Annual Securities Report

(Report pursuant to Article 24. paragraph (1) of the
Financial Instruments and Exchange Act)

(The 124th Fiscal Year)

from January 1, 2023 to December 31, 2023

SHISEIDO

Shiseido Company, Limited

(E00990)

This document was prepared based on the Shiseido Company, Limited's Annual Securities Report in Japanese.
In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.
The accompanying consolidated financial statements, non-consolidated financial statements and internal control report are audited by KPMG AZSA LLC.

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[Document Title]	Annual Securities Report
[Clause of Stipulation]	Article 24, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Place of Filing]	Director-General, Kanto Local Finance Bureau
[Filing Date]	March 26, 2024
[Fiscal Year]	The 124th Fiscal Year (from January 1, 2023 to December 31, 2023)
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Part I Information on the Company

U.S. dollar amounts are converted from yen, for convenience only, at the rate of ¥141.70 = US$1 prevailing on December 31, 2023. Such translations should not be construed as representations that the Japanese yen amounts could be readily converted, realized or settled in U.S. dollars at this rate. Fractions resulting from the translations are rounded. Shiseido Company, Limited is referred to as "the Company."

1. Overview of the Company

1 Key Financial Data and Trends

(1) Consolidated financial data

Term	International Financial Reporting Standards				
	IFRS transition date	122nd	123rd	124th	124th
Fiscal year ended	January 1, 2021	Dec 2021	Dec 2022	Dec 2023	Dec 2023
Units of amount	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Thousands of U.S. dollars
Net sales	-	1,009,966	1,067,355	973,038	6,866,888
Profit before tax	-	99,111	50,428	31,037	219,033
Profit attributable to owners of parent	-	46,909	34,202	21,749	153,486
Comprehensive income attributable to owners of parent	-	85,469	84,722	55,801	393,797
Equity attributable to owners of parent	470,388	540,695	604,259	618,748	4,366,606
Total assets	1,339,775	1,300,979	1,307,661	1,255,497	8,860,247
Equity attributable to owners of parent per share (in yen and U.S. dollars)	1,177.54	1,353.45	1,512.36	1,548.20	10.93
Basic earnings per share (in yen and U.S. dollars)	-	117.43	85.60	54.43	0.38
Diluted earnings per share (in yen and U.S. dollars)	-	117.33	85.54	54.40	0.38
Ratio of equity attributable to owners of parent (%)	35.1	41.6	46.2	49.3	
Return on equity attributable to owners of parent (%)	-	9.3	6.0	3.6	
Price earnings ratio (times)	-	54.6	75.6	78.1	
Cash flows from operating activities	-	134,249	46,735	89,026	628,271
Cash flows from investing activities	-	66,733	(41,308)	(35,536)	(250,783)
Cash flows from financing activities	-	(190,575)	(52,418)	(75,642)	(533,818)
Cash and cash equivalents at end of period	136,347	156,503	119,036	104,685	738,779
Number of employees (persons) [Average number of part-time employees]	39,035 [7,516]	35,318 [6,613]	33,414 [5,833]	30,540 [5,319]	

Note: The Company and its consolidated subsidiaries (hereinafter collectively, "the Group") has adopted International Financial Reporting Standards (hereinafter "IFRS") from the 123rd Fiscal Year.

Term	Japanese GAAP			
	120th	121st	122nd	123rd
Fiscal year ended	Dec 2019	Dec 2020	Dec 2021	Dec 2022
Units of amount	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Net sales	1,131,547	920,888	1,035,165	1,067,355
Operating profit	113,831	14,963	40,726	38,752
Ordinary income	108,739	9,638	43,875	52,889
Net profit or loss attributable to owners of parent	73,562	(11,660)	31,154	21,007
Comprehensive income	72,653	10,431	72,134	53,133
Net assets	517,857	506,593	567,497	591,787
Total assets	1,218,795	1,204,229	1,215,044	1,211,020
Net assets per share (yen)	1,242.85	1,212.34	1,364.44	1,425.39
Net profit or loss per share (yen)	184.18	(29.19)	77.99	52.58
Fully diluted net profit per share (yen)	183.99	-	77.92	52.54
Ratio of operating profit to net sales (%)	10.1	1.6	3.9	3.6
Equity ratio (%)	40.7	40.2	44.9	47.0
Return on equity (%)	15.6	(2.4)	6.1	3.8
Price earnings ratio (times)	42.3	-	82.2	123.1
Cash flows from operating activities	75,562	64,045	127,125	33,720
Cash flows from investing activities	(202,823)	(70,084)	63,739	(41,983)
Cash flows from financing activities	113,678	46,880	(180,460)	(38,728)
Cash and cash equivalents at end of period	97,466	136,347	156,503	119,536
Number of employees (persons) [Average number of part-time employees]	40,000 [8,130]	39,035 [7,516]	35,318 [6,613]	33,414 [5,833]

Notes:

1. Effective from the beginning of the 123rd fiscal year, Shiseido Americas Corp. and its subsidiaries in the U.S. have adopted IFRS instead of U.S. Generally Accepted Accounting Principles (hereinafter “U.S. GAAP”), which had been previously applied. The consolidated financial data for the 122nd fiscal year have been retrospectively adjusted to reflect the change in accounting policy.
2. The retrospectively applied Japanese GAAP figures for the 122nd fiscal year and Japanese GAAP figures for the 123rd fiscal year have not been audited in accordance with the provisions of Article 193-2-1 of the Financial Instruments and Exchange Act.
3. The Group has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the 123rd Fiscal Year. The consolidated financial data for the 123rd and subsequent fiscal years are the figures after applying the new accounting standards.
4. Fully diluted net profit per share for the 121st Fiscal Year is not shown because Earnings per share is negative.
5. Price earnings ratio for the 121st Fiscal Year is not shown because the amount of net profit attributable to owners of parent is negative.

(2) Non-consolidated financial data

Term	120th	121st	122nd	123rd	124th	124th
Fiscal year ended	Dec 2019	Dec 2020	Dec 2021	Dec 2022	Dec 2023	Dec 2023
Units of amount	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Thousands of U.S. dollars
Net sales	303,663	249,335	275,063	305,969	259,361	1,830,353
Ordinary income	51,816	31,917	46,341	47,765	29,459	207,897
Net profit	98,506	33,867	103,788	28,470	19,346	136,528
Share capital	64,506	64,506	64,506	64,506	64,506	455,229
Total number of shares issued (thousand shares)	400,000	400,000	400,000	400,000	400,000	
Net assets	427,838	441,770	527,496	533,379	511,508	3,609,795
Total assets	790,009	819,138	901,402	905,652	869,593	6,136,860
Net assets per share (in yen and U.S. dollars)	1,067.94	1,102.40	1,317.74	1,332.56	1,278.08	9.02
Dividend per share (in yen and U.S. dollars) [Interim dividends included herein]	60.00 [30.00]	40.00 [20.00]	50.00 [20.00]	100.00 [25.00]	60.00 [30.00]	0.42 [0.21]
Net profit per share (in yen and U.S. dollars)	246.63	84.78	259.81	71.26	48.41	0.34
Fully diluted net profit per share (in yen and U.S. dollars)	246.38	84.70	259.59	71.21	48.38	0.34
Equity ratio (%)	54.0	53.8	58.4	58.8	58.7	
Return on equity (%)	25.3	7.8	21.5	5.4	3.7	
Price earnings ratio (times)	31.6	84.2	24.7	90.8	87.8	
Dividend payout ratio (%)	24.3	47.2	19.2	140.3	123.9	
Number of employees (persons) [Average number of part-time employees]	3,961 [1,492]	4,309 [1,646]	4,260 [1,779]	4,283 [1,678]	3,952 [1,541]	
Total shareholder return (%) [Benchmark: Dividend-included TOPIX] (%)	113.8 [118.1]	105.0 [126.8]	95.2 [143.0]	97.5 [139.5]	66.2 [178.9]	
Highest share price (in yen and U.S. dollars)	9,170.0	8,040.0	8,384.0	6,795.0	7,160.0	50.53
Lowest share price (in yen and U.S. dollars)	5,922.0	5,243.0	6,375.0	4,813.0	3,740.0	26.39

Notes:

1. The Company has applied the Accounting Standards Board of Japan (hereinafter “ASBJ”) Statement No. 29 “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the 123rd Fiscal Year. The consolidated financial data for the 123rd and subsequent fiscal years are the figures after applying the new accounting standards.
2. Highest share price and lowest share price were those recorded on the First Section of the Tokyo Stock Exchange before April 3, 2022, and those on the Tokyo Stock Exchange Prime Market after April 4, 2022.
3. Cash dividends per share for the 123rd fiscal year include a commemorative dividend of ¥50 for the 150th anniversary of the founding.

2. History

Month and year	Events
Sep. 1872	Founded as Shiseido Pharmacy in Tokyo Ginza
Jan. 1888	Released Fukuhara Sanitary Toothpaste, Japan's first toothpaste
Jan. 1897	Launched Eudermine and entered the Cosmetics Business market
Sep. 1915	Set "Hanatsubaki" (Camellia) as a company trademark
Dec. 1923	Launched a network of chain stores
Jun. 1927	Changes from limited partnership to joint-stock company
Aug. 1927	Launched sales company system
Jan. 1937	Established Shiseido Hanatsubaki Association (currently Hanatsubaki CLUB)
Sep. 1939	Completed construction of Shiseido Research and Development Lab (later Global Innovation Center)
Dec. 1948	Established Osaka Shiseido Co., Ltd. (currently Osaka Factory)
May. 1949	Listed on the Tokyo Stock Exchange
Jun. 1957	Taiwan Shiseido Co., Ltd. established (production started in April of the following year)
Oct. 1959	Established Shiseido Trading Co., Ltd. (absorbed by FT Shiseido Co., Ltd. after changing trade name to Shiseido Fine Toiletries Co., Ltd.)
Nov. 1959	Completed construction of Ofuna Factory (subsequently renamed Kamakura Factory)
Aug. 1965	Established Shiseido Cosmetics America (later integrated into Shiseido International Corp. (currently Shiseido Americas Corp.))
Jun. 1968	Established Shiseido Cosmetici (Italia) S.p.A. (currently Shiseido Italy S.p.A.)
Jul. 1975	Completed construction of Kakegawa Factory (started operation in Oct. 1975)
Jul. 1980	Established Shiseido Deutschland GmbH (currently Shiseido Germany GmbH)
Jan. 1983	Completed construction of Kuki Factory
Feb. 1986	Acquired CARITA in France
Aug. 1987	Established Shiseido Pharmaceutical Co., Ltd.
Aug. 1988	Established Shiseido International Corp. (currently Shiseido Americas Corp.)
Sep. 1988	Acquired Zotos in the U.S.
Mar. 1989	Changed the fiscal year-end from November 30 to March 31
Jan. 1990	Established Shiseido American Inc.
Oct. 1990	Beaute Prestige International S.A. (commercial name: Shiseido EMEA) established in France
Oct. 1991	Completed construction of Gien Factory in France
Nov. 1991	Established Shiseido Cosmenity Co., Ltd. (Currently Shiseido FITIT Co., Ltd.)
Dec. 1991	Established Shiseido Liyuan Cosmetics Co., Ltd., a joint venture with Beijing Liyuan Co., Ltd. in China
Apr. 1995	Merged 15 sales companies and established Shiseido Cosmetics Sales Co., Ltd. (later became Shiseido Sales Co., Ltd. Currently Shiseido Japan Co., Ltd.)
Dec. 1995	Established Shiseido International Inc.
Dec. 1996	Acquired North America Professional Business division of Helene Curtis, Inc. in the U.S.
Feb. 1998	Established Shanghai Zotos Citic Cosmetics Co., Ltd. (currently Shiseido Cosmetics Manufacturing Co., Ltd.) in Shanghai
Aug. 1998	Acquired Professional Business division of Lamore, Inc. in the U.S.
Sep. 1998	Established Shiseido Dah Chong Hong Cosmetics Ltd. (currently Shiseido Hong Kong Ltd.) in Hong Kong
May. 2000	Acquired Laboratories Decleor S.A.S. in France Acquired Bristol-Myers Squibb's Sea Breeze brand Acquired NARS brand in the U.S.
Oct. 2000	Established FT Shiseido Co., Ltd. and transferred Personal Care Business from Shiseido Co., Ltd.
Dec. 2001	Acquired U.S. Joico Laboratories, Inc. (later integrated into Zotos International Inc.)
Apr. 2003	Both production companies of Osaka Shiseido Co., Ltd. (Current Osaka Factory) and Shiseido Kako Co., Ltd. (later the Itabashi Factory) were absorbed by Shiseido Co., Ltd.
Dec. 2003	Established holding company Shiseido (China) Investment Co., Ltd. in Shanghai
Oct. 2004	Established Shiseido Professional Co., Ltd.
Mar. 2006	Closed two factories, Maizuru and Itabashi
Apr. 2007	Shiseido Logistics Service Co., Ltd. was transferred to Hitachi Transport System, Ltd., and logistics operations were outsourced.
Jan. 2008	Transferred Shiseido Leasing Co., Ltd. to Tokyo Leasing Co., Ltd. (Currently Tokyo Century Corporation)
Apr. 2008	Established Shiseido Vietnam Inc.

Month and year	Events
Mar. 2010	Acquired Bare Essential in the U.S.
May. 2010	Shiseido Dah Chong Hong Cosmetics Ltd. (currently Shiseido Hong Kong Ltd.) became wholly owned subsidiaries
Apr. 2012	Launched a new business model using Web (watashi+)
Apr. 2014	Transferred Carita brand and Decléor brand to L’Oréal
Mar. 2015	Closed Kamakura Factory
Jun. 2015	Established Shiseido Asia Pacific Pte. Ltd.
Oct. 2015	Transferred a portion of the Company's the Cosmetics Business in Japan to Shiseido Sales Co., Ltd. Shiseido Sales Co., Ltd. changed its trade name to Shiseido Japan Co., Ltd.
Dec. 2015	Changed the fiscal year-end from March 31 to December 31
Jan. 2016	Part of the Company’s corporate functions for Japan and Healthcare Business transferred to Shiseido Japan Co., Ltd.
Jan. 2016	Transferred the intellectual property rights related to fragrances of JEAN PAUL GAULTIER to PUIG
Jul. 2016	Acquired Gurwitch (owns LAURA MERCIER brand) in the U.S.
Oct. 2016	Commenced business activities based on licensing agreements for the development/production/sales of fragrance and cosmetics of DOLCE&GABBANA brand
Dec. 2017	Transferred U.S. company Zotos to Henkel
Jan. 2018	Purchase of Second Skin, artificial skin forming technology and related businesses from Olivo Laboratories, LLC in the U.S.
Apr. 2019	Completed construction of Shiseido Global Innovation Center (S/PARK)
Nov. 2019	Acquired Drunk Elephant Holdings, LLC in the U.S.
Dec. 2019	Completed construction of Nasu Factory
Jan. 2020	Opened Beauty Innovation Hub in Shanghai
Dec. 2020	Completed construction of Osaka Ibaraki Factory
Jul. 2021	Transferred Personal Care Business to Oriental Beauty Holding (currently FineToday Co., Ltd.) and its associates
Jul. 2021	Established Shiseido Interactive Beauty Co., Ltd.
Dec. 2021	Transferred three brands, bareMinerals, BUXOM, and Laura Mercier to Advent in the U.S.
Dec. 2021	Terminated global license agreement with Dolce&Gabbana S.r.l.
May. 2022	Completed construction of Fukuoka Kurume Factory
Jul. 2022	Transferred Professional Business to Henkel Group companies
Apr. 2023	Transferred the manufacturing operations of personal care products to FineToday Holdings Co., Ltd.
Dec. 2023	Transferred Shiseido Vietnam Inc. to FineToday Holdings Co., Ltd.

3. Description of Business

The Group consists of the Company, 69 subsidiaries, and 17 associates, and is mainly engaged in the manufacture and sale of cosmetics, cosmetic accessories, beauty foods, and pharmaceuticals, as well as research and other services related to each business segment.

