executive Officers by resolution of the Board of Directors.</u></u></p>

Current Articles	Proposed Amendment
<p>Article <u>25</u>. (Provision omitted)</p>	<p>Article <u>26</u>. (As per the current)</p>
<p>(Representative Directors)</p> <p>Article <u>26</u>. The Board of Directors shall, by its resolution, appoint a Representative Director or Directors.</p>	<p>(deleted)</p>
<p>(Remuneration, etc.)</p> <p>Article <u>27</u>. Remuneration, bonuses and other proprietary benefits Directors may receive from the Company in consideration of the execution of their duties shall be determined by resolution of the general meeting of shareholders.</p>	<p>(deleted)</p>
<p>(Reduction of liabilities of Directors)</p> <p>Article <u>28</u>. The Company may, by resolution of the Board of Directors, exempt any Director (including any former Director) from such liability as provided for in Article 423, paragraph 1 of the Corporation Law of Japan to the extent of such amount as provided for in laws or ordinances, as long as the Director acted in good faith and without gross negligence.</p> <p>2. The Company may enter into an agreement with any outside Director to the effect that the outside Director shall assume such liability as provided for in Article 423, paragraph 1 of the Corporation Law of Japan to the extent of the aggregate of the amounts as provided for in the items of Article 425, paragraph 1 of the Corporation Law, as long as the outside Director acted in good faith and without gross negligence.</p>	<p>(Reduction of liabilities of Directors)</p> <p>Article <u>27</u>. By resolution of the Board of Directors, the Company may exempt any Director (including any former Director) from such a liability for damages attributable to neglect of duty, pursuant to Article 426, paragraph 1 of the Companies Act, to the extent permitted by laws and regulations.</p> <p>2. The Company may enter into an agreement with any Director (excluding those who execute business of the Company or its subsidiaries) to the effect that the Director shall assume such a liability for damages attributable to neglect of duty, pursuant to Article 427, paragraph 1 of the Companies Act, to the extent of such an aggregate of amounts as provided in Article 425, paragraph 1 of the Companies Act.</p>

Current Articles	Proposed Amendment
<p><u>Chapter V. Corporate Auditors and Board of Corporate Auditors</u></p> <p><u>(Authorized number and method of election)</u></p> <p><u>Article 29. The Company shall have not less than three (3) Corporate Auditors, all of whom shall be elected by the general meeting of shareholders.</u></p> <p><u>2. Resolutions for the election of Corporate Auditors shall be adopted at a general meeting of shareholders at which shareholders holding one-third (1/3) or more of voting rights of the shareholders entitled to vote shall be present, by a majority of the voting rights of the shareholders so present.</u></p>	<p>(deleted)</p> <p>(deleted)</p>
<p><u>(Term of office)</u></p> <p><u>Article 30. The term of office of Corporate Auditors shall expire at the close of the ordinary general meeting of shareholders relating to the last of the financial years to end within four (4) years after their election.</u></p> <p><u>2. The term of office of Corporate Auditors elected to fill vacancies created by the retirement of Corporate Auditors before the expiration of their term of office shall be for the unexpired balance of the term of office of the retirees.</u></p>	<p>(deleted)</p>

Current Articles	Proposed Amendment
<p><u>(Convening of meetings of the Board of Corporate Auditors)</u></p> <p><u>Article 31. The convening of a meeting of the Board of Corporate Auditors shall be as prescribed by the Board of Corporate Auditors.</u></p> <p><u>2. Notice for convening a meeting under the foregoing paragraph shall be dispatched to each Corporate Auditor at least three (3) days prior to the date of the meeting; provided, however, that such period of notice may be shortened in the case of urgent necessity.</u></p>	<p>(deleted)</p>
<p><u>(Powers of the Board of Corporate Auditors)</u></p> <p><u>Article 32. In addition to the matters provided for in laws, ordinances or these Articles of Incorporation, the Board of Corporate Auditors shall make decisions on important matters relating to the execution of duties of Corporate Auditors so long as the exercise of powers by Corporate Auditors are not diluted.</u></p>	<p>(deleted)</p>
<p><u>(Resolutions of the Board of Corporate Auditors)</u></p> <p><u>Article 33. Unless otherwise provided for in laws or ordinances, resolutions of the Board of Corporate Auditors shall be adopted by a majority of the Corporate Auditors.</u></p>	<p>(deleted)</p>
<p><u>(Full-time Corporate Auditors and Standing Corporate Auditors)</u></p> <p><u>Article 34. The Board of Corporate Auditors shall, by its resolution, appoint a Corporate Auditor or Auditors to serve on a full-time basis. The Board of Corporate Auditors may, by its resolution, appoint a Standing Corporate Auditor or Auditors.</u></p>	<p>(deleted)</p>

Current Articles	Proposed Amendment
<p><u>(Remuneration, etc.)</u></p> <p><u>Article 35. Remuneration and other proprietary benefits Corporate Auditors may receive from the Company in consideration of the execution of their duties shall be determined by resolution of the general meeting of shareholders.</u></p>	<p>(deleted)</p>
<p><u>(Reduction of liabilities of Corporate Auditors)</u></p> <p><u>Article 36. The Company may, by resolution of the Board of Directors, exempt any Corporate Auditor (including any former Corporate Auditor) from such liability as provided for in Article 423, paragraph 1 of the Corporation Law of Japan to the extent of such amount as provided for in laws or ordinances, as long as the Corporate Auditor acted in good faith and without gross negligence.</u></p> <p><u>2. The Company may enter into an agreement with any outside Corporate Auditor to the effect that the outside Corporate Auditor shall assume such liability as provided for in Article 423, paragraph 1 of the Corporation Law of Japan to the extent of the aggregate of the amounts as provided for in the items of Article 425, paragraph 1 of the Corporation Law, as long as the outside Corporate Auditor acted in good faith and without gross negligence.</u></p>	<p>(deleted)</p>
<p>(newly established)</p> <p>(newly established)</p>	<p><u>Chapter V. Nominating Committee, Audit Committee and Compensation Committee</u></p> <p><u>(Selection method for committee members)</u></p> <p><u>Article 28. The Nominating Committee, Audit Committee, and Compensation Committee members shall be appointed from among the Directors by resolution of the Board of Directors.</u></p>