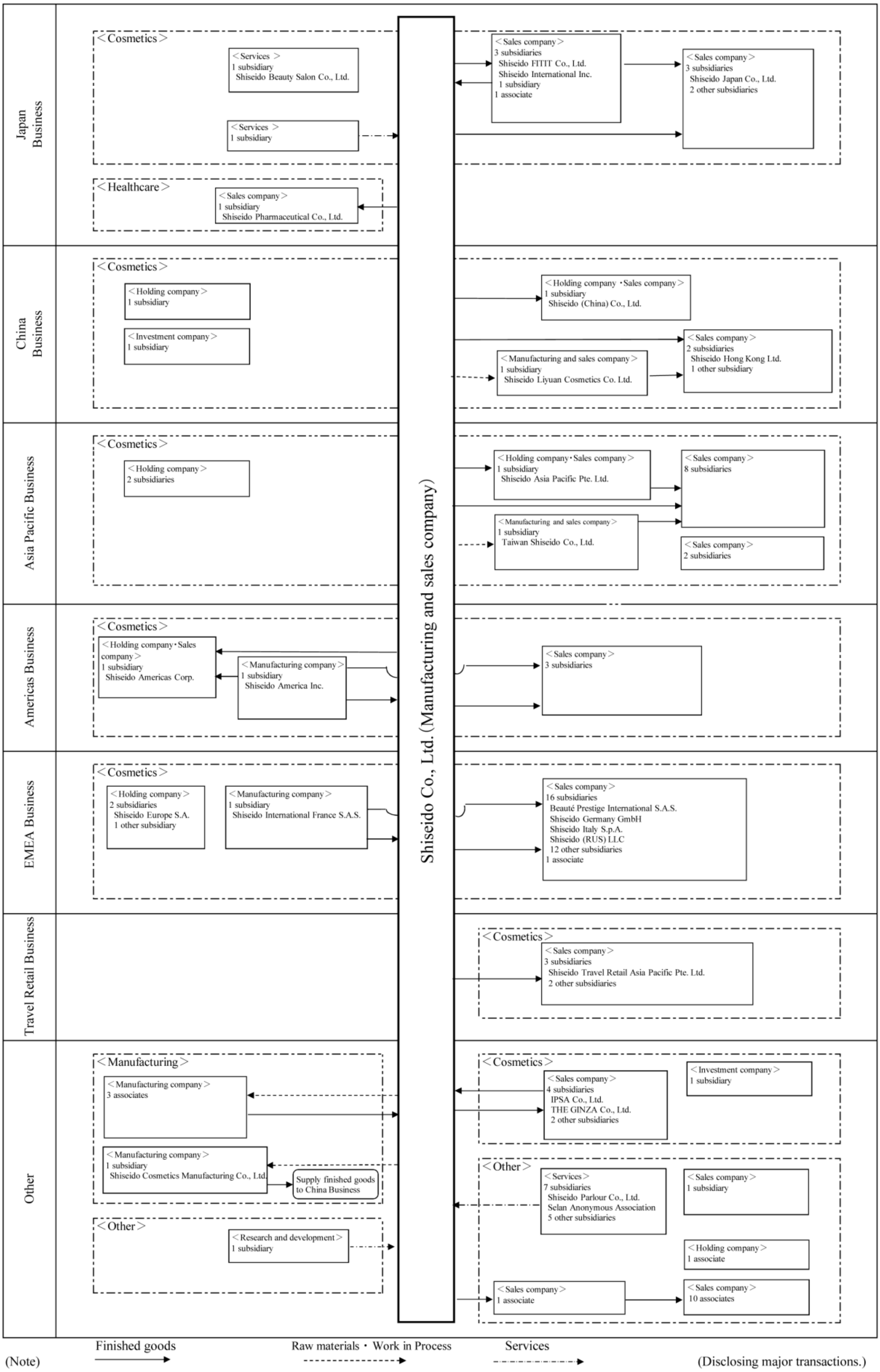
The positioning of each company in the Group's business and its relationship with the segments are as follows:

Effective from the current fiscal year, the classification of reportable segments has been changed. For details, please refer to “6. Operating Segments” under “5. Financial Information, 1. Consolidated Financial Statements and Notes, (1) Consolidated Financial Statements, Notes to the Consolidated Financial Statements.”

Segment	Principal Business	Major Companies
Japan Business	Cosmetics business (sale of cosmetics and cosmetic accessories, etc.) Healthcare business (sale of health & beauty foods and over-the-counter drugs), etc.	The Company Shiseido Japan Co., Ltd. Shiseido Beauty Salon Co.,Ltd. Shiseido Pharmaceutical Co.,Ltd. Shiseido FITIT Co.,Ltd. Shiseido International Inc. 4 other subsidiaries 1 associate (11 companies in total)
China Business	Cosmetics business (production and sale of cosmetics and cosmetic accessories), etc.	The Company Shiseido (China) Co.,Ltd. Shiseido Liyuan Cosmetics Co., Ltd. Shiseido Hong Kong Ltd. 3 other subsidiaries (7 companies in total)
Asia Pacific Business	Cosmetics business (production and sale of cosmetics and cosmetic accessories), etc.	The Company Shiseido Asia-Pacific Pte. Ltd. Taiwan Shiseido Co., Ltd. 12 other subsidiaries (15 companies in total)
Americas Business	Cosmetics business (production and sale of cosmetics and cosmetic accessories), etc.	The Company Shiseido Americas Corporation Shiseido America, Inc. 3 other subsidiaries (6 companies in total)
EMEA Business	Cosmetics business (production and sale of cosmetics and cosmetic accessories), etc.	The Company Shiseido Europe S.A. Shiseido International France S.A.S. Shiseido (Rus) LLC Shiseido Italy S.p.A. Shiseido Germany GmbH Beauté Prestige International S.A.S. 13 other subsidiaries 1 associate (21 companies in total)
Travel Retail Business	Cosmetics business (sale of cosmetics and cosmetic accessories), etc.	The Company Shiseido Travel Retail Asia Pacific Pte. Ltd. 2 other subsidiaries (4 companies in total)
Other	Cosmetics business (sale of cosmetics and cosmetic accessories), Manufacturing business, Restaurant business, etc.	The Company The Ginza Co.,Ltd. IPSA Co.,Ltd. Shiseido Parlour Co.,Ltd. Selan Anonymous Association Shiseido Cosmetics Manufacturing Co., Ltd. 10 other subsidiaries 15 associates (31 companies in total)

Note: The number of companies in each business segment includes companies operating multiple businesses in different segments.

The Group’s organization is as illustrated below.



4. Information on Subsidiaries and Associates

(1) Parent company

Not applicable.

(2) Consolidated subsidiaries

Company name	Address	Share capital or investments in capital	Principal business	Ownership percentage of voting rights (%)		Description of relationship
				FY2023	FY2022	
Shiseido Japan Co., Ltd. (Note2) (Note 6)	Chuo-ku, Tokyo	Thousands of yen 100,000	Japan Business	100.0	100.0	Purchaser of cosmetics, etc. Leasing of buildings owned by the Company Leasing out of buildings, land, and equipment to the Company Concurrent directors: Yes; Secondment and concurrent employment of employees: Yes
Shiseido Beauty Salon Co., Ltd.	Chuo-ku, Tokyo	Thousands of yen 100,000	Japan Business	100.0	100.0	Business transactions: No; Concurrent directors: No; Secondment and concurrent employment of employees: Yes
Shiseido Pharmaceutical Co., Ltd.	Chuo-ku, Tokyo	Thousands of yen 100,000	Japan Business	100.0	100.0	Purchaser of pharmaceutical products Concurrent directors: No; Secondment and concurrent employment of employees: Yes
Et tu sais Co., Ltd.	Chuo-ku, Tokyo	Thousands of yen 100,000	Japan Business	100.0	100.0	Business transactions: No Concurrent directors: Yes; Secondment and concurrent employment of employees: Yes
Shiseido FITIT Co., Ltd.	Chuo-ku, Tokyo	Thousands of yen 10,000	Japan Business	100.0	100.0	Purchaser of cosmetics, etc. Concurrent directors: No; Secondment and concurrent employment of employees: Yes
Shiseido International Inc.	Chuo-ku, Tokyo	Thousands of yen 30,000	Japan Business	100.0	100.0	Purchaser of cosmetics, etc. Concurrent directors: No; Secondment and concurrent employment of employees: Yes
Shiseido (China) Co., Ltd. (Note 2) (Note 6)	Shanghai, China	Thousands of Chinese yuan 565,093	China Business	100.0	100.0	Purchaser of cosmetics, etc. Concurrent directors: Yes; Secondment and concurrent employment of employees: Yes
Shiseido Liyuan Cosmetics Co. Ltd.	Beijing, China	Thousands of Chinese yuan 94,300	China Business	65.0 (32.9)	65.0 (32.9)	Purchaser of raw materials Concurrent directors: Yes; Secondment and concurrent employment of employees: Yes
Shiseido Hong Kong Ltd.	Hong Kong, China	Thousands of Hong Kong dollar 123,000	China Business	100.0	100.0	Purchaser of cosmetics, etc. Concurrent directors: Yes; Secondment and concurrent employment of employees: No
Shiseido Asia-Pacific Pte. Ltd.	Singapore	Thousands of Singapore dollar 49,713	Asia Pacific Business	100.0	100.0	Purchaser of cosmetics, etc. Concurrent directors: No; Secondment and concurrent employment of employees: Yes
Shiseido (Thailand) Co. Ltd. (Note 3)	Bangkok, Thailand	Thousands of Thai baht 10,000	Asia Pacific Business	49.0	49.0	Purchaser of cosmetics, etc. Concurrent directors: No; Secondment and concurrent employment of employees: No
FLELIS International Inc.	Taipei, Taiwan	Thousands of New Taiwan dollar 246,460	Asia Pacific Business	100.0 (100.0)	100.0 (100.0)	Purchaser of cosmetics, etc. Concurrent directors: Yes; Secondment and concurrent employment of employees: No
Shiseido Korea Co., Ltd.	Seoul, Korea	Million won 61,698	Asia Pacific Business	100.0 (100.0)	100.0 (100.0)	Purchaser of cosmetics, etc. Concurrent directors: Yes; Secondment and concurrent employment of employees: Yes
Taiwan Shiseido Co., Ltd.	Taoyuan, Taiwan	Thousands of New Taiwan dollar 1,154,588	Asia Pacific Business	51.0	51.0	Purchaser of cosmetics, etc. Concurrent directors: Yes; Secondment and concurrent employment of employees: Yes
Shiseido Cosmetics Vietnam Co. Ltd.	Vietnam, Ho Chi Minh	Thousands of Vietnamese dong 235,479	Asia Pacific Business	100.0 (100.0)	100.0 (100.0)	Purchaser of cosmetics, etc. Concurrent directors: No; Secondment and concurrent employment of employees: Yes
Shiseido Americas Corp. (Note 2)	Delaware, U.S.A.	Thousands of US dollar 403,070	Americas Business	100.0	100.0	Purchaser and supplier of cosmetics, etc. Concurrent directors: Yes; Secondment and concurrent employment of employees: Yes
Shiseido (Canada) Inc.	Ontario, Canada	Thousand Canadian dollar 61	Americas Business	100.0 (100.0)	100.0 (100.0)	Purchaser of cosmetics, etc. Concurrent directors: No; Secondment and concurrent employment of employees: No
Shiseido America Inc.	New York U.S.A.	Thousands of US dollar 28,000	Americas Business	100.0 (100.0)	100.0 (100.0)	Supplier of cosmetics, etc. and purchaser of raw materials Concurrent directors: No; Secondment and concurrent employment of employees: No
Shiseido Europe S.A. (Note 2)	Paris, France	Thousands of Euro 257,032	EMEA Business	100.0	100.0	Business transactions: No Concurrent directors: Yes; Secondment and concurrent employment of employees: Yes
Shiseido International France S.A.S.	Paris, France	Thousands of Euro 36,295	EMEA Business	100.0 (100.0)	100.0 (100.0)	Supplier of cosmetics, etc. and purchaser of raw materials Concurrent directors: No; Secondment and concurrent employment of employees: Yes
Shiseido (RUS) LLC	Moscow, Russia	Thousands of Russian ruble 106,200	EMEA Business	100.0 (100.0)	100.0 (100.0)	Business transactions: No Concurrent directors: No; Secondment and concurrent employment of employees: No
Shiseido Italy S.p.A.	Milan, Italy	Thousands of Euro 5,036	EMEA Business	100.0 (100.0)	100.0 (100.0)	Business transactions: No Concurrent directors: No; Secondment and concurrent employment of employees: No
Shiseido Germany GmbH	Dusseldorf, Germany,	Thousands of Euro 8,700	EMEA Business	100.0 (100.0)	100.0 (100.0)	Business transactions: No Concurrent directors: No; Secondment and concurrent employment of employees: No
Beauté Prestige International S.A.S.	Paris, France	Thousands of Euro 32,937	EMEA Business	100.0 (100.0)	100.0 (100.0)	Purchaser of cosmetics, etc. Concurrent directors: No; Secondment and concurrent employment of employees: Yes

Company name	Address	Share capital or investments in capital	Principal business	Ownership percentage of voting rights (%)		Description of relationship
				FY2023	FY2022	
Shiseido Spain, S.A.U.	Madrid, Spain	Thousands of Euro 998	EMEA Business	100.0 (100.0)	100.0 (100.0)	Business transactions: No Concurrent directors: No; Secondment and concurrent employment of employees: No
Shiseido UK Ltd.	London, United Kingdom	Thousands of British pound 169	EMEA Business	100.0 (100.0)	100.0 (100.0)	Business transactions: No Concurrent directors: No; Secondment and concurrent employment of employees: No
Shiseido Travel Retail Asia Pacific Pte. Ltd. (Note 2) (Note 6)	Singapore	Thousands of US dollar 48	Travel Retail Business	100.0 (100.0)	100.0 (100.0)	Purchaser of cosmetics, etc. Concurrent directors: No; Secondment and concurrent employment of employees: Yes
IPSA Co., Ltd.	Minato-ku, Tokyo	Thousands of yen 100,000	Other	100.0	100.0	Purchaser of cosmetics, etc.; Leasing of buildings owned by the Company Concurrent directors: Yes; Secondment and concurrent employment of employees: Yes
Shiseido Parlour Co., Ltd.	Chuo-ku, Tokyo	Thousands of yen 100,000	Other	99.3	99.3	Outsourced contractor for operations of directly-managed restaurants Leasing of equipment owned by the Company Leasing out of buildings to the Company Concurrent directors: Yes; Secondment and concurrent employment of employees: Yes
THE GINZA Co., Ltd.	Chuo-ku, Tokyo	Thousands of yen 100,000	Other	98.1	98.1	Purchaser and supplier of cosmetics, etc. Concurrent directors: Yes; Secondment and concurrent employment of employees: Yes
Selan Anonymous Association (Note 2) (Note 4)	(Business operator) Chiyoda-ku, Tokyo	Thousands of yen 27,150,000	Other	- [100.0]	- [100.0]	Business transactions: No; Leasing out of a building and equipment of SHIODOME TOWER (Shiodome Office) to the Company Concurrent directors: No; Secondment and concurrent employment of employees: No
Shiseido Cosmetics Manufacturing Co., Ltd.	Shanghai, China	Thousands of Chinese yuan 418,271	Other	92.6 (66.3)	92.6 (66.3)	Purchaser of raw materials Concurrent directors: Yes; Secondment and concurrent employment of employees: Yes
Other 37 companies	-	-	-	-	-	-

Notes:
1. Names of segments are listed in the “Principal businesses” column.
2. Specified subsidiaries
3. Although the Company's ownership interest is not more than 50/100, it is considered a consolidated subsidiary because the Company substantially controls the company.
4. Figures in parentheses in the column of “Ownership percentage of voting rights” are indirect holdings and are included in the total. Figures in [ ] are the percentage of voting rights held by persons with close ties or consents and are not included in the total.
5. None of the above companies filed a Securities Registration Statement or Annual Securities Report.
6. Shiseido Japan Co., Ltd, Shiseido China Co.,Ltd., and Shiseido Travel Retail Asia Pacific Pte. Ltd. account for more than 10% of consolidated sales (excluding inter-company sales among consolidated companies).

Major profit or loss information of each company is as follows:

Company name	Unit	Net sales	Profit or loss	Total equity	Total assets
Shiseido Japan Co., Ltd.	Millions of yen	239,831	3,465	33,196	133,963
	Thousands of U.S. dollars	1,692,526	24,453	234,270	945,399
Shiseido (China) Co.,Ltd.	Millions of yen	180,598	(648)	55,563	90,195
	Thousands of U.S. dollars	1,274,510	(4,573)	392,117	636,521
Shiseido Travel Retail Asia Pacific Pte. Ltd.	Millions of yen	110,318	12,196	38,063	62,846
	Thousands of U.S. dollars	778,532	86,069	268,617	443,514

(3) Affiliates

Company name	Location	Share capital or investments in capital	Principal business	Ownership Percentage of Voting Rights (%)	Relationship
Pierre Fabre Japon Co., Ltd.	Minato-ku, Tokyo	Thousands of yen 100,000	Japan Business	50.0	Supplier of cosmetics, etc. Concurrent directors: Yes; Secondment and concurrent employment of employees: Yes
FineToday Holdings Co., Ltd (Note 2)	Minato-ku, Tokyo	Thousands of yen 900,010	Other	20.1	Business transactions: No; Concurrent directors: Yes; Secondment and concurrent employment of employees: No
Other: 15 companies	-	-	-	-	-

Note: Names of segments are listed in the “Principal businesses” column.

(4) Other affiliates

Not applicable.

5. Employees

(1) Employees of the Group

As of December 31, 2023

Business segment	Number of employees (persons)
Japan Business	10,573 [2,758]
China Business	6,881 [96]
Asia Pacific Business	2,542 [273]
Americas Business	1,805 [17]
EMEA Business	2,521 [228]
Travel Retail Business	561 [12]
Other	5,657 [1,935]
Total	30,540 [5,319]

Notes:

1. The number of employees shown is the number of full-time employees. The annual average number of temporary employees is shown in [ ] separately.
2. Temporary employees refer to contract employees and part-time workers and exclude dispatched employees.

(2) Employees of the Company

As of December 31, 2023

Number of employees (persons)	Average age (years old)	Average length of service (years)	Average annual salary (yen)	Average annual salary (U.S. dollars)
3,952 [1,541]	38.7	10.7	7,405,508	52,261.88

Business segment	Number of employees (persons)
Other	3,952 [1,541]

Notes:

1. The number of employees shown is the number of full-time employees. The annual average number of temporary employees is shown in [ ] separately.
2. Temporary employees refer to contract employees and part-time workers and exclude dispatched employees.
3. Average annual salary includes bonuses and extra wages.

   Effective from the current fiscal year, the scope of average annual salary was changed from salaries, bonuses, and extra wages (excluding benefit-related allowances) to taxable salaries, bonuses, and extra wages in order to be consistent with the calculation method for the gender wage gap in "(4) The proportion of female employees in managerial positions, the proportion of male employees who took childcare leave and the actual wage gap between male and female employees."

(3) Labor unions

The Shiseido Labor Union was founded in February 1946 as the Shiseido Employees' Union, and currently consists of 12,052 members organized by the Company and its major domestic consolidated subsidiaries.

There are no items to report regarding labor relations.

(4) The proportion of female employees in managerial positions, the proportion of male employees who took childcare leave and the actual wage gap between male and female employees

1) Submitting company

<table>
<tr><td colspan="5">Current fiscal year</td></tr>
<tr><td rowspan="2">The proportion of female employees in managerial positions (%) (Note1)</td><td rowspan="2">The proportion of male employees who took childcare leave (%) (Note 2)</td><td colspan="3">The wage gap between male and female employees (%) (Note 1)</td></tr>
<tr><td>All employees</td><td>Full-time employees</td><td>Part-time and fixed-term employees</td></tr>
<tr><td>37.2</td><td>133</td><td>76.9</td><td>88.4</td><td>72.0</td></tr>
</table>

Notes:

1. Calculated based on the provisions of the Act on the Promotion of Women's Active Engagement in Professional Life (Act No. 64 of 2015). The wage gap between male and female employees is the ratio of the average wage of female employees to that of male employees, when the average wage of male employees is set at 100.
2. Based on the provisions of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Act No. 76 of 1991), the percentage of employees who took childcare leave, etc. (Number of male employees or contract employees who have acquired Childcare leave, etc., plus Childcare purpose leave/ Number of male employees or contract employees whose spouses have given birth×100) is calculated based on Article 71-4, Item 2 of the Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Ordinance of the Ministry of Labor No. 25 of 1991).

2) Consolidated subsidiaries

<table>
<tr><td colspan="6">Current fiscal year</td></tr>
<tr><td rowspan="2">Company name</td><td rowspan="2">The proportion of female employees in managerial positions (%) (Note1)</td><td rowspan="2">The proportion of male employees who took childcare leave (%) (Note 3)</td><td colspan="3">The actual wage gap between male and female employees (%) (Note 1)</td></tr>
<tr><td>All employees</td><td>Full-time employees</td><td>Part-time and fixed-term employees</td></tr>
<tr><td>Shiseido Japan Co., Ltd.</td><td rowspan="6">(Note2)</td><td>90</td><td>62.6</td><td>64.5</td><td>57.4</td></tr>
<tr><td>Japan Retail Innovation Co., Ltd.</td><td>50</td><td>36.1</td><td>68.4</td><td>66.1</td></tr>
<tr><td>Shiseido Beauty Salon Co., Ltd.</td><td>-</td><td>62.0</td><td>72.2</td><td>55.1</td></tr>
<tr><td>Shiseido Parlour Co., Ltd.</td><td>-</td><td>55.9</td><td>66.3</td><td>54.7</td></tr>
<tr><td>IPSA Co., Ltd.</td><td>-</td><td>50.6</td><td>49.0</td><td>68.5</td></tr>
<tr><td>THE GINZA Co., Ltd.</td><td>-</td><td>58.0</td><td>53.4</td><td>67.8</td></tr>
</table>

Notes:

1. Calculated based on the provisions of the Act on the Promotion of Women's Active Engagement in Professional Life (Act No. 64 of 2015). The wage gap between male and female employees is the ratio of the average wage of female employees to that of male employees, when the average wage of male employees is set at 100.
2. The female management ratio is monitored by Shiseido Group in Japan and the proportion of female managers in the Shiseido Group in Japan is 40.0%. As employment management is integrated within the Group, we disclose this as the entire Shiseido Group in Japan.
   The scope: Shiseido Group in Japan (21 entities)
   1) Headquarter: Shiseido Co., Ltd.
   2) Consolidated subsidiaries: Shiseido Japan Co., Ltd., SHISEIDO ASTECH Co., Ltd., HANATSUBAKI FACTORY Co., Ltd., Et tu sais Co., Ltd., EFFECTIM Co., Ltd., Japan Retail Innovation Co., Ltd., THE GINZA Co., Ltd., Shiseido Beauty Salon Co., Ltd., Shiseido Parlour Co., Ltd., ETWAS Co., Ltd., KODOMOLOGY Co., Ltd., IPSA Co., Ltd., Shiseido Interactive Beauty Co., Ltd., Shiseido Creative Co., Ltd.
   3) Other than consolidated subsidiaries: Pierre Fabre Japon Co., Ltd., Shiseido Gakuen Educational Institute Shiseido Beauty Academy, Shiseido Health Insurance Society, Shiseido Corporate Pension Fund, Shiseido Child Foundation, Shiseido Labor Union
3. Based on the provisions of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Act No. 76 of 1991), the percentage of employees who took childcare leave, etc. is calculated based on Article 71-4, Item 2 of the Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Ordinance of the Ministry of Labor No. 25 of 1991).
4. Information is omitted for consolidated subsidiaries that are not subject to the obligatory disclosure under the provisions of the Act on the Promotion of Women's Active Engagement in Professional Life (Act No. 64 of 2015) and the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Act No. 76 of 1991).

2. Overview of Business

1. Management Policy, Management Environment, and Issues to Be Addressed

In this report, statements other than historical facts are forward-looking statements that reflect the Group's plans and expectations as of the date of submission of the Annual Securities Report in Japanese (March 26, 2024). These forward-looking statements involve risks, uncertainties and other factors that may cause our actual results and achievements to differ from those anticipated in these statements.

1) Corporate Philosophy 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.

For details of THE SHISEIDO PHILOSOPHY, please refer to "ABOUT US > THE SHISEIDO PHILOSOPHY" on our corporate website (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 Group'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

2. Sustainability Approach and Measures

Items associated with future are based on our judgment as of the end of the current fiscal year.

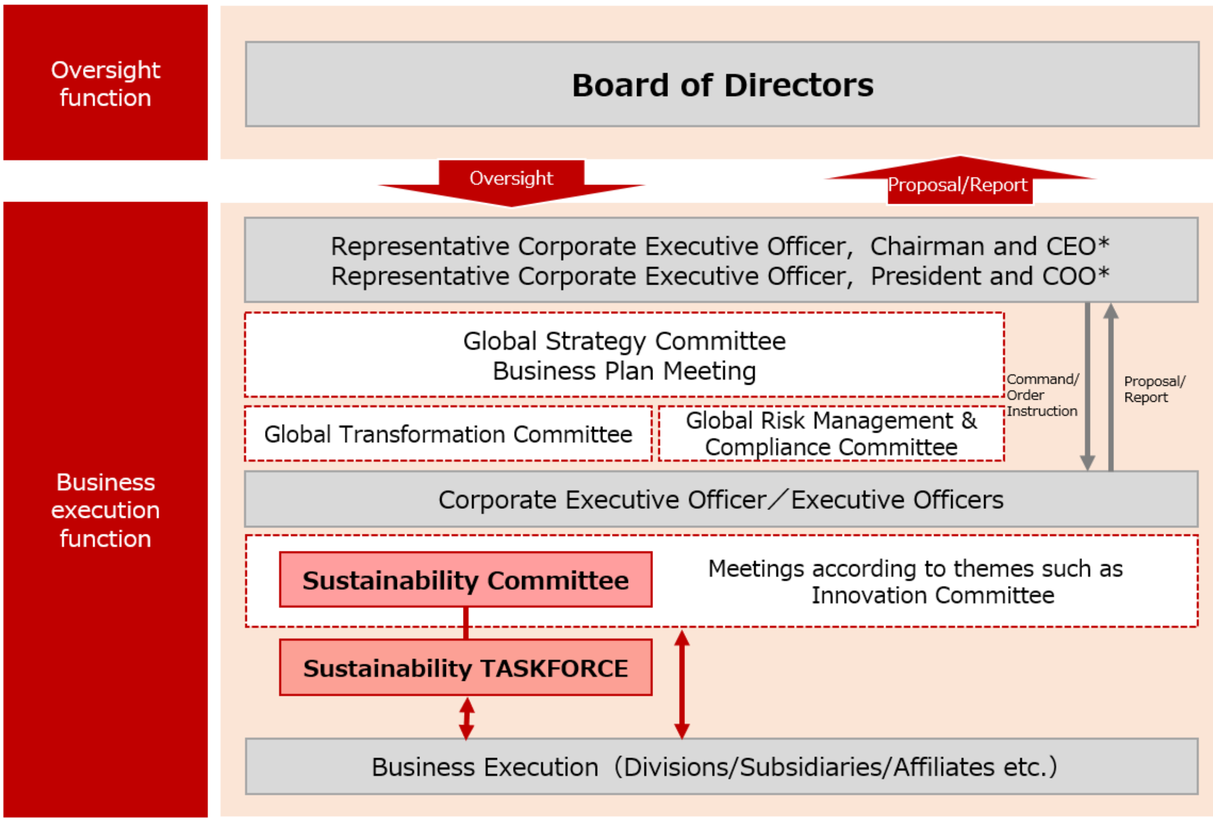
(1) Sustainability in General

Since the foundation of Shiseido in 1872, we have demonstrated our respect for people, society and nature and have worked to create social value. In line with our corporate mission "BEAUTY INNOVATIONS FOR A BETTER WORLD," we are committed towards 2030 to realize "a sustainable world where everyone can enjoy a lifetime of happiness through the power of beauty" in an approach unique to a beauty company. With sustainability at the center of our corporate strategy, we will work to create social value and contribute to solving social and environmental issues through our core business.

1) Governance

We work to promote sustainability across the entire Group, including our brands and regional businesses. Sustainability Committee was set up to ensure timely management decisions related to sustainability efforts and their proper implementation across the Group, the committee was held regularly in 2023. The committee decides on Group-wide sustainability strategies, policies, and discusses specific topics such as disclosure contents of TCFD/TNFD and actions for human rights, as well as monitors the progress of medium-to-long-term goals. The committee consists of the Representative Corporate Executive Officers and Executive Officers in charge of R&D, Supply Network, Corporate Communications, and our Brand Holders, to discuss a range of issues from different perspectives. Important matters in the execution of business, which require approvals are proposed or reported to the Global Strategy Committee or the Board of Directors.

In order to ensure executing and promoting of sustainability actions, a Sustainability TASKFORCE was set up under the Sustainability Committee, consisting of the heads of key relevant functions. At the TASKFORCE, practical approaches to achieve our long term targets are discussed with relevant functions, regional headquarters, and local subsidiaries as necessary.



*With the transition to a "Company with Three Statutory Committees" on March 26, 2024, the "Representative Director" has been changed to "Representative Corporate Executive Officer." For details, please refer to "1) Corporate Governance of the Company" under "4. Corporate Information on the Company, 4. Corporate governance."

2) Strategy

With sustainability at the center of our corporate strategy, we work to create social value and contribute to solving social and environmental issues through our core business. The Group has established 6 strategic actions, three each in the areas of environment and society, to realize a sustainable world.

Our strategic actions for society focus on addressing social issues, primarily through our diversity, equity, and inclusion (DE&I) initiatives. These three strategic actions are: “Advancing gender equality,” which we will implement by leveraging our strengths as a beauty company; “Empowering people through the power of beauty,” which will help people shine in their own ways; and “Promoting respect for human rights,” which underlies all our activities.

Our actions for the environment are based on the idea of banbutsu shisei (Note) the phrase from which our company name “Shiseido” was originated. We are working to design business models and to develop technologies that can reduce environmental impact and realize a circular economy. To do so, we are taking the following three strategic actions throughout the entire value chain: “Reducing our environmental footprint,” “Developing sustainable products,” and “Promoting sustainable and responsible procurement.”

Note: From a phase in Chinese Yi Jing, the Book of Changes from the Four Books and Five Classics of Confucianism, “Praise the virtues of the Earth, which nurtures new life and brings forth significant values.”

3) Risk management

We assessed and identified the impactful risks holistically from a mid-to-long-term perspective. "Environmental (Climate Change, Biodiversity, etc.)" and "Natural Disaster, Infectious Disease and Terrorism" are listed as the categories related to sustainability. Risks related to climate and biodiversity are analyzed based on scientific and socioeconomic evidence and integrated into the enterprise risk management system as one of the elements related to climate change or natural disasters. According to their significance, the risks and their countermeasures are deliberated by the Global Risk Management & Compliance Committee and the Global Strategy Committee. The material risks are also proposed or reported to the Board of Directors as necessary.

4) Metrics and targets

We set medium to long-term targets based on our strategic actions and track progress regularly. We publish a "Sustainability Report" to our global stakeholders every year, disclosing our medium-to-long-term targets and progress on our sustainability actions through our core business.

[Medium-to Long-Term Targets]

- Environment

Strategic Action		Targets		Target Year (Note 1)
Reducing our environmental footprint	CO_2 emissions	Carbon neutrality (Note 2)		2026
		Reduction of CO_2 emissions <SBTi, Scope 1 and Scope 2>	(46.2)% (Note 3)	2030
		Reduction of CO_2 emissions <SBTi, Scope 3>	(55)% (Note 4)	2030
	Water	Reduction of water consumption	(40)% (Note 5)	2026
Developing sustainable products	Packaging and packaging materials	Replacement with sustainable packaging (Note 6)	100%	2025
Promoting sustainable and responsible procurement	Palm oil	Replacement with sustainable palm oil (Note 7)	100%	2026
	Paper	Replacement with sustainable paper (Note 8)	100%	2023

- Society

Strategic Action	Targets		Target Year
Advancing gender equality	- Ratio of female leaders at all levels in Japan	50%	2030
	- Empowering women at workplaces in Japan - Supporting education and financial independence for socially vulnerable women worldwide	One million people (to reach directly)	2030
Empowering people through the power of beauty	- Cultivating self-efficacy through the power of beauty - Challenging the unconscious biases and prejudices that limit "Individual beauty"	One million people (to reach directly)	2030

Notes:

1. Actual results for 2023 will be disclosed in the "Sustainability Report" to be issued in late June 2024
   To be disclosed in the following:(https://corp.shiseido.com/en/sustainability/report.html)
2. At all our sites (compared to 2019, including offsets)
3. At all our sites (compared to 2019)
4. Throughout our value chain, excluding Shiseido sites (compared to 2019)
5. At all our sites, intensity per sales (compared to 2014)
6. For plastic packaging
7. Certified based on RSPO's physical supply chain model: identity preserved, segregation, and/or mass balance
8. Including certified paper and recycled paper used in packaging

(2) Actions toward TCFD (Task Force on Climate related Financial Disclosures)/TNFD (Task Force on Nature-related Financial Disclosures) Recommendations

Given the seriousness of the impact of environmental issues such as climate change and biodiversity loss on business growth and social sustainability, we have been disclosing information in line with TCFD/ TNFD's framework. Climate-related 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 due to climate change 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 terms of nature, we have identified quantitative long-term risks, considered biodiversity loss and water resource dynamics, and disclosed them as the Climate/Nature-related Financial Disclosure Report.

1) Governance

Governance in relation to our climate/nature-related risks and opportunities is addressed as well as the promotion structure in our sustainability-related work. For more information, please refer to section 1) Governance in (1) Sustainability in General, above.

2) Strategy

As for climate-related risks and opportunities, we conducted analysis for both transition and the physical risks/opportunities in the 1.5/2°C and 4°C scenarios, respectively, according to the Representative Concentration Pathways (RCPs) and Shared Socioeconomic Pathways (SSPs) provided by the IPCC.

Regarding transition risk, the elements associated with the transition to a decarbonized society — such as policy, regulation, technology, market, and consumer perceptions — were considered. Physical risks related to the acute or chronic phenomena caused by the rise in temperature — such as floods and water shortages — were also considered. The influence of carbon tax was identified as the transition risk, with projections pointing toward approximately ¥0.05-0.87 billion ($0.4-6.1 million) in 2030. For Physical risks, approximately ¥0.9 billion ($6.4 million) of floods and ¥3.5 billion ($24.7 million) of water shortage were estimated as potential impact.

As for opportunities, in the 1.5/2°C scenario, high awareness by consumers means there is a market for sustainable brands and products. Similarly, the 4°C scenario identifies sales opportunities for products that can help people to live with high temperatures.

We aim to leverage these findings — by mitigating risks and making the most of opportunities to provide sustainable products to consumers and promote our beauty innovations.

<table>
<tr><th colspan="2"></th><th>Risk</th><th>Opportunity</th></tr>
<tr><td colspan="2">Transitional risks
(Mainly in the 1.5/2°C scenario)</td><td>- Cost increase due to carbon tax ●
- Soaring fuel prices
- Loss of sales opportunities for products using single-use plastics●</td><td>- Improvement of energy efficiency
- Expansion of sales opportunities for ethical products such as clean beauty</td></tr>
<tr><td rowspan="2">Physical risks
(Mainly in the 4°C scenario)</td><td>Acute</td><td>- Suspension of production activities due to natural disasters ●
- Disruption of logistics functions due to natural disasters</td><td rowspan="2">- Developing environmentally friendly products
- Expansion of sales opportunities for the development of climate-responsive solutions</td></tr>
<tr><td>Chronic</td><td>- Increasing procurement costs of raw materials due to rainfall and weather changes●
- Water shortages stop operations●</td></tr>
</table>

Factors marked with ● are also subject to quantitative analysis.

Regarding nature-related risks/opportunities, a quantitative analysis of the impact aspects on biodiversity through the Group's value chain was carried out following life cycle assessment, which revealed that the impact is particularly significant in raw material procurement. In line with the LEAP approach recommended by the TNFD, we have estimated the origins of cosmetic ingredients that are highly dependent on biodiversity and conducted a physical risk analysis on the dependency side by monetizing ecosystem services provided by pollinators such as bees. Concurrently, as a transition risk, we have performed risk analyses related to sustainability regulations in conjunction with climate issues.

For details, including analysis conditions, please refer to our "Climate-related/Nature-related Financial Disclosure Report" available on our corporate website.
https://corp.shiseido.com/en/sustainability/env/pdf/risks_report.pdf

3) Risk management

Our risk management regarding climate-related and nature-related risks and opportunities is addressed under the same structure as the promotion system in our sustainability-related work. For details, please refer to section 3) Risk management in (1) Sustainability in General.