Current Articles	Proposed Amendment
<p>(newly established)</p> <p>(newly established)</p>	<p><u>Chapter VI. Corporate Executive Officers</u></p> <p><u>(Election of Corporate Executive Officers)</u></p> <p><u>Article 29. Corporate Executive Officers shall be elected by resolution of the Board of Directors.</u></p>
<p>(newly established)</p>	<p><u>(Term of office of Corporate Executive Officers)</u></p> <p><u>Article 30. The term of office of Corporate Executive Officers shall expire at the conclusion of the first meeting of the Board of Directors convened after the conclusion of the ordinary general meeting of shareholders for the last business year ending within one year from the time of their election.</u></p>
<p>(newly established)</p>	<p><u>(Representative Corporate Executive Officers)</u></p> <p><u>Article 31. Representative Corporate Executive Officers shall be appointed from among Corporate Executive Officers by resolution of the Board of Directors.</u></p>
<p>(newly established)</p>	<p><u>(Exemption of liabilities of Corporate Executive Officers)</u></p> <p><u>Article 32. By resolution of the Board of Directors, the Company may exempt any Corporate Executive Officer (including any former Corporate Executive Officer) from such a liability for damages attributable to neglect of duty, pursuant to Article 426, paragraph 1 of the Companies Act, to the extent permitted by laws and regulations.</u></p>
<p>Article <u>37</u> to Article <u>39</u> (Provision omitted)</p>	<p>Article <u>33</u> to Article <u>35</u> (As per the current)</p>

Current Articles	Proposed Amendment
<p>(newly established)</p>	<p><u>Supplementary Provisions</u></p> <p><u>(Transitional measures for exemptions from liabilities of Audit and Supervisory Board Members)</u></p> <p><u>Article 1. By resolution of the Board of Directors, the Company may exempt any Audit and Supervisory Board Member (including any former Audit and Supervisory Board Member) from such a liability for damages attributable to his/her action before the close of the 124th ordinary general meeting of shareholders, as provided for in Article 423, paragraph 1 of the Companies Act, to the extent permitted by laws and regulations.</u></p>

<Reference> Transition to a “Company with Three Statutory Committees”

1. Background and Purpose of the Transition

At Shiseido, we define corporate governance as a system that provides a foundation to drive sustainable growth and enhancement of corporate value over the medium-to long-term. We have long been committed to improving the Company’s corporate governance through a range of initiatives including the adoption of governance system aligned with the “monitoring board-type system” where the board is putting more focus on oversight responsibilities to ensure transparency and fairness in governance practice, while ensuring effective strategic planning and timely execution thereof.

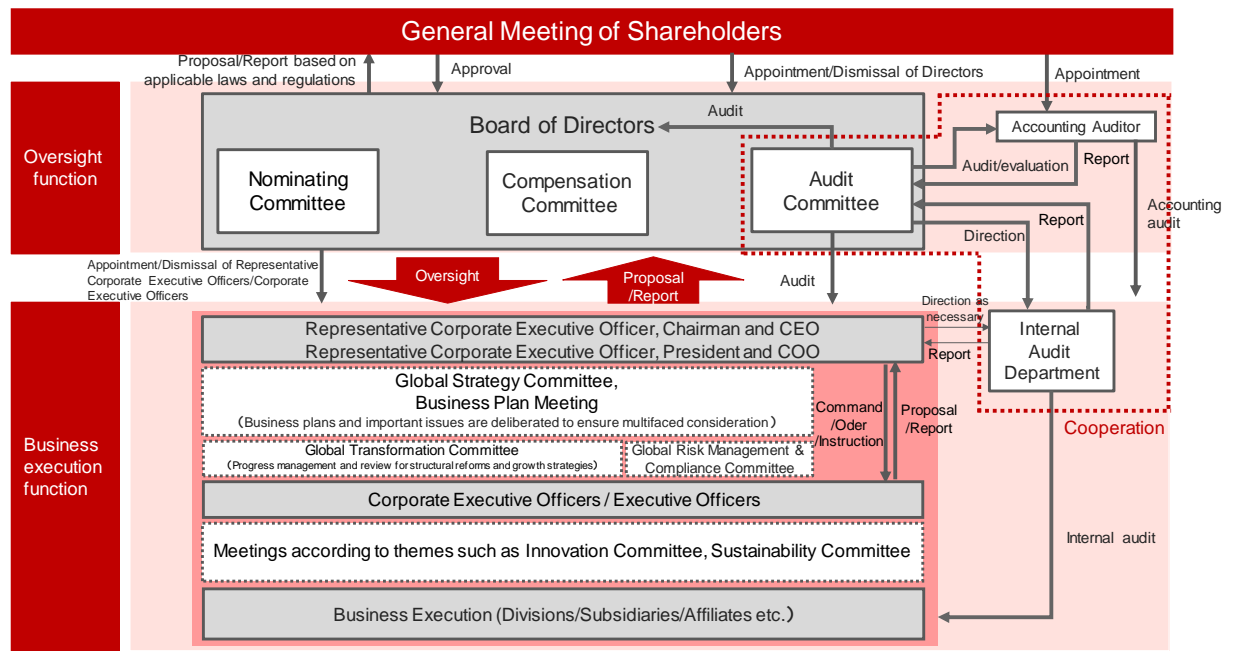
Now, the Company will strengthen its commitment to improving profitability through structural reforms and proactive investments with an aim to achieve sustainable, stable growth even in the highly volatile external environment of today.

To help drive this business transformation, the Company will change its corporate governance structure to a “Company with Three Statutory Committees” which intends to clearly separate the functions between management oversight and execution of the Company’s business, while strengthening each of these functions. As a result of this transition, the oversight function of the Board of Directors will be reinforced by focusing on strategic planning while overseeing the implementation thereof in order to accelerate the overall business execution of the Company in a rapidly changing environment. We will also have a Nominating Committee and a Compensation Committee, each composed solely of independent directors and being held responsible for the appointment of directors and remuneration of directors and corporate executive officers with fairness, transparency, and objectivity for successful implementation of our business strategy. Moreover, the Company will strengthen the function of its Internal Audit Department to ensure that the Audit Committee has the ability to establish and maintain effective internal control within the organization. Additionally, corporate executive officers and executive officers will be responsible for the execution of the Company’s business through an accelerated decision-making process under the direct supervision of representative corporate executive officers.

2. Shiseido’s Governance Structure (plan) after Transition to a Company with Three Statutory Committees

If the second and third items of business are approved as originally proposed, the governance structure of the Company will be as follows.

Corporate governance structure after the transition



Third Item of Business: Election of Eleven (11) Directors

On the condition that the second item of business “Partial Amendment to the Articles of Incorporation” is approved as originally proposed and the amendments to the Articles of Incorporation pertaining to this item of business comes into effect, the Company will transition from a Company with an Audit & Supervisory Board to a Company with Three Statutory Committees and the term of office of all ten (10) directors and five (5) Audit & Supervisory Board members will expire immediately upon the conclusion of this general meeting of shareholders.

As a result of the transition to a Company with Three Statutory Committees, the oversight function of the Board of Directors of the Company will be reinforced by focusing on strategic planning and overseeing the implementation thereof in order to accelerate the overall business execution of the Company in a rapidly changing environment. Thus, the Company cordially asks shareholders to elect eleven (11) directors based on the amended provisions of the Articles of Incorporation subject to shareholder approval of the second item of business and enforcement thereof.