4) Metrics and targets

In order to mitigate the climate-related risks, we set the reduction of CO_2 emissions as our target and also contribute to risk mitigation by regularly monitoring the situation related to climate change and implementing corresponding measures. We aim to achieve carbon-neutrality by 2026, for Scope1 and Scope2 emissions. Our reduction targets of CO_2 emission through the value chain toward 2030 are approved by SBT Initiative (SBTi) (Note) as targets in line with the 1.5°c trajectory, and Shiseido is working to reduce CO_2 emissions.

Regarding biodiversity, we are switching to certified raw materials for paper and palm-derived raw materials, which have a significant contribution to impact.

For more information on assessment of climate-related/nature-related risks and opportunities, please refer to "TCFD/TNFD Report" and "Sustainability Report."

Note: 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

<Promoting climate change mitigation and biodiversity preservation>

- Climate change

To mitigate climate change, we are actively working to reduce CO_2 emissions toward the goal of achieving carbon neutrality (Note 1) by 2026. In 2022, we obtained SBT Initiative (SBTi) (Note 2) accreditation for our CO_2 emissions reduction targets (Note 3) throughout the value chain and also became a member of the RE100 (Note 4) 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 factories (Note 5) 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 CO_2 emissions, creating opportunities for innovation.

- Biodiversity

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 replacing to RSPO-certified palm raw materials and promoting actions globally.

In 2023, we also held a sustainability policy briefing session for strategic suppliers to strengthen collaboration on sustainable and responsible procurement in response to such as climate change and clarifying traceability.

The Group 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 the Group has been selected for the A List in both categories (Note 6).

Notes:

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 (Renewable Energy 100%) 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
6. For more information on CDP's selection of "A-list companies," refer to https://www.cdp.net/en/companies/companies-scores

<Sustainable packaging development and stronger collaboration with stakeholders>

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

We aim to achieve 100% sustainable packaging (Note 1) by 2025 through innovations based on our unique packaging development policy that invokes the 5Rs: Respect, Reduce, Reuse, Recycle, and Replace.

In 2023, we became the first company in the world to sell cosmetics in packaging made with LiquiForm® technology (Note 2) for brand *SHISEIDO*, starting in Japan and China. Cosmetics packaging made with LiquiForm® can reduce plastic usage per packaging by approximately 70% (Note 3) compared to our conventional one. Furthermore, the innovative refill container design can reduce CO_2 emissions across the product life cycle by approximately 70% (Note 3) compared to a conventional container of the same volume.

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

In July 2023, we formed a strategic partnership with the Chitose Group, which is leading the MATSURI Project (Note 4) 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 packaging using microalgae, as well as ingredients for use in food-related industries in the future.

We are enhancing our collaboration with external stakeholders 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.

Notes:

1. For plastic packaging
2. The new packaging technology was developed chiefly by Amcor and put to practical use by Yoshino Kogyosho, a company that the Group has worked with to jointly develop cosmetic packaging
3. Comparing the new LiquiForm® refill container to conventional refill container 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

(3) Human Capital

1) Human Capital

The Group views human resources as the source of value creation, considering them to be the company's most valuable assets. We firmly believe that investing in our human resources enhances our corporate value. We have continued to evolve our human resources systems and initiatives under the management philosophy of “People First.” Human resources are the most important management resource for creating value worldwide. In our commitment to realizing our corporate philosophy of our corporate philosophy of “BEAUTY INNOVATIONS FOR A BETTER WORLD,” foster a culture of dialogue for creating new value, embracing and respecting individual differences regardless of gender, age, or nationality.

- Increase individual competencies

<Performance Management>

We are strengthening performance management for the sustainable growth of both our business and employees. In 2021, we introduced a global standardized process. This is aimed at promoting the improvement of medium-to-long-term business performance and the growth of our employees. Each employee can take on challenging work assignments to stretch their goals to strengthen their expertise.

<Autonomous Career Development Support>

Shiseido has organized career workshops for all employees in Japan since 2020, aiming to enhance their self-driven career development and expertise. In addition, employees are encouraged to provide a career development plan (CDP) to envision medium-to-long-term career goals and is incorporated into performance management. Shiseido offers a broad range of training programs to enhance business skills and improve expertise, which are used by employees for self-driven career development.

<Training Programs>

We place importance on leadership training to make the most of our various human assets.

The Group's human resource development emphasizes the “70:20:10 model*” in its training programs, which particularly provide opportunities in learning, interaction with other excellent employees, and raising motivations to grow further. We offer three types of training programs: selective, voluntary, and compulsory, depending on purpose and target.

*This model presumes that personal growth is 70% from challenging assignments, 20% from developmental relationships, and 10% from training and self-learning.

Training program system at the Group

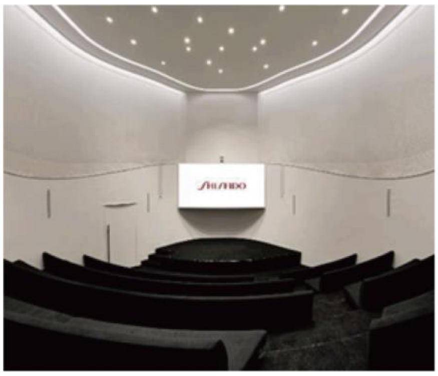
To strengthen employees’ expertise, we have introduced LinkedIn Learning as a learning platform for encouraging autonomous learning, and we are expanding it so that global employees can learn on the same platform.

<Selective Programs>

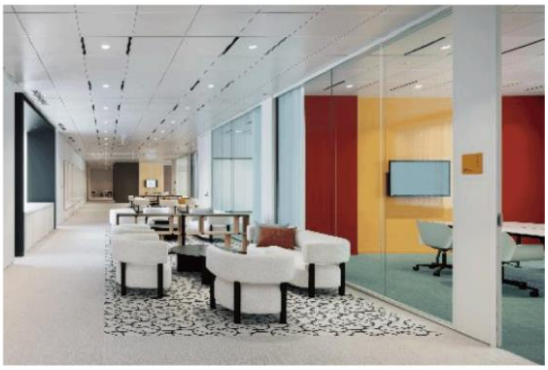
To develop strategic talent, the Shiseido Group provides manager candidates in each region access to its Shiseido Leadership Academy global education system, promoting the development of abilities and the establishment of an international network. At the Shiseido Leadership Academy, next-generation leaders selected through talent reviews are provided with programs in partnership with business schools to learn leadership and management skills.

Shiseido also focuses its efforts on developing female leaders and has held the “NEXT LEADERSHIP SESSION for WOMEN” every year since 2017 to enable and promote talented women free from unconscious bias toward themselves or any circumstance.

In November 2023, we opened the Shiseido Future University, a facility for the professional development of Shiseido’s next generation of leaders, in Ginza—the birthplace of the company. 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. We conduct talent development for the leadership program attendees who are selected from global members with expectations for becoming our next generation of business leaders. These individuals draw their own visions, enhance corporate value from a long-term perspective, and contribute to corporate transformations.



CAMELLIA presentation room



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

<Voluntary Programs>

Voluntary programs are offered to motivate employees to help them demonstrate high performance and autonomously develop their careers. Voluntary programs offered in Japan include business skill training for all job types and the dispatch of young ambitious employees for MBA programs, as well as the sales academy and the marketing academy to further enhance expertise in their respective Job Family or specialized field.

<Compulsory Programs>

Compulsory programs are provided at each milestone in career development, such as training for new employees, training for employees in their third year, and training for newly appointed managers. For leaders (Job Appointment Managers), manager training and manager workshops are provided to strengthen management skills, with the view of ensuring fair evaluation and promoting human resource development in each department.

To strengthen employees’ expertise, we have introduced LinkedIn Learning as a learning platform for encouraging autonomous learning, and we are expanding it so that global employees can learn on the same platform.

- Organizational Structure and Mechanisms for increasing individual competencies

We are focusing our efforts on strategic talent management, performance management, and autonomous career development support, based on a job-based personnel system, to create “Increasing Individual Competencies.” The Group encourages employees to grow on their own, supporting each individual's autonomous career development, so that each employee with various specializations can utilize their strengths.

<Job-based Personnel System>

Shiseido introduced a job-based personnel system in Japan for management in 2015 and for non-management employee in 2021 with the aim of becoming a globally competitive organization by strengthening the expertise of employees. Adjusted approach to assessing employees from individual “ability” to “job,” thereby enabling objective personnel ratings and treatment according to global standards. By clarifying job responsibilities and required specialized abilities in each department, this system is aimed at promoting career autonomy for each employee.

<Strategic Talent Management>

We strive to ensure placement of the right people in the right positions throughout the Shiseido Group for strategic talent development. Every year, talent reviews are conducted at the global, regional, and functional levels, and plans for appointment and training of successors are prepared for key positions. For training of successors, training plans are formulated for each individual based on their strengths and development issues, including assignments to stretch goals, global transfer opportunities, and leadership development programs, and are implemented with the approval and support of the CEO.

<Development and Utilization of Diverse Talent>

At the Group, employees from approximately 100 countries and regions gather, regardless of gender, age, or nationality, acknowledging and respecting each individual's differences, and fostering a culture of discussion aimed at creating new value.

As part of our initiatives related to LGBTQ+, Shiseido is working on creating an environment and raising awareness so that every employee can be themselves at work by eliminating discrimination and harassment due to gender identity and sexual orientation.

In Japan, from 2017, the Rules of Employment stipulate equal treatment, including employee benefits, for employees with same-sex and opposite-sex partners. In addition, the Human Resources Department works to promote understanding of LGBTQ+ rights and issues among employees.

We promote the employment of individuals with disabilities to create a workplace for everyone. The Shiseido Group in Japan also proactively assign them to various positions, such as sales and marketing, providing assistive devices and office equipment according to the type of disability. For instance, Hanatsubaki Factory Co., Ltd. has nine locations in Tokyo, Osaka, and Kakegawa etc., where approximately 60 employees mainly with intellectual disabilities work. The employment rate of employees with disabilities at Shiseido Co., Ltd. is 2.82%, and the employment rate of employees with disabilities in the Shiseido Group in Japan is 4.52%.

<Establishing an Internal Environment to Support Diverse Ways of Working>

We are striving to improve the working environment for employees of various attributes by introducing measures such as the revision to a “flextime system without core time,” the “expansion of the telework system to all domestic group companies,” and the “Shiseido hybrid work style” that flexibly combines remote work and office work according to the purpose of the work. Our aim is to enhance the health, peace of mind, safety, and job satisfaction of our employees, and to achieve business growth through further productivity improvements.

2) DE&I Initiatives

Since its establishment in 1872, the Group 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.

<Support for Women's Empowerment>

Shiseido considers the active participation of women to be critical in realizing corporate growth. The Group, with over 80% of its employees being women, believes that women's empowerment generates innovation, leading to further growth of the Company and self-realization of its employees. Therefore, we are aiming to achieve a gender equality ratio of 50:50, a representation of equal opportunity at all management levels in Japan.

In Japan, we provide an “individual personnel development” program for leader candidates to foster female leaders. Through opportunities particularly to engage in higher levels of work duties, so that they can improve their skills and gain management experience. Additionally, since 2017 we have held the “NEXT LEADERSHIP SESSION for WOMEN,” a leadership training session that supports excellent female employees who will lead the future. The training session is a program to help female leader candidates find their own leadership style while learning business administration and management skills. Participants learn how to deal with common hurdles in demonstrating leadership consists of lectures by women leaders, networking among employees, and coaching. Through comprehensive leadership development, participants learn the indispensable need for the active participation of women, deepen their confidence, and are enabled to further demonstrate leadership.

As of January 2024, the ratio of women in management positions across the Shiseido Group in Japan is 40%.

- Initiatives for Childcare Support

Since the early 1990s, we have been promoting various systems and support measures to assist our employees' life events for a long time, such as introducing childcare leave and short-time work systems due to childcare, ahead of the Child Care and Family Care Leave Act since the early 1990s.

Specifically, in 2008, we introduced the “Kangaroo Staff System” as a substitute staff system for beauty professionals who purchase short-time work due to childcare, and have been supporting the balance between work and childcare in beauty professions at stores. In addition, we have opened in-house nurseries “Kangaroo Room Shiodome (2003)” and “Kangaroo Room Kakegawa (2017),” both of which have been open to neighboring companies.

Furthermore, to realize “flexible childcare that matches diverse work styles,” we started a comprehensive childcare service centered on sitter services, “KANGAROOM+ (Kangaroo Room Plus)” in April 2023. By providing one-on-one childcare service instead of group childcare, we have increased the freedom of the when and where, and expanded the target from preschool-aged children to elementary school students to match the childcare needs of employees facing the “first grade wall.” We aim to realize a work environment where all employees can design their own lives and careers, and in the domestic Shiseido Group, almost all employees have returned to work from childcare leave. In addition, the rate of male employees taking childcare leave in the domestic Shiseido Group has increased by 113%.

<Implementation of “DE&I Session” Aimed at Creating Innovation>

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.

<Shiseido DE&I Lab>

In February 2023, the Group 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.

<External Evaluation & Awards>

In November 2023, the Group was selected as the top company from approximately 1,900 companies by the “Forbes JAPAN WOMEN AWARD 2023,” the largest women's award in Japan, hosted by “Forbes JAPAN” with the aim of eliminating the gender gap and empowering women. Shiseido was highly evaluated for the company's business structure, which permeates DE&I from suppliers to consumer services, the high proportion of top-class female talent at each career stage, and the establishment of a work environment that allow for flexibility and diversity in work styles.

SHISEIDO DE&I Lab

Shiseido DE&I Lab logo

Forbes WOMEN AWARD 2023

Forbes JAPAN WOMEN AWARD 2023 logo

(4) Corporate culture

<Publication of a special edition of Hanatsubaki 2023>

One of Shiseido's strengths lies in its heritage, amassed over 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 was “Our Energy.” In today’s fast-paced world, isn’t energy what we all need to prioritize for better wellness? That is 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)

3. Business and Other Risks

Our Annual Securities Report pertaining to Overview of Business, Financial Information and other sections include risks that may potentially impact on our business performance and financial positions as listed below. We believe that these risks could have an impact on our investors' decisions.

Such items associated with future events are based on our judgment as of the Annual Securities Report in Japanese filed to Director-General, Kanto Local Finance Bureau on March 26, 2024. Please note that the potential risks are not limited to those listed below.

The risk management of the Group is primarily focused on "building trust with multiple stakeholders and achieving our corporate strategy." We thus consider risks as "Uncertainties" that may impact the achievement of strategies, both potential threats to business as well as potential opportunities. Based on this approach, we have established a risk management structure and place countermeasures proactively and expeditiously.

The "Global Risk Management & Compliance Committee" and "Global Strategy Committee" chaired by the CEO and composed of Regional CEOs and Executive Officers regularly identify Group risks and deliberate countermeasures toward them. Risk-related information of the Group is gathered by the Risk Management Department at Global Headquarters (HQ), which reports into the Office of the Chief Legal Officer of the Group.

Company-wide material risks identified and assessed are incorporated into the Group's business plan. In addition, in order to mitigate the impact of each material risk, we have also established a system in which countermeasures are implemented with risk owners assigned to each risk, and the status of their progress is monitored and discussed with members of the above-mentioned Committee and Directors on a regular basis.

In 2023, material risks were identified through a holistic approach combining multiple and comprehensive methods. Specifically, Risk Management Department interviewed and discussed with Executive Officers, Regional CEOs, and Directors for their view on Group risks. Regional risk assessments and input from relevant functions were also taken into consideration as Risk Management Department identified material risks affecting the key areas of our medium-term strategy, SHIFT 2025 and Beyond, with the input from external advisors.

As shown in Table 1 below, the identified material risks were evaluated with three measurements of "Impact on business," "Likelihood," "Vulnerability," followed by confirmation of prioritization and countermeasures through the above committee meetings and other individual meetings.

Table 1 <Risk evaluation methodology>

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

Total 20 material risks identified through our risk assessment have been organized into three risk categories: "Consumer & Social-related Risks," "Operation & Fundamental Risks," and "Other Risks," as shown in Table 2 below.

Table 2 <Summary of Shiseido Group material risks> ★: Risks that should be prioritized

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

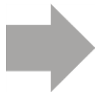
As a noteworthy point of the risk assessment results mentioned above, the individual risks identified are more interlinked than in the past and interdependency of the countermeasures is increasing. In addition to that, we have identified risks that have increased their risk levels compared to the previous fiscal year: “Changes in Consumer Values,” “New Technology and Speed of Digital Acceleration,” “Pace of Cutting-Edge Innovation,” “Corporate and Brand Reputation,” “Geopolitical Tensions,” “Corporate Culture and Acquisition/Securing Outstanding People,” “Business Structure Transformation,” “Operating Infrastructure,” and “Information Security.”

The following outlines our key strategic initiatives, expected uncertainties (Threats and Opportunities), countermeasures and change in risk level, for each material risk. Please note that the following is based on our assumptions as of March 26, 2024.