<Reference>

● 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 responsibilities of a director entrusted with the management of the Company by shareholders, by fully taking into consideration their personality, expertise and other aspects regardless of gender, age and nationality. According to this policy, the Board of Directors has nominated candidates for directors upon receiving a report from the Nomination & Remuneration Advisory Committee.

Furthermore, the Company sets forth criteria for Independence of External Directors and Audit & Supervisory Board Members. The seven (7) candidates for external directors proposed in the second item of business have sufficiently fulfilled the criteria. The criteria is listed on our corporate information website “INVESTORS > Corporate Governance > Corporate Governance System”

(<https://corp.shiseido.com/en/ir/governance/system.html>).

● Percentage of External Directors and Female Directors After the Conclusion of This General Meeting of Shareholders

Percentage of external directors	63.6% (7 out of 11)
Percentage of female directors	45.4% (5 out of 11)

Candidates for Directors

No.	Name	Main Position(s) and Responsibilities Currently Held at the Shiseido Group	Attributes of the Candidates
1	Masahiko Uotani	Representative Director Chairman and CEO Chairman of the Board Member of Nomination & Remuneration Advisory Committee	
2	Kentaro Fujiwara	Representative Director President and COO	
3	Hiromi Anno	Audit & Supervisory Board Member (Full-time)	Candidate for New Director
4	Takeshi Yoshida	Audit & Supervisory Board Member (Full-time)	Candidate for New Director
5	Kanoko Oishi	External Director Member of the Nomination & Remuneration Advisory Committee	Candidate for External Director Candidate for Independent Director
6	Shinsaku Iwahara	External Director Chair of the Nomination & Remuneration Advisory Committee	Candidate for External Director Candidate for Independent Director
7	Mariko Tokuno	External Director Member of the Nomination & Remuneration Advisory Committee	Candidate for External Director Candidate for Independent Director
8	Yoshihiko Hatanaka	External Director Member of the Nomination & Remuneration Advisory Committee	Candidate for External Director Candidate for Independent Director
9	Hiroshi Ozu	External Audit & Supervisory Board Member	Candidate for New Director Candidate for External Director Candidate for Independent Director
10	Yasuko Gotoh	External Audit & Supervisory Board Member	Candidate for New Director Candidate for External Director Candidate for Independent Director
11	Ritsuko Nonomiya	External Audit & Supervisory Board Member	Candidate for New Director Candidate for External Director Candidate for Independent Director

<Reference> Diverse Backgrounds of Directors Under the New Governance Structure (After the Conclusion of This General Meeting of Shareholders (Planned))

As proposed in the second item of business, the Company will change its governance structure to a Company with Three Statutory Committees, and has redefined the criteria for “knowledge and expertise required for a director of the Company” under the new governance structure as follows. If the second and third items of business are approved as proposed, directors of the Company will have the following backgrounds presented below. The Board of Directors will consist of members with diverse backgrounds so that these members are able to offer knowledge and insights recognized as important for the Company.

Knowledge and expertise required for a director of the Company

Main experience	Icon	Specific
Experience as top management of a listed company		Practice management to realize sustainable growth and medium-to long-term enhancement of corporate value while considering the relationship with stakeholders
Corporate management experience		Clear awareness towards changes in the business environment, develop appropriate strategies, and support business execution with accountability
Experience in BtoC, neighboring industries		Have good understanding of the industry environment and pursue effective positioning to enhance customer value and the Company’s competitive advantage
Brand marketing		Build and strengthen brand equity value to increase profitability of the business and enhance corporate value
Legal affairs and risk management		Ensure effective risk management process and compliance across the organization to support the basis for fair and sound business practices
Finance, accounting, financial systems		Develop and maintain a sound, strong financial position and provide oversight for strategic implementation of the Company’s business to achieve growth

	Uotani	Fujiwara	Anno	Yoshida	Oishi	Iwahara	Tokuno	Hatanaka	Ozu	Gotoh	Nonomiya
Experience as top management of a listed company	○							○			
Corporate management experience	○	○	○	○	○		○	○		○	○
Experience in BtoC, neighboring industry	○	○	○	○	○		○	○			
Brand marketing	○	○					○				
Legal affairs and risk management			○	○		○			○		
Finance, accounting, financial systems				○		○			○	○	○

	Corporate Management Structure After the Conclusion of the 124 th Ordinary General Meeting of Shareholders (Planned)			
	Main Position(s) and Responsibilities at the Group	Nominating Committee	Compensation Committee	Audit Committee
Masahiko Uotani	Director Representative Corporate Executive Officer Chairman and CEO Chairman of the Board			
Kentaro Fujiwara	Director Representative Corporate Executive Officer President and COO			
Hiromi Anno	Director			○ Full-time
Takeshi Yoshida	Director			○ Full-time
Kanoko Oishi	External Director	○	○	
Shinsaku Iwahara	External Director	○	○	
Mariko Tokuno	External Director	○	○	
Yoshihiko Hatanaka	External Director	○	○	
Hiroshi Ozu	External Director			○
Yasuko Gotoh	External Director			○
Ritsuko Nonomiya	External Director			○

* Mr. Masahiko Uotani and Mr. Kentaro Fujiwara will not be the members of any of the three statutory committees: Nominating Committee, Compensation Committee and Audit Committee.



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

Career Summary / Position and Responsibilities in 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 Mondelez 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
- Jun. 2014: Representative Director of the Company
- Jan. 2020: Japan Region CEO of the Company
Representative Director, Chair and President, Shiseido Japan Co., Ltd.
- Oct. 2020: Representative Director, Chair and CEO, Shiseido Japan Co., Ltd.
- Jan. 2021: Executive Officer of the Company [incumbent]
- Jan. 2023: Chairman and CEO of the Company [incumbent]

- Number of shares of the Company owned
10,900 shares
- Number of years in office of the Company as Director
9 years and 9 months
- Number of attendance at the Board of Directors meetings of the Company for the fiscal year ended December 31, 2023
14 out of 14 Board of Directors meetings (100%)

Important Positions at Other Organizations Concurrently Held

None

- Number of attendance at the Nomination & Remuneration Advisory Committee meetings of the Company for the fiscal year ended December 31, 2023
5 out of 5 Nomination & Remuneration Advisory Committee meetings (100%)

Reasons for Nomination of the Candidate for Director

As detailed in the above career summary, Mr. Masahiko Uotani has a wealth of 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.

He has been leading overall management; specifically, he has been executing a drastic business reform to make the premium skin beauty category a core business under the COVID-19 pandemic since 2020, and progressed the medium-term strategy "SHIFT 2025 and Beyond" in 2023 with the aim of becoming the world's No. 1 player in this category by 2030.

In 2023, Mr. Uotani, as Representative Director, Chairman and CEO, cooperated closely with Mr. Fujiwara, Representative Director, President and COO and provided strong support for promoting the new medium-term management strategy led by Mr. Fujiwara. At the same time, he demonstrated leadership toward smooth transition of the management structure.

Due to these results and the ability to promote reforms as well as the leadership that enables him to run the Board of Directors smoothly, the Board of Directors has continuously selected him as a candidate for director. After his appointment, Mr. Uotani, as Representative Director, Chairman and CEO, is expected to support Mr. Fujiwara under the new governance structure and further reinforce the management structure while ensuring smooth transition.

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

Experience of the candidate



Experience as top management of a listed company



Corporate management experience



Experience in BtoC, neighboring industries



Brand marketing

Special Interest between the Candidate and the Company

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



2. Kentaro Fujiwara

(Date of birth: December 21, 1966)

Career Summary / Positions and Responsibilities in the Company

- Apr. 1991: Joined the Company
- Jul. 2004: Director, Europe Distribution Center, Shiseido Europe S.A.
- Nov. 2011: Director, President, Shiseido Korea Co., Ltd.
- May 2013: Director, President, Shiseido Professional Korea Co., Ltd.
- Apr. 2015: Vice President, Corporate Strategy Department of the Company Group Leader, Digital Strategy Group of the Company
- Nov. 2015: Chairman of the Board, President of Shiseido China Co., Ltd.
- Jan. 2016: Corporate Officer of the Company, China Region
- Jan. 2018: Corporate Officer of the Company, China Region Chief Executive Officer (CEO)
- Jan. 2020: Senior Executive Officer of the Company, China Region CEO
- Jan. 2021: Executive Officer of the Company [incumbent]
- Jan. 2023: President and Chief Operating Officer (COO) of the Company [incumbent]
- Mar. 2023: Representative Director of the Company [incumbent]
- Sep. 2023: Representative Director, Chairman of Shiseido Japan Co., Ltd.
- Jan. 2024: Japan Region CEO of the Company [incumbent]
Representative Director, President and CEO of Shiseido Japan Co., Ltd. [incumbent]

- Number of shares of the Company owned
2,100 shares
- Number of years in office of the Company as Director
1 year
- Number of attendance at the Board of Directors meetings of the Company for the fiscal year ended December 31, 2023
11 out of 11 Board of Directors meetings (100%)

Important Positions at Other Organizations Concurrently Held

None




Reasons for Nomination of the Candidate for Director

Since joining the Company, Mr. Kentaro Fujiwara has been in charge primarily of the overseas business in Europe, Korea and others, driving business operations while promoting interactions with diverse cultures and human resources. Since 2015, he has headed our Chinese business, deepening his knowledge on the latest digital business and achieving significant growth in business while gaining experience in managing a large organization with nearly 10,000 people. In 2023, Mr. Fujiwara, as Representative Director, President and COO, cooperated closely with Mr. Uotani in formulating and promoting the medium-term strategy “SHIFT 2025 and Beyond” and led the overall management. Further, since September, Mr. Fujiwara, as Representative Director and Chairman of Shiseido Japan Co., Ltd., has been driving the restructuring of the revenue base of the Japanese business.

Considering this proven track record and in anticipation that he will continue to undertake his role as a management leader who is capable of further pursuing the hands-on, realistic approach the Company has been practicing to date, the Board of Directors has decided to continuously select him as a candidate for director. After his appointment, he is expected, as Representative Director, President and COO, to continue working hand in hand with Mr. Uotani under the new governance structure, in order to further strengthen the management structure and to ensure smooth transition.

Based on his career stated in “Career Summary / Positions and Responsibilities in the Company” and other background, Mr. Fujiwara has experience as follows:

Experience of the candidate

-  Corporate management experience
-  Experience in BtoC, neighboring industries
-  Brand marketing

Special Interest between the Candidate and the Company

There is no special interest between Mr. Kentaro Fujiwara and the Company.



Ms. Hiromi Anno *1 (Date of birth: July 27, 1970)

Candidate for New Director

Career Summary / Positions and Responsibilities in the Company

- Apr. 1995: Joined the Company
- Jan. 2018: Chief Manager of Global Communications Department of the Company
- Jan. 2020: Corporate Officer, Chief Public Relations Officer of the Company
- Jan. 2021: Executive Officer of the Company
- Mar. 2023: Audit & Supervisory Board Member of the Company [incumbent]

Important Positions at Other Organizations Concurrently Held

None

Reasons for Nomination of the Candidate for Director

- Number of shares of the Company owned
700 shares
- Number of years in office of the Company as Audit & Supervisory Board member
1 year
- Number of attendance at the Board of Directors meetings of the Company for the fiscal year ended December 31, 2023*2
11 out of 11 Board of Directors meetings (100%)

Since joining the Company, Ms. Hiromi Anno has gained experience in the sales sites of our domestic business, IR involving dialogues with investors, and business planning, among others. She has also been serving as the head of Global Communications Dept., Corporate Officer, and Executive Officer and also has experience and extensive knowledge in corporate governance and compliance. Since 2023, Ms. Anno, as a full-time Audit & Supervisory Board member, has been candidly providing recommendations on management and organizational issues from an unbiased and objective viewpoint at the Board of Directors meetings and has been adequately fulfilling her duties and responsibilities including the oversight of business execution.

Based on her experience stated above, the Company is of the opinion that she will adequately fulfill the role of a director. Accordingly, the Board of Directors has nominated her as a candidate for director. After appointment, she is expected to fulfill her role as a member of the Board of Directors and of the Audit Committee under the new governance structure.

Based on her career stated in “Career Summary / Positions and Responsibilities in the Company” and other background, Ms. Anno has experience as follows:

Experience of the candidate



Corporate management experience



Experience in BtoC, neighboring industries



Legal affairs and risk management

Special Interest between the Candidate and the Company

There is no special interest between Ms. Hiromi Anno and the Company.

*1 The legal name of Ms. Hiromi Anno, a candidate for director, is Hiromi Hara.

*2 Attendance as an Audit & Supervisory Board member



4. Takeshi Yoshida (Date of birth: October 4, 1961)

Candidate for New Director

Career Summary / Positions and Responsibilities in the Company

- Aug. 1985: Joined Okura Keiei Keiri Gakuin Co., Ltd.
- Feb. 1992: Joined the Company
- Apr. 2009: General Manager of Cosmetics Business Planning Department, General Manager of Business Administration Group, Cosmetics Business Planning Department of the Company
- Apr. 2011: Executive Vice President, Shiseido Americas Corporation
- Oct. 2014: Department Director, Internal Audit Department of the Company
- Jan. 2016: Department Director, Business Planning Department, Shiseido Japan Co., Ltd.
- Jan. 2017: Director, Personal Care Planning Department, FT Shiseido Co., Ltd. (currently FineToday Holdings Co., Ltd.)
- Mar. 2018: Audit & Supervisory Board Member of the Company [incumbent]

- Number of shares of the Company owned
3,800 shares
- Number of years in office of the Company as Audit & Supervisory Board Member
6 years
- Number of attendance at the Board of Directors meetings of the Company for the fiscal year ended December 31, 2023*
14 out of 14 Board of Directors meetings (100%)

* Attendance as an Audit & Supervisory Board member

Important Positions at Other Organizations Concurrently Held

None





Reasons for Nomination of the Candidate for Director

Mr. Takeshi Yoshida was engaged in the management of various business departments and internal audit of the Company. With these experiences he has adequately fulfilled the role of an audit & supervisory board member through demonstrating skills in performing audits of accounting audits by accounting auditors and auditing the legality and appropriateness of business execution and the Board of Directors. In addition, he is well versed in business, accounting, and finance, and has candidly raised management issues to the members of the Board of Directors as well as offered recommendations to resolve such issues from a company-wide, objective perspective at all times and has fulfilled adequately the role including oversight of the Company's business execution.