<Consumer & Social-related Risks>

Risk	Important efforts for realizing our Strategies/ Uncertainties (Threats and Opportunities) that could impact such efforts and countermeasures regarding these uncertainties	Change in risk level (Year-on-Year)
Changes in Consumer Values	**[Key Strategic Initiatives]** - Focus on the Skin Beauty brands. - Strengthen business portfolio combining the Company's R&D with open innovation and strategic M&A. - Strengthen value creation not only in existing markets but also in new markets. - Ensure brand equity through elevating price strategy on a global basis. - Develop the inner beauty category. - Enhance cross-border strategy. (China, Travel Retail and Japan) **[Uncertainties]** - Loss of competitiveness due to delayed or inadequate response to changing consumer values relating to "beauty," changing needs related to cosmetics or inner beauty, price acceptability, and diversifying purchasing behavior including touchpoints. (Threat) - Possibility of losing the trust of society and consumers due to their misunderstanding, even though we sell genuinely environmentally friendly products. (Threat) - Successful marketing strategies addressing changing consumer values may lead to higher-than-expected sales and profits. (Opportunity) [**Countermeasures**] - Strengthen brand portfolio to respond to diversifying consumer values. - Expand our brands in markets where further growth is expected. - Accelerate diversity of human resources across the Group. - Through Consumer and Market Intelligence Department, gather consumer information in an accurate and timely manner. - Accelerate value creation and business development through open innovation with other companies. - Invest in innovative startup companies within the beauty wellness area.	↑
New Technology and Speed of Digital Acceleration	**[Key Strategic Initiatives]** - Develop strategies from a company-wide perspective and promote the digitization of processes in all areas. - Drive Global Standardizations (platforms, tools, process and aligned KPIs) for focused and effective activations and measurement in order to help reach Global targets and create cost efficiencies and decrease compliance risks. - Obtain and analyze consumer data in compliant manner to develop more personalized marketing through digital CRM. Strengthen retention and loyalty. **[Uncertainties]** - Possibility of decline in market share due to delay of data and process standardization may lead to compliance risk and cost increases. (Threat) - Possibility of leakage of personal and confidential information as a result of failure to take appropriate measures against various risks associated with the use of generative AI. (Threat) - Offer unique value through combination of online and offline (i.e., store counter) experiences. (Opportunity) - Improvement of competitive advantage through the use of generative AI. (Opportunities) **[Countermeasures]** - Quarterly regional meetings between Chief Digital Officer (CDO) and digital leadership team in the HQ and Regional HQs established for audit and track global delivery based on standardized KPIs. - The project to introduce generative AI was launched and an environment for internal use was established. At the same time, rules for appropriate use were formulated and communicated to employees. - Introduction of the digital workforce planning to reinforce to support digitally optimized team building, hiring, retention, and development of digital experts. - Enhance development of beauty technology to reinforce personalized engagement with customers and improve unique digital content to analyze skin condition. - Accelerate first-party data acquisition through service and technology offered to consumers online and at store counters. - Promote governance by creating stage gate process, investment management model with collaboration with R&D, Corporate Strategy and Global IT companies. - Promote various innovation initiatives through the Global and Regional Metaverse and Web 3.0 Steering Committee.	↑

Risk	Important efforts for realizing our Strategies/ Uncertainties (Threats and Opportunities) that could impact such efforts and countermeasures regarding these uncertainties	Change in risk level (Year-on-Year)
Pace of Cutting-Edge Innovation	**[Key Strategic Initiatives]** - Selection and concentration of R&D through introduction of unique R&D philosophy “DYNAMIC HARMONY.” - Uphold “We are the engine of BEAUTY INNOVATIONS” as 2030 R&D Vision and established the three pillars of innovation: “Skin Beauty INNOVATION,” “Sustainability INNOVATION,” and “Future Beauty INNOVATION.” In addition, “Our existing R&D approach,” “Collaboration with Regional Innovation Centers (RIC)” and “De-Shiseido culture;” an approach breaking free from the status quo are formulated as our strategy. - Strengthen R&D in the Skin Beauty brands. - Invest in R&D with ca.3% of net sales ratio target. - Strengthen regulatory compliance activities at each Regional HQ. **[Uncertainties]** - New and competing technologies may make existing technologies obsolete. Cosmetics and other regulations of certain countries could result in restriction of our technologies, making it difficult to provide new value to consumers. (Threat) - Launch of new technologies from a short-term perspective, medium-to long term slowdown in basic research or formula development/alternative ingredients to boost sustainability, or delay in M&A progress and partnerships with third parties could prevent us from achieving planned synergies. This would limit our overall competitiveness and ability to meet the needs of consumers. (Threat) - Establishing competitive superiority through the creation of new value via innovation in fields such as services, processes, and organization. (Opportunity) [**Countermeasures**] - Continue to invest in cosmetics R&D and agile investment allocation. - Identified core technology areas for R&D and clarified short-to long-term strategies for each to achieve resource allocation with high return on investment. - To maximize the value of innovative research results, identify the seeds for commercialization across brands, which are effectively communicated to consumers through strategic communications. - Operate all our factories leveraging the latest technologies. - Conduct joint research with external organizations. Leverage expertise of startup companies to focus on consumer trends. - Proposals for brands through business trials (test launches) co-created with external parties, including collaborations with startup companies such as the “fibona” open innovation program. - Define KPIs for measuring the return on R&D (such as R&D expenses to net sales ratio, number of researchers, sites, patent applications, academic papers, and seeds created and utilized etc.) for monitoring. - Expand the dispatch of strategic people to external organizations in order to develop innovative people and expanding the number of specialized positions linked to the organizational plan in order to strengthen organizational capability in terms of expertise.	↑
Corporate and Brand Reputation	**[Key Strategic Initiatives]** - Promote communication with multiple stakeholders in both the economic and social aspects to maintain and enhance the image of the corporate brand and each brand. - Promote multifaceted marketing activities utilizing consumer insights and data to leverage brand equity. **[Uncertainties]** - Rumors, whether true or unfounded, regarding our official communications or comments and actions by ambassadors and social media influencers associated with Shiseido could result in public criticism of the Group and damage our reputation. (Threat) - Sale of counterfeit products can damage our ability to share our values with consumers, resulting in damage to our brand. (Threat) **[Countermeasures]** - Following countermeasures are implemented to prevent reputation risk cases in advance. - Provide in-house training for marketing and communications staff on maintaining and enhancing brand image. - Continuously refine our review system for communication used in advertising and promotional materials, as well as for selection of brand ambassadors and social media influencers, to avoid statements and conduct that could trigger criticism based on regional ethical or social norms. - Monitoring of information related to the Company on websites and social media. - Establish and thoroughly communicate a social media policy internally. - Following actions are executed to strengthen the response in the event of an incident. - Coordinate more closely with Regional HQs for incident response. - Coordinate with local government authorities to combat counterfeit products.	↑

Risk	Important efforts for realizing our Strategies/ Uncertainties (Threats and Opportunities) that could impact such efforts and countermeasures regarding these uncertainties	Change in risk level (Year-on-Year)
Environment (Climate Change, Biodiversity, etc.)	**[Key Strategic Initiatives]** - As part of initiatives to realize a better world, execute actions while working toward greater sustainability, and enriching people's lives through an approach unique to a beauty company. - Promote activities to achieve three commitments: "Reducing Our Environmental Footprint," "Developing Sustainable Products," and "Promoting Sustainable and Responsible procurement." **[Uncertainties]** - Lack of environmental measures may lead to loss of trust of consumers/society at large and a decline in shopping motivation. (Threat) - Inadequate responses to environmental issues, particularly climate change and biodiversity risks, would negatively affect business, finance, and corporate value. (Threat) - Efforts such as development of sustainable products could establish greater trust with consumers and society at large, create new social value in beauty, and rapidly increase corporate value. (Opportunity) **[Countermeasures]** - Regular meetings held by the Sustainability Committee for medium-to-long-term strategy development/KPI setting, deliberation/resolution on sustainability issues, and monitoring of the strategy implementation progress involving related departments of HQ and Regional HQs with responsibility for execution. - Sustainability/SDGs-related activities by each brand. - Issue Sustainability Report reflecting corporate policies, initiatives, and KPIs and performance. - Promote acquisition of ISO 14001 certification at all plants and distribution centers by the end of 2024. (All factories have acquired ISO 14001 certification by the end of 2023.) - Promote efforts to contribute to the reduction of environmental impact together with customers through adopting eco-friendly packaging. - Promote switch to certified palm oil and paper. - Set and disclose medium-term targets for major environmental load reduction items (CO_2, palm oil, paper, water, waste) and work toward achieving them. - Promote traceability in raw material procurement, which has a significant impact on climate change, biodiversity, and human rights in supply chain as a sustainability issue. - Support the Task Force on Climate-related Financial Disclosures (TCFD) and Taskforce on Nature-related Financial Disclosures (TNFD). Prepare and disclose a scenario based on quantitative/qualitative analysis of climate change and biodiversity impact on business, estimated financial impact and specific actions to be taken, in line with TCFD/TNFD recommendations.	

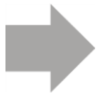
Risk	Important efforts for realizing our Strategies/ Uncertainties (Threats and Opportunities) that could impact such efforts and countermeasures regarding these uncertainties	Change in risk level (Year-on-Year)
Diversity, Equity & Inclusion (DE&I)	**[Key Strategic Initiative]** - As part of initiatives to realize a better world, execute actions while working toward greater sustainability, and enriching people's lives through an approach unique to a beauty company. - To achieve the three commitments of "Advancing Gender Equality," "Empowering people through the Power of Beauty," and "Promoting Respect for Human Rights," actions taken by HQ/Regional HQs/brands in collaboration with external international organizations and NGOs. - Particularly in Japan, where empowerment of women lags behind, Shiseido to provide information to employees as well as external companies, thereby driving transformation of Japanese companies and Japanese society as a whole. **[Uncertainties]** - Possibility of losing the trust of society at large and consumers due to insufficient efforts in DE&I, which is a strength of Shiseido. (Threat) - Inadequate responses to "Business and Human Rights" that form the foundation of DE&I would negatively affect corporate value. (Threat) - Our efforts to promote DE&I may create new social values, building trust with consumers and society at large. (Opportunity) - Organizational culture rooted in DE&I may lead to recruitment/retainment of diverse and talented people, promoting innovation and dramatically increasing our corporate value. (Opportunity) **[Countermeasures]** - Medium-to-long-term strategy development, setting KPIs, and monitoring of the strategy implementation progress, involving related departments of HQ and Regional HQs. - Activities by each brand for sustainability and SDGs realization. - Issuance of Sustainability Report containing corporate policy, initiatives, and KPIs. - Established the Shiseido DE&I Laboratory to study the relationship between the activities of diverse people and corporate growth, and began full-scale empirical research. - Participation in "30% Club Japan" which aims to increase the proportion of women on the boards of companies in Japan, with our CEO acting as chair to lead the activities of TOPIX Presidents' Association. - Expand opportunities to experience "power of makeup" through "SLQM (Shiseido Life Quality Makeup)" and "Lavender Ring Makeup & Photos with Smiles" programs, supporting QOL improvement of cancer survivors. - Establish a human rights due diligence process to identify possible negative impacts on human rights that the Company or its business partners may have on society and implement remedial actions to prevent and mitigate them.	→
Natural Disaster, Infectious Disease and Terrorism	**[Key Strategic Initiative]** - Reinforce people and management infrastructure to rebuild our foundation for growth on a global scale. **[Uncertainties]** - Recent natural disasters (such as earthquakes, flood damages, and tornadoes) and other events around the world (such as terrorism and riots) threatening employee safety and/or causing property damage, resulting in negative impact on supply network and business. (Threat) - Outbreak of pandemics may lead to decline in consumption, sales, and profits. (Threat) - Possibility to secure a competitive advantage in the market by quickly and flexibly addressing the changes in consumer values and needs. (Opportunity) **[Countermeasures]** - Execute employee safety training and formulate business continuity plans (BCPs) for HQ and major regional sites. Hold regular and consistent training at each site. - Strengthen and leverage our global supply network to allow flexible and continuous supply during a crisis, such as establishment of a new factory. - Established BCP for infectious diseases and response system.	→

Risk	Important efforts for realizing our Strategies/ Uncertainties (Threats and Opportunities) that could impact such efforts and countermeasures regarding these uncertainties	Change in risk level (Year-on-Year)
Geopolitical Tensions	**[Key Strategic Initiatives]** - Focus investments on the areas and business of growth drivers. - Rebuild the business foundation to boost profitability. **[Uncertainties]** - Possibility of consumer pullback on our products due to increased anti-Japan sentiments in markets where we operate. (Threat) - Deterioration of business environment due to political instability in markets where we operate. (Threat) - Our profitability may deteriorate if the increased cost of raw materials caused by global price inflation leads to an increase in the price of goods/services, as consumers may be less motivated to purchase our products. (Threat) - Unstable political conditions and strained diplomatic relationships of countries and conflicts where we operate could deteriorate our business environment and lead to negative impacts on production, supply, and sales of our products. (Threat) **[Countermeasures]** - Further develop and invest in our Skin Beauty brands. - Accelerate business transformation globally to minimize risks even when we face unexpected changes in market situation. - Balance sales portfolio across regions. - Strengthen and leverage the scale of our global supply network to be able to be flexible at a time of crisis, without interrupting supply. - Identification and consideration of Group-wide response points in the event of a crisis.	

<Operation & Fundamental Risks>

Risk	Important efforts for realizing our Strategies/ Uncertainties (Threats and Opportunities) that could impact such efforts and countermeasures regarding these uncertainties	Change in risk level (Year-on-Year)
Corporate Culture and Acquisition/ Securing Outstanding People	**[Key Strategic Initiatives]** - Under the "PEOPLE FIRST" Principle, we consider people are the "source" of value creation and our greatest asset, and define our value creation sites as "Beauty Innovation Atelier - Energized by Passion, Collaboration and Excellence," with the aim of maximizing returns on our investment in people. We also plan to promote this initiative globally. - In the people strategy, while focusing on strengthening leadership and innovation capabilities, we continuously improve the level of employee engagement, which is the starting point for sustainable value creation. - To make strong individuals (each employee) even stronger, we also take an organizational development approach to strengthen relationships among employees and the organization, and to change the entire culture. - Continue to promote OUR PRINCIPLES (TRUST 8) introduced in 2018 in the Group. **[Uncertainties]** - Inability to attract and retain the best people may lead to people shortages in realizing our business objectives. (Threat) - Possibility of securing a competitive advantage by hiring and retaining the best people. (Opportunity) - Possible increase in productivity of the entire Group through the promotion of business process using AI and IT tools and work style reforms. (Opportunity) **[Countermeasures]** - Aim to shorten the distance between the leadership team and employees, to intentionally increase opportunities for direct discussion of management policies, vision, thoughts and values, and to continue to build a highly transparent organizational culture, while promoting a sense of unity and alignment of employee vectors throughout the organization. - Promote workplace with flexibility and diversity, such as a workstyle combining office and remote work to achieve maximum results (Shiseido hybrid work style) and permitting part-time jobs. Improve employee wellbeing. - Introduce the global HR database and unify employee performance management to appoint talented people right time in the right jobs. - Introduce the Job Grade HR System and a remuneration system commensurate with individual contributions to ensure transparency in personnel evaluation and improve employee motivation. - Organize global leadership programs, and women's leadership development programs. - At "Shiseido Future University" established in November 2023, we implement an original leadership program focusing on the people selected from the Group companies in Japan and overseas who will become next-generation management leaders, with the aim of nurturing leaders who have a sense of beauty and a richness of spirit befitting a beauty company, and cutting-edge global-level business knowledge to create Shiseido's unique value and innovations. - Strengthen retention of people by offering total rewards, including global leadership programs, women's leadership development programs, global mobility and competitive compensation systems.	
Business Structure Transformation	**[Key Strategic Initiative]** - To establish a value-added management model and achieve a core operating profit margin of 15% by 2028-2029, actively invest in focused areas such as brands, innovation and people to achieve continuous, stable growth and shift to a highly profitable structure. **[Uncertainties]** - Business plan achievement may be negatively affected if regional/divisional business restructuring does not progress as targeted and profitability and cash flow is not improved. (Threat) - Growth in the cosmetics market may fall below expectations with slowdown of economic growth in China or the Americas, affecting management plans. (Threat) - Possibility of establishing competitive advantage in the global market by initiatives such as rebuilding the earnings base by bringing back growth in Japan, implementing business transformation in China, and establishing a foundation for growth in Americas as the next growth pillar. (Opportunity) **[Countermeasures]** - Established the Global Transformation Committee chaired by the CEO to clearly define the roles and responsibilities of each functional area while also "reinforcing the execution, oversight and monitoring functions" to deliver expected results from the business structure transformation. - As Japan is one of our top priority markets, we have defined three pillars of a new business transformation plan called "Mirai Shift NIPPON 2025"; "Sustainable growth," "Building a profitable foundation," and "Human capital transformation."	