Based on his experience stated above, the Company is of the opinion that he would be able to also adequately fulfill the role of a director. Accordingly, the Board of Directors has nominated him as a candidate for a director. After appointment, he is expected to fulfill his role as a member of the Board of Directors and of the Audit Committee under the new governance structure.

Based on his career stated in "Career Summary / Positions and Responsibilities in the Company" and other background, Mr. Yoshida has experience as follows:

Experience of the candidate

-  Corporate management experience
-  Experience in BtoC, neighboring industries
-  Legal affairs and risk management
-  Finance, accounting, financial systems

Special Interest between the Candidate and the Company

There is no special interest between Mr. Takeshi Yoshida and the Company.



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

Career Summary / Positions and Responsibilities in 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

- Number of shares of the Company owned
3,100 shares
- Number of years in office of the Company as External Director
8 years
- Number of attendance at the Board of Directors meetings of the Company for the fiscal year ended December 31, 2023
14 out of 14 Board of Directors meetings (100%)
- Number of attendance at the Nomination & Remuneration Advisory Committee meetings of the Company for the fiscal year ended December 31, 2023
5 out of 5 Nomination & Remuneration Advisory Committee meetings (100%)

Important Positions at Other Organizations Concurrently Held

(* indicates a listed company)

- CEO, MEDIVA Inc.
- CEO, Seeds 1 Co., Ltd.
- Outside Director, Ezaki Glico Co., Ltd.*
- External Board Member, SANTEN PHARMACEUTICAL CO., LTD.*

Reasons for Nomination of the Candidate for External Director and Outline of Expected Roles

Ms. Kanoko Oishi is a candidate for external director fulfilling the requirements set forth in Article 2, paragraph (3), item (vii) of the Regulation 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 such knowledge and experience, she has been fulfilling the role adequately including oversight on business execution as an external director of the Company by actively offering comments in discussions on business structure reforms and other matters at meetings of the Board of Directors.

In addition, as a member of the Nomination & Remuneration Advisory Committee, she attended the Committee meetings and actively expressed precise opinions from the perspective of an incumbent management executive.

For the reasons stated above, the Company is of the opinion that she would be able to adequately fulfill the role of an external director. Accordingly, the Board of Directors has continuously selected her as a candidate for external director. After appointment, she is expected to continue fulfilling the aforementioned role as well as fulfill the role as a member of the Nominating Committee and the Compensation Committee under the new governance structure.

Based on her career stated in “Career Summary / Positions and Responsibilities in the Company” and other background, Ms. Oishi has experience as follows:

Experience of the candidate



Corporate management experience



Experience in BtoC, neighboring industries

Special Interest between the Candidate and the Company

Ms. Kanoko Oishi concurrently holds the office of Outside Director of Ezaki Glico Co., Ltd. (“Ezaki Glico”) and External Board Member of SANTEN PHARMACEUTICAL CO., LTD. (“SANTEN PHARMACEUTICAL”), with which the Company has the following transactions:

<Organizations at Which the Candidate Concurrently Assumes the Position 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, 2023
				Less than 1%	Consolidated net sales of Ezaki Glico for the fiscal year ended December 31, 2023
SANTEN PHARMA-CEUTICAL CO., LTD.	Cosmetics, etc. (Sale)	SANTEN PHARMA-CEUTICAL 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, 2023
				Less than 1%	Consolidated net revenue of SANTEN PHARMACEUTICAL CO., LTD. for the fiscal year ended March 31, 2023



6. Shinsaku Iwahara

(Date of birth: December 17, 1952)

Candidate for External Director

Candidate for Independent Director

Career Summary / Positions and Responsibilities in 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, Chair, Corporate Legislation Subcommittee, Legislative Council, Ministry of Justice
 - Apr. 2013: Professor, Faculty of Law, Waseda University
 - 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
 - Sep. 2021: Chair, Nomination & Remuneration Advisory Committee of the Company [incumbent]
 - Apr. 2023: Emeritus Professor, Waseda University [incumbent]
 - Dec. 2023: Member, The Japan Academy [incumbent]
- Number of shares of the Company owned
1,000 shares
 - Number of years in office of the Company as External Director
6 years
 - Number of attendance at the Board of Directors meetings of the Company for the fiscal year ended December 31, 2023
14 out of 14 Board of Directors meetings (100%)
 - Number of attendance at the Nomination & Remuneration Advisory Committee meetings of the Company for the fiscal year ended December 31, 2023
5 out of 5 Nomination & Remuneration Advisory Committee meetings (100%)

Important Positions at Other Organizations Concurrently Held

None

Reasons for Nomination of the Candidate for External Director and Outline of Expected Roles

Mr. Shinsaku Iwahara is a candidate for external director fulfilling the requirements set forth in Article 2, paragraph (3), item (vii) of the Regulation 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. Based on such knowledge and experience, he has been contributing to improve the effectiveness of the Board of Directors of the Company by actively offering comments at meetings of the Board of Directors on the recent changes to the corporate governance structure, the desired state of the Board of Directors and other matters.

In addition, since September 2021, Mr. Iwahara has assumed the chair of the Company's Nomination & Remuneration Advisory Committee, and actively expresses opinions regarding nomination and remuneration as the chair within and outside of the Committee. In 2023, as the chair of the Committee, he contributed to discussions including deliberations at the meetings of the Nomination & Remuneration Advisory Committee and the Board of Directors regarding the transition to a Company with Three Statutory Committees and fulfilled adequately his supervisory role as the Company's external director in enhancing a higher level of corporate governance.

He has not been engaged in management of any companies or any positions other than an external director. For the reasons stated above, however, the Company is of the opinion that he would be able to adequately fulfill the role of an external director. Accordingly, the Board of Directors has decided to continuously select him as a candidate for external director. After appointment, he is expected to continue fulfilling the aforementioned role as well as fulfill the role as a member of the Nominating Committee and the Compensation Committee under the new governance structure.