Risk	Important efforts for realizing our Strategies/ Uncertainties (Threats and Opportunities) that could impact such efforts and countermeasures regarding these uncertainties	Change in risk level (Year-on-Year)
Operating Infrastructure	**[Key Strategic Initiative]** - Improve effectiveness of information systems, business management systems, and core business processes related to procurement/production/sales to realize and expand Global One IT organization. **[Uncertainties]** - If IT system reconstruction/transition at our local offices do not proceed as planned, or faces issues hindering smooth operation after introduction, the initiative to improve global business base may be hindered and management plans are negatively affected. (Threat) - Updating global IT systems contributes to a stronger business foundation and improved competitiveness. (Opportunity) **[Countermeasures]** - Establishment of the specialized department at HQ which executes/promotes "FOCUS" project for standardizing and updating IT systems and business processes globally. - Proceed the system implementation based upon the robust methodology including extensive system and dry run prior to go-live and post-operational hyper care period to ensure business, system and human resource readiness. - Implement a high-availability global Cloud IT infrastructure to ensure resilience. - Activate the Business Contingency Plan, when required, to avoid any operational impact.	↑
Supply Network	**[Key Strategic Initiatives]** - Establishment of domestic factories and a supply chain base to enable stable production over the medium-to-long-term. - Improve our global supply chain management. - Strengthened global supply chain management by deployment of FOCUS. - Continuous process improvement and state of the art technology investments in manufacturing and distribution. - Focus on safety and sustainability. **[Uncertainties]** - Possible delays and inability to produce stable products due to price hikes, increased demand for raw materials and business withdrawals caused by economic factors such as yen depreciation and international inflation, as well as natural disasters, cyber damage to suppliers, and other factors affecting the supply chain. (Threat) - Leverage Japan's high-quality manufacturing strengths to increase consumer value, at our factories in Japan. (Opportunity) **[Countermeasures]** - Reinforce supply structure of important ingredients by using multiple suppliers, securing emergency stocks, and creating strategic alliances with suppliers. - Strengthen our monitoring capabilities to ensure compliance with the Shiseido Group Supplier Code of Conduct. - Deploy and execute "Global Safety Management System" and "Supply Network Sustainability Roadmap." - "Policy for Responsible Procurement" is established and globally deployed.	→

Risk	Important efforts for realizing our Strategies/ Uncertainties (Threats and Opportunities) that could impact such efforts and countermeasures regarding these uncertainties	Change in risk level (Year-on-Year)
Compliance	**[Key Strategic Initiative]** - Strengthen global legal compliance structure as we build business foundation in the new areas such as digital and beauty tech, wellness, new business acquired through M&A, etc. **[Uncertainty]** - Shiseido is subject to laws and regulations in countries in which we operate around the world relating to product safety, ingredients and labeling, employee health and safety, intellectual property, antitrust and competition, data privacy, environment, employment and labor, taxes, product claims, corporate governance, Tokyo Stock Exchange (TSE) listing and disclosure. Unexpected changes to these laws and regulations could have a material impact on the business cost. Failure to comply with these laws and regulations could expose the Company to civil and/or criminal fines, penalties and sanctions impacting on our corporate reputation. (Threat) - Violation of laws and regulations, fine payments, and loss of trust in the Company due to delayed or inappropriate response to applicable laws and regulations in each country regarding data protection including personal information. (Threat) **[Countermeasures]** - Office of the Chief Legal Officer (CLO) works in conjunction with regional legal leaders to reinforce global compliance with Company rules and policies as well as external laws and regulations. Response teams are activated in any affected Regions or markets to ensure timely and effective actions in protecting the safety of our consumers and our employees. - Appoint a person responsible for data protection to reestablish and strengthen global governance. - Foster an ethical culture and a framework of our ways of working that set out our non-negotiable standards embodied in our "Shiseido Code of Conduct and Ethics" expected from all employees. We also provide training and awareness of compliance areas such as anti-corruption, anti-trust, anti-harassment and anti-discrimination, in addition to developing areas concerning the use of consumer data. - Established the "Shiseido Global Hotline" at HQ to directly receive reports from all employees of the Group.	

Risk	Important efforts for realizing our Strategies/ Uncertainties (Threats and Opportunities) that could impact such efforts and countermeasures regarding these uncertainties	Change in risk level (Year-on-Year)
Regulatory	**[Key strategic Initiative]** - HQ leads in collecting information and analyzing risks related to new environmental laws, product regulations and social trends, sharing information with related departments, including overseas regions, and strengthening the system for the smooth launch of innovative products and services. **[Uncertainties]** - If we are unable to properly develop products that comply with regulations in each country, our technologies and products may be restricted by regulations, making it difficult to continue manufacturing and selling products, which may have a significant impact on our business plan and cause us to lose the trust of society and consumers. Furthermore, if our superior technologies are restricted by regulations, the competitiveness of our products may decrease. (Threat) **[Countermeasures]** - Established a dedicated department within HQ to monitor regulatory trends and formulate strategies for cosmetics and other regulations in each country. - Strengthen our response to changing regulations in collaboration with our local regulatory teams, local industry associations and external experts. - Conduct compliance assessments of environmental and other regulations based on the ISO14001 to ensure strict compliance with laws and regulations.	→
Quality Assurance	**[Key strategic Initiative]** - Offering safe products is a core Shiseido value and the foundation of our business strategies and competitive advantage; thorough measures are taken to ensure high quality throughout product design, production, and sales. **[Uncertainties]** - Insufficient implementation of the Group's high standard of quality assurance throughout the Group may result in our inability to continue to provide safe products to consumers at various stages of product lifecycles. (Threat) - Globally produce and provide Japan-standard quality, leading to improved brand image and increase in consumers, especially outside Japan. (Opportunity) **[Countermeasures]** - Developed "Shiseido Quality Principle" and "Global Quality Policy and Requirement" and established Shiseido's own quality and safety assurance standards. Confirm adherence to such guidelines and standards at all stages, including new product design and development, management of raw materials, production, and delivery. - Manage the operations through Shiseido Quality Management System to strengthen objective management, governance and risk assessment. - Implementation of "Global Quality Information Management System," a system allowing global sharing of voice of consumers collected at consumer centers. - Set up a consumer service desk and a dedicated internal system for reporting and responding to potential quality risks, in addition to conducting regular simulation training. - Expand the areas of quality audit by the Quality Assurance Department.	→
Governance Structure	**[Key Strategic Initiative]** - Creation of a matrix organization structure composed of six Regions and brand categories to allow HQ to manage the entire Group business, whilst also transferring greater authority to Regional HQs overseeing Japan, China, APAC, the Americas, EMEA, and Travel Retail. We promote the localization of responsibilities and authority. - In order to further evolve into a structure that will bring about sustainable growth and long-term enhancement of corporate value by formulating strategies based on the most appropriate corporate governance structure for the Company, and in preparation for the transition to a Company with Three Statutory Committees (resolved at the General Meeting of Shareholders on March 26, 2024), a new department that integrates committee secretariat functions was established in January 2024. **[Uncertainties]** - If authority is not appropriately delegated and responsibilities are not fulfilled, or if there are deviations from rules in decision-making and business execution, it may become increasingly challenging to maintain efficient and legally compliant operations and damage the organization's sustainability. (Threat) - Possibility of increased consumer loyalty in Regional HQs area of responsibility and make speedy decisions or successfully execute marketing strategies to address local market needs. (Opportunity) **[Countermeasures]** - Decisions relating to the Company's business are regularly reviewed by the Company's Executive Officers and important matters are proposed or reported to the Board of Directors. - We create rules for responsibility and authority of HQ/ Regional HQs for each function and brand to ensure group governance through regular reporting and on-going global leadership meetings. - Strengthen governance structure by establishing internal controls globally, including a Group-wide risk management system.	→

Risk	Important efforts for realizing our Strategies/ Uncertainties (Threats and Opportunities) that could impact such efforts and countermeasures regarding these uncertainties	Change in risk level (Year-on-Year)
Information Security	**[Key Strategic Initiative]** - Strengthen digital marketing globally by utilizing data and enhancing e-commerce to match consumer needs and fierce competitive environment. - Acquire and utilize, with consumer contents, personal data to provide new curated experience/services to customers and co-creation. - Shift to Shiseido Hybrid Work Style, a way of working where productivity is high regardless of place or time. - Further collaboration and co-creation with external partners such as startup companies to generate innovation. **[Uncertainties]** - Stagnation of production and sales and liability for damages to consumers and customers and loss of trust in the Company due to system failures caused by cyberattacks and leakage of consumer data. (Threat) - With the increase in access points to important data accompanying working styles regardless of location and time, and further collaboration/ co-creation with external partners, information leakage risks may be heightened if management or operation is inadequate. (Threats) - Loss of trust in the Company and business opportunity due to failure to understand the sensitivity of society regarding data protection and appropriately understand the concerns/ expectations of consumers regarding data protection. (Threat) - By taking appropriate countermeasures to the above threats, possibility of contributing to the achievement of business goals; for example, consumers feel safe to entrust their personal data to the Company. (Opportunity) **[Countermeasures]** The following countermeasures are implemented, referencing the ISO and National Institute of Standards and Technology (NIST) frameworks. - Dedicated information security department leading global collaboration, governance, and control. Conduct periodic drills in response to external attacks and in case of emergencies. - Promote information disclosure and notification regarding protection of data protection. Promote communication with relevant authorities. - Continuously revise the company's information security/data protection regulations, considering both internal and external environmental changes. - Identify/securely manage personal data held by the Company. Continuously promote information security awareness among employees. - Reinforce medium-to-long-term response to external cyberattacks increasing in sophistication and diversification (Protect/Detect/Respond/Recover: e.g., stronger security related to filters, computer devices, and cloud use). - Strengthening the establishment and monitoring of the Security Operations Center (SOC) on a global scale, involving external experts, for improved management/operation of increasing amount of sensitive data and diversifying data access points.	↑

<Other Risks>

Risk	Important efforts for realizing our Strategies/ Uncertainties (Threats and Opportunities) that could impact such efforts and countermeasures regarding these uncertainties	Change in risk level (Year-on-Year)
Exchange Rate Fluctuations	**[Key Strategic Initiative]** - Increase our ratio of overseas sales as a global beauty company. **[Uncertainties]** - Significant fluctuations in exchange rates for settlements in foreign currencies, related to import/export transactions. - When transaction figures reported in local currencies for an overseas affiliate are converted into Japanese yen at the time of preparing the consolidated financial statements, the appreciation of the Japanese yen may adversely affect business results. - Investments in overseas affiliates could result in reduced net assets due to currency exchange adjustments and the appreciation of the Japanese yen. **[Countermeasures]** - Hedge exchange rate fluctuation risks with forward exchange contracts. - Monitor and respond to fluctuations in major global currencies.	→
Business Investment	**[Key Strategic Initiative]** - Promote growth investments that align with Company strategy and improve profitability and strengthen our skin beauty businesses. **[Uncertainties]** - If market/business conditions deteriorate at levels not anticipated at the time of investment decisions and our business plans are not successfully carried out, impairment losses on goodwill and intangible assets recorded through M&A may negatively affect company performance. (Threat) **[Countermeasures]** - Regular performance monitoring and reporting of monitoring results to the Board. - Consider future directions and countermeasures to improve business performance in cooperation with relevant brands, regional HQs and HQ corporate departments.	→
Material Litigation, etc.	**[Key Strategic Initiatives]** - Continuously strengthen legal compliance structure and governance with a risk mitigation focus as we rebuild business foundation and focus on growth through new business models such as digital and beauty tech, transformation initiatives, M&A, beauty wellness, etc. - Robust management and mitigation of material litigation/claims and heightened attention on proper controls and preventative measures, including employee training and employee reporting avenues such as ethics hotlines. **[Uncertainties]** - With a presence across approximately 120 countries/regions globally, there is a possibility that we will face lawsuits and/or claims and/or government investigations under the different legal systems of each country. (Threat) - Significant impact on the Group's business performance, should a major material litigation occur in the future with an unfavorable ruling for the Group; possibility of adverse effect on our financial position and business performance. (Threat) **[Countermeasures]** - Established legal teams at our HQ and Regional Affiliates, led by the Company's Chief Legal Officer to ensure effective strategies and defenses. Subject matter legal experts/external law firms are retained in support of all legal strategies and defenses in material matters. - Continuously provide legal training to employees regarding legal environment and country-specific laws and regulations impacting our business in areas of legal impact to the business, such as anti-corruption, antitrust, anti-discrimination. - Ensure all commercial agreements have clear business terms that include indemnification and other protections to reduce the risk of disputes. - Proactively ensure all IP is protected globally to guard against infringement claims. - Conduct due diligence on all significant commercial and business transactions.	→

4. Management's Analysis of Financial Position, Operating Results and Cash Flows

The following is a summary of the status of the Shiseido Group's (hereinafter "the Group") financial position and operating results and cash flows (hereinafter "operating results, etc.") for the current fiscal year as well as the analysis and discussion of the status of the Group's operating results, etc. from the perspective of management.

Forward-looking statements are based on judgments made at the end of the current fiscal year.

(1) Consolidated performance

	Unit	Net Sales	Core Operating Profit	Operating Profit	Profit before Tax	Profit Attributable to Owners of Parent	EBITDA
Fiscal year ended December 31, 2023	Millions of yen	973,038	39,842	28,133	31,037	21,749	91,819
Fiscal year ended December 31, 2023	Thousands of U.S. dollars	6,866,888	281,171	198,539	219,033	153,486	647,982
Fiscal year ended December 31, 2022	Millions of yen	1,067,355	51,340	46,572	50,428	34,202	102,371
Year-on-Year Increase (Decrease)	%	(8.8)	(22.4)	(39.6)	(38.5)	(36.4)	(10.3)
FX-Neutral	%	(12.2)					
Like-for-Like	%	1.8					

Notes:

1. Core operating profit is calculated as operating profit excluding profits or losses incurred by non-ordinary factors (non-recurring items), such as expenses related to structural reforms, impairment losses, etc.
2. EBITDA is calculated by adding depreciation and amortization expenses to core operating profit (excluding depreciation of right-of-use assets).
3. Like-for-like increase (decrease) in net sales excludes the impacts of foreign exchange translation and all business transfers in the fiscal years 2023 and 2022, as well as the services provided during the transition period ("business transfer impacts").

In the current fiscal year, 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.

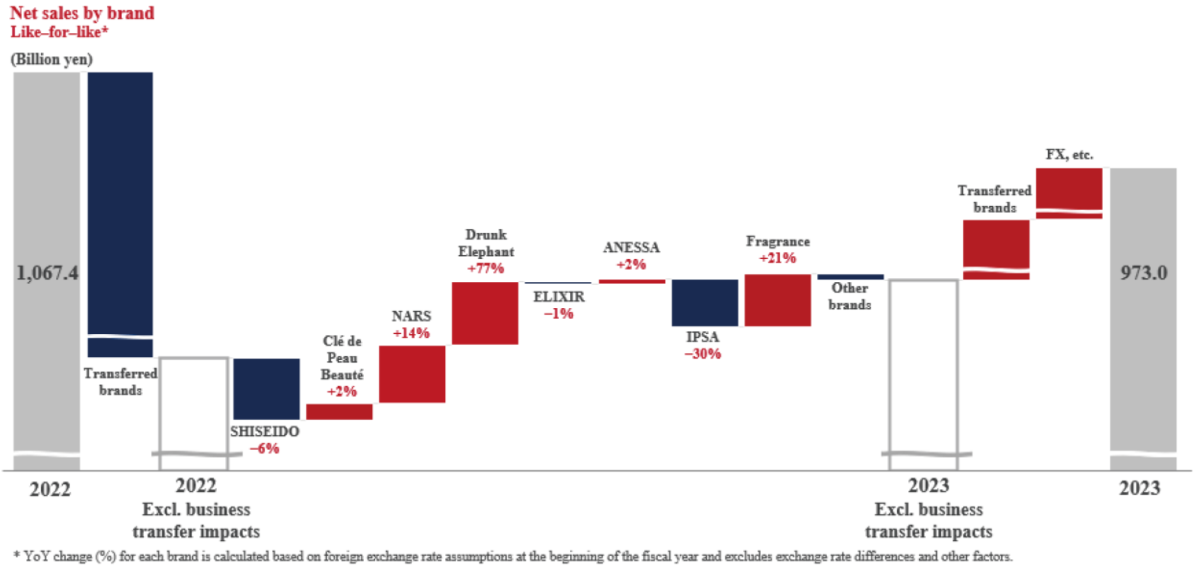
Driven by its corporate mission, BEAUTY INNOVATIONS FOR A BETTER WORLD, the Group actively promotes innovations aiming to resolve social and environmental issues such as diversity equity and inclusion. We thus strive to realize our vision towards 2030: a sustainable world where everyone can enjoy a lifetime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

1) Net sales

Net sales decreased by 8.8% year-on-year to ¥973.0 billion ($6,866.9 million) on reported figures, down 12.2% year-on-year on a FX-neutral basis, or up 1.8% year-on-year on a like-for-like basis, which excludes the impacts of foreign exchange rates and business transfers. These results primarily reflected the continued strong performance of the mid-to-high price range and the recovery of inbound tourism in Japan, as well as the continued strong performance of the Americas, EMEA, and Asia Pacific Businesses in contrast to weaker performance in China / Travel Retail.



In a comparison of year-on-year sales on an FX-neutral basis which excludes the impacts of business transfers, by brand, *NARS*, *Drunk Elephant*, and fragrance sales increased by 14%, 77% and 21% year-on-year, respectively. These results primarily reflected the market expansion and growth of e-commerce sales in the Americas and EMEA in contrast to weakening sales in China and Travel Retail across the brands.

2) Cost of sales

Cost of sales decreased by 20.6% year-on-year to ¥259.7 billion ($1,832.6 million). The cost of sales ratio decreased 4.0 percentage points year-on-year to 26.7% mainly due to improved productivity, alleviation of rising logistics costs, and a decline in the impact of product supply resulting from business transfers, despite an increase in allowance for excess inventory write-offs and an increase in the cost of sales ratio due to factors such as impairment losses and structural reform expenses. The cost of sales ratio on a like-for-like basis, excluding the impact of business transfers and the impact of impairment losses, decreased 0.9 percentage points year-on-year to 23.1%.

3) Selling, general and administrative expenses

Selling, general and administrative (SG&A) expenses decreased 3.0% year-on-year to ¥696.6 billion ($4,916.2 million). The breakdown of this result on a core operating profit basis is as follows:

a) Marketing costs (Note 1)

The ratio of marketing costs to net sales increased 1.8 percentage points year-on-year to 26.7% due to increased investment expenses for enhancing brand equity, more than offsetting a decrease due to the sale of businesses and agile cost management.

b) Brand development / R&D expenses

The ratio of brand development and R&D expenses to net sales decreased 1.0 percentage points year-on-year to 4.0%.

c) Personnel expenses (Note 2)

The ratio of personnel expenses to net sales increased 2.0 percentage points year-on-year to 23.4% as a result of an increase in expenses due to inflation, which outweighed initiatives to optimize personnel expenses through such means as implementing structural reforms.

d) Other SG&A expenses

The ratio of other SG&A expenses to net sales increased 1.6 percentage points year-on-year to 17.1% due to an increase in investment expenses for digital transformation.

R&D expenses, which are included in SG&A expenses, stood at ¥27.6 billion ($194.5 million), bringing the ratio of R&D expenses to net sales to 2.8%. For details on research and development activities, please refer to 6. Research and development activities.