Based on his career stated in "Career Summary / Positions and Responsibilities in the Company" and other background, Mr. Iwahara has experience as follows:

Experience of the candidate



Legal affairs and risk management



Finance, accounting, financial systems

Special Interest between the Candidate and the Company

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

7. Mariko Tokuno

(Date of birth: October 6, 1954)



- Number of shares of the Company owned
1,000 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, 2023
13 out of 14 Board of Directors meetings (92.8%)
- Number of attendance at the Nomination & Remuneration Advisory Committee meetings of the Company for the fiscal year ended December 31, 2023
5 out of 5 Nomination & Remuneration Advisory Committee meetings (100%)

Career Summary / Positions and Responsibilities in the Company

Apr. 1978: Joined The Bank of Tokyo, Ltd. (currently MUFG Bank, Ltd.)
 Jan. 1994: Joined Louis Vuitton Japan K.K.
 Apr. 2002: Senior Director, Sales Administration, Louis Vuitton Japan K.K.
 Mar. 2004: Vice President, Tiffany & Co., Japan Inc.
 Aug. 2010: Representative Director, President, Christian Dior K.K.
 Jun. 2013: Outside director, HAPPINET CORPORATION
 Sep. 2013: Representative Director, President and CEO, Ferragamo Japan K.K.
 Jun. 2016: Outside Director, Mitsubishi Materials Corporation [incumbent]
 Jun. 2017: Outside Director, YAMATO HOLDINGS CO., LTD. [incumbent]
 Mar. 2022: External Director of the Company [incumbent]

Important Positions at Other Organizations Concurrently Held

(* indicates a listed company)

Outside Director, Mitsubishi Materials Corporation*
 Outside Director, YAMATO HOLDINGS CO., LTD.*

Reasons for Nomination of the Candidate for External Director and Outline of Expected Roles

Ms. Mariko Tokuno is a candidate for external director fulfilling the requirements set forth in Article 2, paragraph (3), item (vii) of the Regulation for Enforcement of the Companies Act.

Through her extensive experience of assuming executive roles at owner companies of global prestige brands, she has deep knowledge of the prestige brand business as well as insight into corporate management, marketing, and other areas from a global perspective. Based on her experience and knowledge, she has been actively expressing her opinions concerning the Company's marketing strategies at the Board of Directors meetings and adequately serving the role as the Company's external director through offering advice from both management and marketing perspectives and providing oversight.

In addition, as a member of the Nomination & Remuneration Advisory Committee, she attended meetings of the Committee and actively made appropriate comments based on her accumulated experience as an external director at several companies.

For the reasons stated above, the Company is of the opinion that she would be able to adequately fulfill the role of an external director. Accordingly, the Board of Directors has continuously selected her as a candidate for external director. After appointment, she is expected to continue fulfilling the aforementioned role as well as fulfill the role as a member of the Nominating Committee and the Compensation Committee under the new governance structure.

Based on her career stated in "Career Summary / Positions and Responsibilities in the Company" and other background, Ms. Tokuno has experience as follows:

Experience of the candidate



Corporate management experience



Experience in BtoC, neighboring industries



Brand marketing

Special Interest between the Candidate and the Company

Ms. Mariko Tokuno concurrently holds the office of Outside Director of Mitsubishi Materials Corporation ("Mitsubishi Materials") and Outside Director of YAMATO HOLDINGS CO., LTD. ("YAMATO HOLDINGS"), with which the Company has the following transactions:

<Organizations at Which the Candidate Concurrently Assumes the Position 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
Mitsubishi Materials Corporation	Outsourcing business, etc.	Mitsubishi Materials 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, 2023
				Less than 1%	Consolidated net sales of Mitsubishi Materials for the fiscal year ended March 31, 2023
YAMATO HOLDINGS CO., LTD.	Outsourcing business, etc.	YAMATO HOLDINGS 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, 2023
				Less than 1%	Consolidated operating revenue of YAMATO HOLDINGS for the fiscal year ended March 31, 2023



8. Yoshihiko Hatanaka

(Date of birth: April 20, 1957)

Career Summary / Positions and Responsibilities in the Company

- Apr. 1980: Joined Fujisawa Pharmaceutical Co., Ltd. (currently Astellas Pharma Inc.)
- Jun. 2005: Corporate Executive, Vice President, Corporate Planning, Corporate Strategy Division, Astellas Pharma Inc.
- Apr. 2006: Corporate Executive, Astellas Pharma Inc. and President & CEO, Astellas US LLC and President & CEO, Astellas Pharma US, Inc.
- Jun. 2008: Senior Corporate Executive, Astellas Pharma Inc. and President & CEO, Astellas US LLC and President & CEO, Astellas Pharma US, Inc.
- Apr. 2009: Senior Corporate Executive, Chief Strategy Officer and Chief Financial Officer (CSTO & CFO), Astellas Pharma Inc.
- Jun. 2011: Representative Director, President and CEO, Astellas Pharma Inc.
- Apr. 2018: Representative Director, Chairman of the Board, Astellas Pharma Inc.
- Jun. 2019: Outside Director, Sony Corporation (currently SONY GROUP CORPORATION) [incumbent]
- Mar. 2023: External Director of the Company [incumbent]
- Jun. 2023: Outside Director, Sekisui Chemical Co., Ltd. [incumbent]

- Number of shares of the Company owned
200 shares
- Number of years in office of the Company as External Director
1 year
- Number of attendance at the Board of Directors meetings of the Company for the fiscal year ended December 31, 2023
10 out of 11 Board of Directors meetings (90.9%)
- Number of attendance at the Nomination & Remuneration Advisory Committee meetings of the Company for the fiscal year ended December 31, 2023
3 out of 3 Nomination & Remuneration Advisory Committee meetings (100%)

Important Positions at Other Organizations Concurrently Held

(* indicates a listed company)

Outside Director, SONY GROUP CORPORATION*

Outside Director, Sekisui Chemical Co., Ltd.*

Reasons for Nomination of the Candidate for External Director and Outline of Expected Roles

Mr. Yoshihiko Hatanaka is a candidate for external director fulfilling the requirements set forth in Article 2, paragraph (3), item (vii) of the Regulation for Enforcement of the Companies Act.

Mr. Hatanaka has diversified and broad knowledge into corporate management based on his extensive experience and achievements as a top executive of a globally operating listed company, as well as experience as a CEO of overseas subsidiaries and a head of corporate planning and finance. Based on his experience and knowledge, he has been actively offering precise advice and comments on the Company's business from the perspective of global corporate manager at the meetings of the Board of Directors and adequately serving the role as the Company's external director through providing supervision, etc., for further enhancement of governance.

In addition, as a member of the Nomination & Remuneration Advisory Committee, he attended meetings of the Committee and actively made precise comments based on his accumulated experience as an external director at several companies.

For the reasons stated above, the Company is of the opinion that he would be able to adequately fulfill the role of an external director. Accordingly, the Board of Directors has continuously selected him as a candidate for external director. After appointment, he is expected to continue fulfilling the aforementioned role as well as fulfill the role as a member of the Nominating Committee and the Compensation Committee under the new governance structure.

Based on his career stated in "Career Summary / Positions and Responsibilities in the Company" and other background, Mr. Hatanaka has experience as follows:

Experience of the candidate



Experience as top management of a listed company



Corporate management experience



Experience in BtoC, neighboring industries

Special Interest between the Candidate and the Company

Mr. Yoshihiko Hatanaka concurrently holds the office of Outside Director of SONY GROUP CORPORATION (“SONY GROUP”) and Outside Director of Sekisui Chemical Co., Ltd. (“Sekisui Chemical”), with which the Company has the following transactions:

<Organizations at Which the Candidate Concurrently Assumes the Position 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
SONY GROUP CORPORATION	Outsourcing business, etc.	SONY 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, 2023
				Less than 1%	Consolidated net sales and financial services revenue of SONY Group for the fiscal year ended March 31, 2023
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, 2023
				Less than 1%	Consolidated net sales of Sekisui Chemical Co., Ltd. for the fiscal year ended March 31, 2023



9. Hiroshi Ozu

(Date of birth: July 21, 1949)

Candidate for New Director

Candidate for External Director

Candidate for Independent Director

Career Summary / Positions and Responsibilities in the Company

- | | |
|--|---|
| <ul style="list-style-type: none"> ■ Number of shares of the Company owned
600 shares ■ Number of years in office of the Company as External Director
7 years ■ Number of attendance at the Board of Directors meetings of the Company for the fiscal year ended December 31, 2023*
14 out of 14 Board of Directors meetings
(100%) | <ul style="list-style-type: none"> Apr. 1974: Public Prosecutor, Tokyo District Public Prosecutors Office Jun. 2001: Chief Prosecutor, Saga Public Prosecutors Office Aug. 2002: Public Prosecutor, Supreme Public Prosecutors Office Jun. 2004: Deputy Vice-Minister, Ministry of Justice Jun. 2006: Director-General, Criminal Affairs Bureau, Ministry of Justice Jul. 2007: Vice-Minister, Ministry of Justice Jul. 2009: Superintendent Public Prosecutor, Sapporo High Public Prosecutors Office Dec. 2010: Deputy Prosecutor-General, Supreme Public Prosecutors Office Aug. 2011: Superintendent Public Prosecutor, Tokyo High Public Prosecutors Office Jul. 2012: Prosecutor-General, Supreme Public Prosecutors Office Sep. 2014: Registered as Attorney Jun. 2015: External Audit & Supervisory Board Member, MITSUI & CO., LTD.
Outside Audit & Supervisory Board Member, TOYOTA MOTOR CORPORATION Mar. 2016: Representative Director, Shimizu Scholarship Foundation, general incorporated foundation [incumbent] Nov. 2016: President, Criminal Justice Welfare Forum Oasis, general incorporated association Mar. 2017: External Audit & Supervisory Board Member of the Company [incumbent] May 2017: President, Japan Criminal Policy Society |
|--|---|

* Attendance as an Audit & Supervisory Board member

Important Positions at Other Organizations Concurrently Held

- Attorney
- Representative Director, Shimizu Scholarship Foundation, general incorporated foundation

Reasons for Nomination of the Candidate for External Director and Outline of Expected Roles

Mr. Hiroshi Ozu is a candidate for external director fulfilling the requirements set forth in Article 2, paragraph (3), item (vii) of the Regulation for Enforcement of the Companies Act.

Having held a series of important positions in the legal world, such as Vice-Minister of at the Ministry of Justice and Prosecutor General at the Supreme Public Prosecutors Office, he has wide-ranging experience and knowledge focused on the legal field. He also has abundant experience and knowledge gained through serving as external audit & supervisory board member in multiple other companies. Based on his experience and knowledge, he performed audits for verifying the legality and appropriateness of the execution of duties by directors.

Mr. Ozu has not been engaged in management of any companies or any positions other than an external audit & supervisory board member. For the reasons stated above, however, the Company is of the opinion that he would be able to perform adequately the duties of external director. Accordingly, the Board of Directors has decided to nominate him as a candidate for an external director. After appointment, he is expected to fulfill his role as a member of the Board of Directors and of the Audit Committee under the new governance structure.

Based on his career stated in "Career Summary / Positions and Responsibilities in the Company" and other background, Mr. Ozu has experience as follows:

Experience of the candidate



Legal affairs and risk management



Finance, accounting, financial systems

Special Interest between the Candidate and the Company

There is no special interest between Mr. Hiroshi Ozu and the Company.



10. Yasuko Gotoh (Date of birth: February 19, 1958)

Candidate for New Director

Candidate for External Director

Candidate for Independent Director

- Number of shares of the Company owned
900 shares
- Number of years in office of the Company as external Audit & Supervisory Board member
5 years
- Number of attendance at the Board of Directors meetings of the Company for the fiscal year ended December 31, 2023*
14 out of 14 Board of Directors meetings (100%)

* Attendance as an Audit & Supervisory Board member

Career Summary / Positions and Responsibilities in the Company

- Apr. 1980: Joined Ministry of Transport (currently Ministry of Land, Infrastructure, Transport and Tourism (MLIT))
- Jun. 2004: Director, Tourism Promotion Bureau at New York, Tourist Bureau of Japan
- Oct. 2005: Deputy Governor, Yamagata Prefecture
- Jul. 2008: Director, Regional Transport Bureau of Hokuriku and Shinetsu Regions, MLIT
- Jul. 2013: Director General, Policy Research Institute for Land, Infrastructure and Transport and Tourism, MLIT
- Oct. 2014: Joined Kyushu Railway Company
- Jun. 2015: Deputy Director General, Railway Operations Headquarters, Kyushu Railway Company
Director General, Travel Services Headquarters, Kyushu Railway Company
- Jun. 2017: Managing Director, CFO in charge of the Treasury Department, Kyushu Railway Company
- Jun. 2018: Director, Audit and Supervisory Committee Member, Kyushu Railway Company
- Mar. 2019: External Audit & Supervisory Board Member of the Company [incumbent]
- Jun. 2019: Outside Audit & Supervisory Board Member, DENSO CORPORATION [incumbent]
- Apr. 2023: Guest professor, Faculty of Tourism and Community Development, Kokugakuin University [incumbent]
- Jun. 2023: Outside Audit & Supervisory Board Member, Mitsui Chemicals, Inc. [incumbent]
- Oct. 2023: Audit and Inspection Commissioners, the Tokyo Metropolitan Government [incumbent]

Important Positions at Other Organizations Concurrently Held

(* indicates a listed company)

Outside Audit & Supervisory Board Member, DENSO CORPORATION*

Outside Audit & Supervisory Board Member, Mitsui Chemicals, Inc. *

Audit and Inspection Commissioners, the Tokyo Metropolitan Government

Reasons for Nomination of the Candidate for External Audit & Supervisory Board Member and Outline of Expected Roles

Ms. Yasuko Gotoh is a candidate for external director fulfilling the requirements set forth in Article 2, paragraph (3), item (vii) of the Regulation for Enforcement of the Companies Act.