Notes:

1. The ratio of marketing costs to net sales was 36.5% if expenses related to personal beauty partners (PBP) were included.
2. The ratio of personnel expenses to net sales was 13.8% if expenses related to PBP were not included.

4) Core operating profit

Core operating profit decreased year-on-year by ¥11.5 billion ($81.1 million) to ¥39.8 billion ($281.2 million). In the Japan Business, we posted a year-on-year increase in core operating profit generated by higher gross profit from stronger sales, returning to profitability in the current fiscal year. 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 from the Other Business declined year-on-year due to lower margins resulting from a decrease in intersegment sales to the China and Travel Retail Businesses, profits from Adjustments increased year-on-year due primarily to the decline in the elimination of unrealized profits on inventories.

5) Operating profit

While a gain on the transfer of Professional Business was recorded in the previous fiscal year, impairment losses related to the transfer of the manufacturing operations of personal care products, structural reform expenses, loss on sale of businesses and impairment losses associated on the integration of two factories in Osaka Prefecture were recorded in the current fiscal year. As a result, operating profit decreased by ¥18.4 billion ($129.9 million) to ¥28.1 billion ($198.5 million).

6) Profit before taxes

While share of profit of investments accounted for using equity method increased by ¥2.1 billion ($14.8 million) from the previous year to ¥3.7 billion ($26.4 million), operating profit decreased by ¥18.4 billion ($129.9 million) from the previous year to ¥28.1 billion ($198.5 million) and finance costs increased by ¥3.9 billion ($27.5 million) from the previous year to ¥7.6 billion ($53.5 million). As a result, profit before tax decreased by ¥19.4 billion ($136.9 million) from the previous year to ¥31.0 billion ($219.0 million).

7) Profit attributable to owners of parent

Profit attributable to owners of parent declined ¥12.5 billion ($88.2 million) year-on-year to ¥21.7 billion ($153.5 million), 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 the manufacturing operations of personal care products as well as an impairment loss on the integration of two factories in Osaka Prefecture.

8) EBITDA

EBITDA decreased by ¥10.6 billion ($74.8 million) to ¥91.8 billion ($648.0 million), with a margin of 9.4%.

Major foreign currency exchange rates applicable to income and expense accounting line items in the Company's financial statements for the current fiscal year are JPY140.5/USD, JPY152.0/EUR, and JPY19.8/CNY.

(Performance by reportable segment)

The results of each reportable segment are as follows. The Group has changed the classification method of its reportable segments from the current fiscal year. Comparisons and analysis with the previous fiscal year are based on the classification method after the change.

Net sales (sales to external customers)

Classification	Fiscal year ended December 31, 2023		% of Total	Fiscal year ended December 31, 2022 (Reference)		% of Total	Year-on-Year Increase (Decrease)				
							Amount		%	FX-Neutral	Like-for-Like
	Millions of yen	Thousands of U.S. dollars		Millions of yen	Thousands of U.S. dollars		Millions of yen	Thousands of U.S. dollars			
Japan Business	259,900	1,834,157	26.7%	237,565	1,676,535	22.3%	22,334	157,615	9.4%	9.4%	10.0%
China Business	247,921	1,749,619	25.5%	258,226	1,822,343	24.2%	(10,305)	(72,724)	(4.0)%	(6.4)%	(4.6)%
Asia Pacific Business	67,283	474,827	6.9%	68,017	480,007	6.4%	(734)	(5,180)	(1.1)%	(6.3)%	12.5%
Americas Business	110,294	778,363	11.4%	137,916	973,296	12.9%	(27,621)	(194,926)	(20.0)%	(25.0)%	15.2%
EMEA Business	116,949	825,328	12.0%	128,440	906,422	12.0%	(11,490)	(81,087)	(8.9)%	(17.3)%	18.9%
Travel Retail Business	132,525	935,251	13.6%	163,650	1,154,905	15.3%	(31,124)	(219,647)	(19.0)%	(24.1)%	(19.5)%
Other	38,163	269,323	3.9%	73,538	518,970	6.9%	(35,374)	(249,640)	(48.1)%	(48.3)%	(11.1)%
Total	973,038	6,866,888	100.0%	1,067,355	7,532,498	100.0%	(94,317)	(665,610)	(8.8)%	(12.2)%	1.8%

Core operating profit (loss)

Millions of yen

Classification	Fiscal year ended December 31, 2023	Ratio to Net Sales	Fiscal year ended December 31, 2022 (Reference)	Ratio to Net Sales	Increase (Decrease)	Percentage Change	Total sales including intersegment sales and internal transfers between segments (Reference)	
							FY2023	FY2022
Japan Business	1,840	0.7%	(13,089)	(5.4)%	14,929	-	264,747	244,271
China Business	6,967	2.8%	(3,941)	(1.5)%	10,908	-	251,671	259,870
Asia Pacific Business	5,069	7.1%	4,716	6.6%	353	7.5%	71,569	71,136
Americas Business	11,200	9.7%	7,660	5.3%	3,540	46.2%	115,853	143,212
EMEA Business	3,345	2.7%	6,926	5.0%	(3,581)	(51.7)%	123,727	137,901
Travel Retail Business	17,111	12.9%	37,678	23.0%	(20,566)	(54.6)%	132,768	163,789
Other	(23,330)	(9.4)%	7,075	2.3%	(30,406)	-	248,375	311,232
Subtotal	22,205	1.8%	47,028	3.5%	(24,822)	(52.8)%	1,208,715	1,331,414
Adjustments	17,636	-	4,311	-	13,324	-	(235,676)	(264,059)
Total	39,842	4.1%	51,340	4.8%	(11,497)	(22.4)%	973,038	1,067,355

Thousands of U.S. dollars

Classification	Fiscal year ended December 31, 2023	Ratio to Net Sales	Fiscal year ended December 31, 2022 (Reference)	Ratio to Net Sales	Increase (Decrease)	Percentage Change	Total sales including intersegment sales and internal transfers between segments (Reference)	
							FY2023	FY2022
Japan Business	12,985	0.7%	(92,371)	(5.4)%	105,356	-	1,868,363	1,723,860
China Business	49,167	2.8%	(27,812)	(1.5)%	76,980	-	1,776,083	1,833,945
Asia Pacific Business	35,773	7.1%	33,282	6.6%	2,491	7.5%	505,074	502,018
Americas Business	79,040	9.7%	54,058	5.3%	24,982	46.2%	817,594	1,010,670
EMEA Business	23,606	2.7%	48,878	5.0%	(25,272)	(51.7)%	873,162	973,190
Travel Retail Business	120,755	12.9%	265,900	23.0%	(145,138)	(54.6)%	936,965	1,155,886
Other	(164,644)	(9.4)%	49,929	2.3%	(214,580)	-	1,752,823	2,196,415
Subtotal	156,704	1.8%	331,884	3.5%	(175,173)	(52.8)%	8,530,099	9,396,006
Adjustments	124,460	-	30,423	-	94,030	-	(1,663,204)	(1,863,507)
Total	281,171	4.1%	362,315	4.8%	(81,136)	(22.4)%	6,866,888	7,532,498

Notes:

1. The Group has revised its reportable segment classifications from the current fiscal year. As a result, the business results previously included in the Professional Business segment are now included in the Other segment. Segment information for the previous fiscal year has been restated to reflect the reclassification.
2. The Group has revised its calculation method regarding the part of intersegment sales and internal transfers between segments in the Americas Business from a net basis to a gross basis in the current fiscal year for the better management of internal transactions. Segment information for the previous fiscal year has been restated to reflect the new calculation method.
3. Like-for-like increase (decrease) in net sales excludes foreign exchange translation and business transfer impacts.
4. 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 are no longer recorded with some exceptions from April l, 2023 due to the transfer of Shiseido Kuki Factory.
5. The ratio of core operating profit (loss) to net sales shows core operating profit or loss as a percentage of total sales including intersegment sales and internal transfers between segments.
6. The core operating profit (loss) adjustment amount is primarily the elimination of transactions between segments.

1) Japan Business

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 ($1,834.2 million), 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 ($13.0 million), returning to profitability with a year-on-year improvement of ¥14.9 billion ($105.4 million), thanks to the higher gross profit driven by an increase in sales as well as our cost management efforts.

2) China Business

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 ($1,749.6 million), down 4.0% year on year on a reported basis, down 6.4% year on year on an 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 ($49.2 million), returning to profitability with an improvement of ¥10.9 billion ($77.0 million) 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.

3) Asia Pacific Business

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 ($474.8 million), down 1.1% year on year on a reported basis, down 6.3% year on year on an 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 ($2.5 million) to ¥5.1 billion ($35.8 million) due primarily to higher gross profit driven by an increase in sales.

4) Americas Business

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 ($778.4 million), down 20.0% year on year on a reported basis, down 25.0% year on year on an 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 ($25.0 million) year on year to ¥11.2 billion ($79.0 million), driven primarily by higher gross profit from an increase in sales.

5) EMEA Business

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 Elephan*t 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 ($825.3 million), down 8.9% year on year on a reported basis, down 17.3% year on year on an 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 ($25.3 million) year on year to ¥3.3 billion ($23.6 million), owing primarily to the impact of business transfers.

6) Travel Retail Business

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 ($935.3 million), down 19.0% year on year on a reported basis, down 24.1% year on year on an 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 ($145.1 million) year on year to ¥17.1 billion ($120.8 million), due primarily to lower gross margins from a decline in sales.

(Production, orders received and sales)

Results of production, orders and sales are as follows:

The method of classifying reportable segments has been changed from the current fiscal year, and the change (%) is based on the classification method after the change.

1) Production

The following table shows the production results for each reportable segment for the current fiscal year.

Segment name	Millions of yen	Thousands of U.S. dollars	Percentage Change (%)
Japan Business	-	-	-
China Business	4,896	34,552	(0.3)
Asia Pacific Business	2,791	19,697	20.8
Americas Business	43,402	306,295	(24.3)
EMEA Business	32,252	227,608	(5.8)
Travel Retail Business	-	-	-
Other	143,243	1,010,889	(15.2)
Total	226,587	1,599,061	(15.3)

Notes:

1. Inter-segment transactions are eliminated.
2. Amounts are based on manufacturing costs.

2) Orders received

The Group products are not manufactured to order. In addition, the products manufactured to order by OEM (manufactured by the brand of purchasing party) etc. are immaterial.

3) Sales

Sales results by reportable segment for the current fiscal year are as follows:

Segment name	Millions of yen	Thousands of U.S. dollars	Percentage Change (%)
Japan Business	259,900	1,834,157	9.4
China Business	247,921	1,749,619	(4.0)
Asia Pacific Business	67,283	474,827	(1.1)
Americas Business	110,294	778,363	(20.0)
EMEA Business	116,949	825,328	(8.9)
Travel Retail Business	132,525	935,251	(19.0)
Other	38,163	269,323	(48.1)
Total	973,038	6,866,888	(8.8)

Note: Inter-segment transactions are eliminated.

(2) Financial condition

1) financing and liquidity management

The Group strives to generate stable operating cash flows and secure a wide range of financing sources, while always seeking to appropriately secure adequate funds for its business activities, maintain liquidity, and achieve a sound financial position. We fund the working capital, capital expenditures, and investments and loans needed to maintain growth primarily with cash on hand and operating cash flow, supplemented by bank borrowings and bond issues. In terms of fundraising, we aim for a net debt-to-equity ratio of 0.2 and a net debt-to-EBITDA ratio of 0.5 for maintaining an A-level credit rating, which enables access to capital on favorable terms. At the same time, we raise funds using optimal, timely methods giving consideration to such factors as the market environment. However, taking into account future profitability and the potential to generate cash flows, we may revise the policies stated above, as well as our shareholder return policy, in an appropriate fashion so that we can establish an optimal capital structure that contributes to further improvements in capital efficiency.

One of our targets for short-term liquidity is to maintain liquidity on hand at a level of approximately 1.5 months of consolidated net sales. As of December 31, 2023, cash and deposits totaled ¥124.4 billion ($877.9 million), cash liquidity on hand amounted to 1.5 months of consolidated net sales for the current fiscal year.

Meanwhile, interest-bearing debt as of December 31, 2023, totaled ¥283.5 billion ($2,000.7 million). The Group uses diversified funding methods, which include ¥100.0 billion ($705.7 million) in unused committed lines of credit with financial institutions and ¥280.0 billion ($1,976.0 million) in authorized but unissued straight bonds in Japan.

As of December 31, 2023, as the Group maintained a sufficient level of liquidity and the funding methods are diversified, we consider that the financial flexibility is high.

2) Credit rating

The Group recognizes the need to maintain its credit rating at a certain level to secure financial flexibility consistent with its capital and liquidity policies and to ensure access to sufficient capital resources through capital markets. The Group has acquired ratings from Moody’s Japan K.K. (Moody’s) to facilitate fund procurement through corporate bonds.

As of February 29, 2024, the Issuer Rating is A3 (Outlook: Stable).

3) Assets, liabilities, and net assets

(Assets)

Total assets decreased by ¥52.2 billion ($368.4 million) from the end of the previous fiscal year to ¥1,255.5 billion ($8,860.2 million), primarily from a decrease in cash and cash equivalents due to cash dividend payments, a decrease in trade and other receivables, a decrease in assets held for sale and a decrease in property, plant and equipment, which outweighed an increase in assets translated into the weaker yen, an increase in inventories and an increase in intangible assets.

(Liabilities)

Liabilities decreased by ¥66.8 billion ($471.4 million) to ¥615.1 billion ($4,340.9 million), primarily due to a decrease in trade and other payables.

(Equity)

Equity increased by ¥14.6 billion ($103.0 million) to ¥640.4 billion ($4,519.4 million), primarily due to an increase in exchange differences on translation of foreign operations due to the weaker yen, which outweighed a decrease in retained earnings associated with dividend payments.

Equity attributable to owners of parent per share increased by ¥35.84 ($0.25) from the end of the previous fiscal year to ¥1,548.20 ($10.93), and ratio of equity attributable to owners of parent increased by 3.1 percentage points from the end of the previous fiscal year to 49.3%. The net debt-to-equity ratio, which indicates the ratio of interest-bearing debt (excluding lease liabilities) less cash and cash equivalents to equity attributable to owners of parent, was 0.06.

(3) Cash flows

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2023
Cash flows from operating activities	46,735	89,026	628,271
Cash flows from investing activities	(41,308)	(35,536)	(250,783)
Cash flows from financing activities	(52,418)	(75,642)	(533,818)
Cash and cash equivalents at end of period	119,036	104,685	738,779

The balance of cash and cash equivalents at the end of the current fiscal year stood at ¥104.7 billion ($738.8 million), ¥14.4 billion ($101.6 million) less than at the end of the previous fiscal year.

(Cash Flows from Operating Activities)

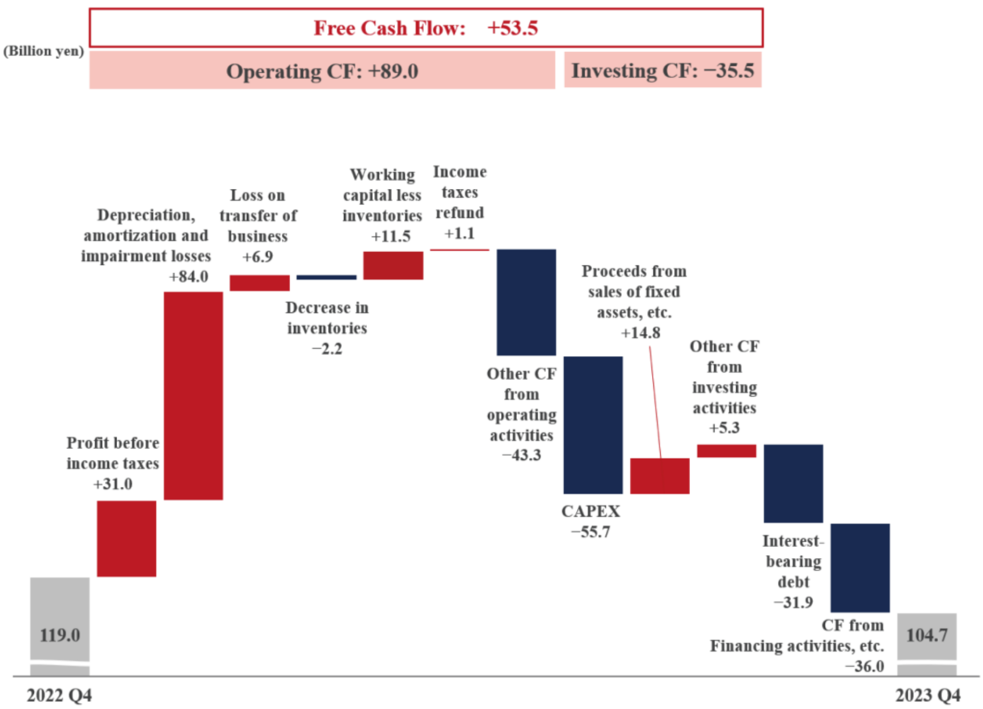
Net cash provided by operating activities in the current fiscal year increased by ¥42.3 billion ($298.5 million) to ¥89.0 billion ($628.3 million), primarily due to the recording of profit before tax of ¥31.0 billion ($219.0 million) and non-cash expense such as depreciation and amortization of ¥75.5 billion ($532.8 million), despite a gain on disposal of non-current assets of ¥11.4 billion ($80.1 million), etc. Days sales of inventory (DSI) were 197 days.

(Cash Flows from Investing Activities)

Net cash used in investing activities in the current fiscal year decreased by ¥5.8 billion ($40.9 million) to ¥35.5 billion ($250.8 million), primarily due to the purchase of intangible assets such as investment in IT systems of ¥29.0 billion ($204.5 million) as well as purchase of property, plant and equipment such as investment in factory equipment of ¥26.7 billion ($188.4 million), etc. which outweighed the sale of non-current assets of ¥14.8 billion ($104.5 million) and the proceeds from the sale of shares of an associate company of ¥8.5 billion ($60.0 million).