She was the first female career bureaucrat in the Ministry of Transport (currently the Ministry of Land, Infrastructure, Transport and Tourism (MLIT)) and served as Director of Tourism Promotion Bureau at New York of Tourist Bureau of Japan. Meanwhile, she has an extensive network having held a succession of various important posts including that of Deputy Governor of Yamagata Prefecture and Director General of the Policy Research Institute for Land, Infrastructure and Transport and Tourism. After retiring from MLIT, she held various executive positions in Kyushu Railway Company including the Managing Director in the business and financial divisions as well as Director, Audit and Supervisory Committee Member responsible for auditing of the business execution process by the directors. Currently, she serves as Outside Audit & Supervisory Board Member at other firms and has experience and knowledge in finance and accounting. She has performed audits for verifying the legality and appropriateness of the execution of duties by corporate directors utilizing her experience and knowledge.

For the reasons stated above, the Company is of the opinion that she will adequately fulfill the role of an external director. Accordingly, the Board of Directors has decided to nominate her as a candidate for an external director. After appointment, she is expected to fulfill her role as a member of the Board of Directors and of the Audit Committee under the new governance structure.

Based on her career stated in “Career Summary / Positions and Responsibilities in the Company” and other background, Ms. Gotoh has experience as follows:

Experience of the candidate



Corporate management experience



Finance, accounting, financial systems

Special Interest between the Candidate and the Company

Ms. Yasuko Gotoh concurrently holds the office of Outside Audit & Supervisory Board Member of DENSO CORPORATION (“DENSO”) and Outside Audit & Supervisory Board Member of Mitsui Chemicals, Inc. (“Mitsui Chemicals”), with which the Company has the following transactions:

<Organizations at Which the Candidate Concurrently Assumes the Position 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
DENSO CORPORATION	Outsourcing business, etc.	DENSO 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, 2023
				Less than 1%	Consolidated net revenue of DENSO CORPORATION for the fiscal year ended March 31, 2023
Mitsui Chemicals, Inc.	Outsourcing business, etc.	Mitsui Chemicals 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, 2023
				Less than 1%	Consolidated net revenue of Mitsui Chemicals, Inc. for the fiscal year ended March 31, 2023



11. Ritsuko Nonomiya

(Date of birth: November 28, 1961)

Candidate for New Director

Candidate for External Director

Candidate for Independent Director

Career Summary / Positions and Responsibilities in 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
- Apr. 2013: Senior Executive Officer and Business Development Leader, GE Capital Japan, GE Japan (currently General Electric Company)
- Dec. 2013: Managing Director, GCA Savvian Corporation (currently GCA Corporation)
- Jan. 2015: Executive Officer, GCA Savvian Corporation (currently GCA Corporation)
- Mar. 2017: Director, GCA Corporation [incumbent]
- Mar. 2020: External Audit & Supervisory Board Member of the Company [incumbent]
- Jun. 2020: Outside Director, NAGASE & CO., LTD. [incumbent]
- Feb. 2022: CEO, Representative Director, Houlihan Lokey Corporation [incumbent]

- Number of shares of the Company owned
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, 2023*
14 out of 14 Board of Directors meetings
(100%)

* Attendance as an Audit & Supervisory Board member

Important Positions at Other Organizations Concurrently Held

(* indicates a listed company)

- Outside Director, NAGASE & CO., LTD.*
- CEO, Representative Director, Houlihan Lokey Corporation

Reasons for Nomination of the Candidate for External Director and Outline of Expected Roles

Ms. Ritsuko Nonomiya is a candidate for external director fulfilling the requirements set forth in Article 2, paragraph (3), item (vii) of the Regulation for Enforcement of the Companies Act.

She has accumulated business experience in accounting offices of the KPMG Group and other firms in the U.S. and Japan, and has engaged in M&A and business development processes in the UBS Group and the GE Group. Thus, she has an extensive knowledge in finance and accounting as well as knowledge and experience in business management including M&A.

She performed audits for verifying the legality and appropriateness of the execution of duties by directors utilizing her experience and knowledge.

For the reasons stated above, the Company is of the opinion that she will adequately fulfill the role of an external director. Accordingly, the Board of Directors has decided to nominate her as a candidate for external director. After the appointment, she is expected to fulfill her role as a member of the Board of Directors and of the Audit Committee under the new governance structure.

Based on her career stated in “Career Summary / Positions and Responsibilities in the Company” and other background, Ms. Nonomiya has experience as follows:

Experience of the candidate



Corporate management experience



Finance, accounting, financial systems

Special Interest between the Candidate and the Company

Ms. Ritsuko Nonomiya concurrently holds the office of Outside Director of NAGASE & CO., LTD. (“NAGASE & CO.”), with which the Company has the following transactions:

<Organizations at Which the Candidate Concurrently Assumes the Position 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
NAGASE & CO., LTD.	Raw materials, etc.	NAGASE & 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, 2023
				Less than 1%	Consolidated net sales of NAGASE & CO., LTD. for the fiscal year ended March 31, 2023

Notes:

1. Conclusion of liability limiting agreement

The Company has entered into such agreement with External Directors, Ms. Kanoko Oishi, Mr. Shinsaku Iwahara, Ms. Mariko Tokuno and Mr. Yoshihiko Hatanaka, under which their liability for compensation of damages is limited to the minimum limited liability amount provided in the laws and regulations. If this item of business is approved as originally proposed and each External Director is reappointed, the Company plans to renew the agreement with the same details. In addition, the Company has entered into such agreement with External Audit & Supervisory Board Members, Mr. Hiroshi Ozu, Ms. Yasuko Gotoh and Ms. Ritsuko Nonomiya, under which their liability for compensation of damages is limited to the minimum limited liability amount provided in the laws and regulations. If this item of business is approved as originally proposed and each Audit & Supervisory Board Member is appointed, the Company plans to enter into the agreement with the same details.

2. Execution of Directors and Officers Liability Insurance Agreement

The Company has concluded a directors and officers liability insurance agreement provided for in Article 430-3, paragraph (1) of the Companies Act with an insurance company. The said insurance agreement shall compensate for damages including compensation for damages and legal expenses to be borne by the insureds. The candidates will be included as insureds in the said insurance agreement. In addition, the Company plans to renew the agreement with details of the same degree at the time of next renewal.

3. Independent Directors

The Company has designated Ms. Kanoko Oishi, Mr. Shinsaku Iwahara, Ms. Mariko Tokuno, Mr. Yoshihiko Hatanaka, Mr. Hiroshi Ozu, Ms. Yasuko Gotoh and Ms. Ritsuko Nonomiya 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 these all External Directors as Independent Directors.

- 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 (<https://corp.shiseido.com/en/ir/shareholder/>) 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"

[\(https://corp.shiseido.com/en/ir/shareholder/\)](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””

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.

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