(Cash Flows from Financing Activities)

Net cash used in financing activities in the current fiscal year increased by ¥23.2 billion ($163.7 million) to ¥75.6 billion ($533.8 million), primarily due to the payment of cash dividends of ¥41.9 billion ($295.8 million), the repayments of lease liabilities of ¥26.4 billion ($186.5 million), the repayment of long-term borrowings of ¥15.9 billion ($112.3 million) and redemption of bonds of ¥10.0 billion ($70.6 million), etc. which outweighed the increase in short-term borrowings of ¥19.9 billion ($140.6 million).



(4) Material accounting policies and estimates

The Group prepares its consolidated financial statements in accordance with IFRS. The preparation requires management's selection and adoption of accounting policies and estimates that impact reported amounts of assets/liabilities and income/expenses and note disclosures. Management makes a reasonable judgment about these estimates taking into account past business results and others. Nevertheless, actual results may differ from these estimates due to uncertainties inherent to them.

Material accounting policies the Group adopts on its consolidated financial statements are stated on "2. Basis of Preparation (4) Change in accounting policies," 3. Material Accounting Policies" and "4. Significant Accounting Estimates and Judgments" under "5. Financial Information, 1. Consolidated Financial Statements and Notes, (1) Consolidated Financial Statements, Notes to the Consolidated Financial Statements."

5. Material Contracts

(Conclusion of an agreement to acquire a prestige skincare brand)

On December 22, 2023, the Company entered into an agreement on the acquisition of DDG Skincare Holdings LLC (hereinafter "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 Corp. (hereinafter "Shiseido America"). Shiseido America concluded the equity purchase agreement with the Acquiree and the shareholders of the Acquiree on February 5, 2024. For details, please refer to "40. Significant Subsequent Events" under "5. Financial Information, 1. Consolidated Financial Statements and Notes, (1) Consolidated Financial Statements, Notes to the Consolidated Financial Statements."

6. Research and Development Activities

The Group is committed to realizing its corporate mission of "BEAUTY INNOVATIONS FOR A BETTER WORLD" by integrating new science and technology, including digital technology and equipment development, across countries and industries.

In addition to its expertise in skin science, formulation development, sensitivity science, and information science, Shiseido leverages its global innovation center (S/PARK) and overseas R&D bases in the United States, France, China, and Singapore which work closely with local marketing departments to study customers' skincare and makeup preferences in each region and develop products tailored to their unique characteristics. By doing so, these overseas R&D sites contribute to the overall growth of the Shiseido Group and lead the global cosmetics industry, offering customers worldwide safe, reliable, and high-quality products and services.

The Group's R&D achievements have garnered significant recognition from external parties. At the 33rd International Federation of Societies of Cosmetic Chemists' Associations Barcelona Congress 2023, the Shiseido R&D team received the "Grand Prize" in both the oral presentation basic research category (Europe Innovation Center) and the oral presentation applied research category (Global Innovation Center). This marked the first time an overseas innovation center was honored with the award in the oral presentation basic research category. We have won the First Prize, which is awarded to the best research paper, at the 14th China Cosmetics Academic Research Conference hosted by the China Association of Fragrance Flavor and Cosmetic Industries. Additionally, at the 45th Japan Packaging Contest (2023) organized by the Japan Packaging Institute, two of Shiseido's products received the prestigious Japan Star Award, the highest accolade of the competition.

We dedicate many efforts to sharing our R&D findings beyond the confines of the Company. As one of the key efforts accomplished, we organized an innovation conference centered around the theme of "fusion of knowledge and experience." This event served as a platform to communicate our latest R&D achievements to society while highlighting the Group's overall R&D strategy. Additionally, as part of our approach to expedite the realization of our strategy, we emphasized that we will be actively collaborating with external companies and research institutions, as well as fostering innovative initiatives at our overseas R&D facilities.

For the current fiscal year, the Group allocated a total of ¥27.6 billion ($194.5 million) (2.8% of net sales) towards Group-wide R&D expenditures. The following is an overview of our research outcomes by product category. Our R&D activities are not presented by segment, as they are not specific to any particular segment.

(1) Skincare

As we age, facial skin drooping, commonly known as "sagging," becomes a prominent factor in determining our perceived age. Although sagging is one of the most common cosmetic concerns, it was widely believed that addressing sagging required cosmetic medical interventions, as there were limited alternatives available. However, we embarked on pioneering research in this field and discovered that sagging is a result of deterioration of the skin's multiple functions and the skin's reduced ability to resist gravity. Building upon this series of research, we have developed our proprietary "Total V Technology," an all-encompassing approach that targets the factors contributing to skin firmness. The findings from this research have been effectively incorporated into the development of our *ELIXIR* and *SHISEIDO* products.

Retinol, a fat-soluble vitamin essential for maintaining healthy skin and mucous membranes, is widely recognized for its remarkable skin-improving effects when topically applied. However, due to its susceptibility to degradation by oxygen, heat, light, and other factors, working with retinol presents challenges. Through years of extensive research and through fusing our formulation technology expertise with our unique manufacturing method, we have achieved the stable formulation of pure retinol, effectively preventing its degradation. Additionally, we have developed our proprietary "Shiseido Retinol TripleLock Technology," which combines formulation, manufacturing, and container technologies. This innovative approach includes a specially designed container that is impermeable to oxygen and light, ensuring the protection and reliable delivery of the pure retinol's benefits to the skin. The outcomes of this research have been successfully incorporated into the development of our *ELIXIR* products.

To achieve and maintain healthy, beautiful skin, it is crucial to harness the natural resilience of the skin and maintain its homeostasis, thereby enhancing its vitality. Recognizing the significant role played by Langerhans cells in regulating skin immunity and maintaining this delicate balance, we have dedicated our research efforts to understanding the skin's immune function, which protects the skin from external stimuli, foreign substances, and internal factors that may cause skin issues, ensuring the preservation of homeostasis for healthy skin even in challenging environments.

Through our investigations, we made a significant discovery: the synthesis of melatonin, a hormone renowned for its antioxidant and anti-inflammatory properties, increases in the skin during the night. Additionally, we found that the application of "ectoine" can enhance the expression of melatonin synthase genes in the skin and contribute to strengthen the skin's immune function. Building upon this discovery, we have developed our exclusive "Immu Rhythm" technology, which harnesses the power of this proprietary approach. The outcomes of this research have been effectively incorporated into the development of our *SHISEIDO* products, ensuring the promotion of healthy and resilient skin.

(2) Makeup

We have made significant advancements in developing lipsticks that offer a glossy, translucent finish while ensuring long-lasting color retention and a secondary adhesion-free effect. Our success in achieving this is attributed to our proprietary oil control technology, which we have utilized in the formulation.

To further enhance color retention and eliminate secondary adhesion at an even higher level, we recognized a limitation in conventional techniques. Typically, when the oil that holds the colorant is removed through mask-wearing or rubbing, the colorant is also wiped away with the lipstick. In our pursuit of continuous improvement, we sought a novel approach to overcome this challenge while maintaining the fluidity of the lipstick's coating film.

In this endeavor, we achieved two significant milestones. Firstly, we created a lipstick formulation that is exceptionally smooth and lightweight, and comfortable to wear, without compromising its effectiveness in color retention. Unlike conventional lipsticks that rely on highly adhesive oils or filming agents to retain colorants, we were able to generate a coating film that does not solidify.

Secondly, we introduced our proprietary “Water Sensing TechnologyTM.” When applied to the lips, the colorant forms a loop-like network upon sensing the evaporation of water on the lips, making it difficult for individual coloring materials to separate from each other, and it adheres closely to the lips to produce a long-lasting color. The outcomes of this research have been deployed into the *MAQuillAGE* products. ensuring our customers enjoy lipsticks that offer a flawless combination of comfort, lightweight feel, and long-lasting color retention.

In addition, we are actively leveraging our expertise in skincare to enhance our makeup products and create new value. A notable achievement in this regard is the development of a skincare foundation that seamlessly combines the benefits of a beauty essence and a foundation. This unique formulation not only provides a flawless makeup finish but also delivers nourishing skincare essence to the skin, ensuring hydration and a shiny makeup finish. Key to the success of this skincare foundation is the incorporation of emulsification technology. Patents for this technology were applied both in Japan and internationally. By utilizing this cutting-edge technology, we have achieved a finish that resembles beautiful bare skin, but surpasses what can be achieved with bare skin alone. The outcomes of this research have been effectively applied into the development of products for brand *SHISEIDO*.

(3) Inner beauty

Changes in the global environment and social issues in recent years, are leading to a growing emphasis on “mental and physical well-being” and an increased awareness of inner beauty, wherein individuals strive to achieve beauty from the inside out. These trends have led to a fusion of beauty and wellness. Recognizing the importance of the relationship between skin, body, and mind, we have been dedicated to researching and exploring the realm of inner beauty, including the development of supplements and food products.

While Wakan ingredients (ingredients of traditional Japanese and Kampo medicines) have long been known for their potential in regulating physical and mental disorders, their specific effects on the skin and underlying mechanisms were not well understood. To delve deeper into this area, we collaborated with Tsumura, a renowned Japanese manufacturer of Chinese herbal medicines with a rich 130-year history. Combining our expertise in skin, body, and mind with Tsumura's knowledge, we identified five physical and mental roots causes that contribute to skin problems. We also discovered a combination of Wakan ingredients that improve these root causes and promote skin improvement.

Moreover, we found that by combining these ingredients with our proprietary fruit-derived ingredients, lingonberry juice and amla fruit, which have been demonstrated to stimulate collagen production, we can further enhance the skin's improvement effects. Additionally, through joint research with Kagome, a company renowned for its expertise in vegetables, fruits, and health, we leveraged our knowledge of the interplay between skin, body, and mind and explored the relationship between the body's natural biological clock and beauty. This collaboration has culminated in the creation of the “SHISEIDO BEAUTY WELLNESS” inner beauty brand, which is set to launch in full-scale in 2024.

The “current” condition of an individual's skin is influenced by various factors, including natural skin characteristics, skincare practices such as UV protection, and lifestyle habits encompassing diet, exercise, sleep, and smoking. To comprehensively assess and understand the state of the skin, we have developed several evaluation technologies utilizing facial images. These technologies have been applied to home self-check applications as well as in-store devices.

Our research has also focused on the nasal skeleton, which exhibits a high degree of an individual's natural characteristics. We conducted an analysis involving 424 Asian women aged 40-59, quantifying and examining facial images alongside subjective evaluations conducted by human observers. Through this study, we discovered correlations between the nasal skeleton and skin conditions like wrinkles, sagging, as well as internal skin characteristics such as capillaries and other internal skin tissues.

By leveraging these findings, we have successfully developed a tool capable of predicting future skin issues such as wrinkles, sagging, and internal skin conditions by analyzing facial images. The outcomes of this research have been applied as a measurement tool for our inner beauty brand, “SHISEIDO BEAUTY WELLNESS.”

(4) Sustainability

Drawing inspiration from the concept of "all things living," which is also the foundation of our Company name, we are committed to developing technologies and business models that minimize environmental impact and foster a circular economy. We believe in moving away from a disposable economy towards one that promotes resource conservation and recycling. To turn this vision into reality, we have initiated the BeauRing project, a recycling initiative that collects used plastic containers and transforms them into new plastic containers. Through this project, we aim to establish a comprehensive platform encompassing the entire process, from collection to recycling. By involving other companies in this endeavor, we strive to expand the scope of resource recycling, contributing to the creation of a sustainable society. In line with this commitment POLA ORBIS HOLDINGS INC., a company specializing in prestige beauty products like us, has decided to participate in the project through its POLA brand. This collaboration further strengthens our collective efforts towards achieving a positive impact on the environment and promoting responsible consumption of cosmetics.

We are committed to developing cosmetics that prioritize the well-being of both people and the natural environment. In line with this commitment, we have recently entered into a collaboration agreement with INNOQUA Co., Ltd., (Head office: Minato-ku, Tokyo; Representative: Yota Takakura) a start-up with a vision of creating a world where both people and nature can be better. INNOQUA utilizes innovative "Environmental transfer technology (Note 1)" to analyze marine environments in laboratory settings, rather than relying on traditional methods from actual ocean areas. Through our collaboration, we aim to assess the impact of cosmetic ingredients such as those used in sunscreens on marine ecosystems, including effects on coral reefs and other marine organisms. By replicating future environmental changes, such as rising sea water temperatures, in laboratory tanks, we can evaluate the impacts of various cosmetic ingredients, including those used in sunscreens, on the entire marine ecosystem. Through this collaboration, our goal is to develop human-and earth-friendly products for the next generation. We also strive to establish a global environmental assessment method that can be utilized by many companies.

Other activities are described below:

We continue to foster collaborations with academic institutions to drive innovation and create new value. One such collaboration is with the Massachusetts General Hospital Dermatology Research Center (CBRC), with which Shiseido has been conducting collaborative research on epidermal basement membrane since its establishment in 1989. Through our partnership with CBRC, we have shown that YBX1, an RNA2-binding protein that inhibits epidermal stem cell senescence, is functionally impaired by phosphorylation, causing cellular senescence. The study showed that phosphorylation of YBX1 causes cellular senescence. Additionally, we have identified the importance of the "quality" of epidermal stem cells in maintaining their quantity by inhibiting the phosphorylation of YBX1. By leveraging the findings of this research, our aim is to address various skin aging concerns by targeting the inhibition of epidermal stem cell aging.

We are also committed to pushing the boundaries of conventional cosmetics and go beyond traditional approaches.

One key focus of our research has been on addressing dark spots, which can be caused by aging fibroblasts in the dermis. While tackling dark spots has typically been considered difficult without cosmetic medicine interventions, we have explored alternative methods that can improve the dermal environment without burdening the skin. Through our investigations into dark spots improvement, we discovered that high-frequency electrical stimulation known as RF (radio frequency) can act on the dermis. By combining irradiation of a special complex energy (special RF (Note 2)) based on our original RF setting and ginseng root extract, we successfully suppressed melanin production. This approach not only inhibits the appearance of aging fibroblasts, a known cause of dark spots, but also promotes the proliferation of normal fibroblasts, thereby maintaining a balanced dermal environment. This is the first dark spots improvement approach by directly targeting dermal fibroblasts with physical energy (including RF) representing a gentler solution than cosmetic medicine.

Furthermore, we are dedicated to deepening our understanding of the relationship between the skin, body, and mind, which aligns with our focus on inner beauty. Through collaborative research with RIKEN, a renowned national research institute also known for the development of the Health Function®, which visualizes the health of individuals based on various indicators, we have developed an innovative skin prediction model by comprehensively and quantitatively examining the physical and mental factors influencing skin conditions. Additionally, our participation in Hirosaki COI-NEXT and collaboration with DeNA Life Science will enable us to gather extensive data and utilize data science to evolve our algorithm. Our goal is to incorporate over 2,000 relationships among the skin, body, and mind, which will enable us to accelerate the development of new approaches. These approaches encompass lifestyle proposals that consider the state of the body and mind, alongside cosmetic care, to help individuals achieve their "desired skin" and "ideal image," fostering a harmonious state among the skin, body, and mind.

Through these dedicated efforts, we strive to pioneer new paths in beauty that cater to the unique needs and aspirations of each individual.

Notes:

1. Environmental transfer technology: INNOQUA's proprietary technology that reproduces an arbitrary ecosystem in an aquarium without using natural seawater, taking into account a wide range of factors such as water quality (dissolved concentration of more than 30 trace elements), water temperature, water flow, lighting environment, and relationships among various organisms including microbes, using an IoT device developed in-house.
2. RF: Radio frequency

3. Equipment and Facilities

1. Overview of Capital Expenditures

(1) Capital expenditures

The Group invested ¥55,446 million ($391,291 thousand) for the current fiscal year (Note). The breakdown by reportable segment is as follows:

	Millions of yen	Thousands of U.S. dollars
Japan Business	8,508	60,042
China Business	4,882	34,453
Asia Pacific Business	2,446	17,262
Americas Business	6,223	43,917
EMEA Business	5,137	36,253
Travel Retail Business	1,761	12,428
Other	26,487	186,923
Total	55,446	391,291

In Japan Business, the capital expenditures of ¥8,508 million ($60,042 thousand) was made for the installation and remodeling of store counters and fixtures.

In Other segment, the capital expenditures of ¥26,487 million ($186,923 thousand) include maintaining and rationalizing the manufacturing capacity of the domestic factory, purchase of machinery and equipment at the Fukuoka Kurume Factory, and capital expenditures for our global mission-critical systems.

Note: Capital expenditures, property, plant and equipment and intangible assets (excluding trademarks, etc.).

(2) Disposals

As disclosed in “15. Impairment of Non-Financial Assets” under “5. Financial Information, 1. Consolidated Financial Statements and Notes, (1) Consolidated Financial Statements, Notes to the Consolidated Financial Statements,” the Group transferred the non-current assets in connection with the transfer the manufacturing operations of personal care products at Shiseido Kuki Factory and Shiseido Vietnam Factory. The Group recorded impairment losses at the previous and current fiscal years, and the amount is immaterial.

2. Major Equipment and Facilities

Major facilities of the Group are as follows:

(1) Submitting company

As of December 31, 2023

Site name (Location)	Segment name	Description	Unit	Carrying amount						Number of employees (persons)
				Buildings and structures	Machinery, equipment and vehicles	Land [thousand ㎡]	Leased assets	Other	Total	
Head Office (Minato-ku and others, Tokyo)	Each business	Office facilities, production facilities	Millions of yen	25,451	5,439	7,722 [24]	1,702	56,630	96,946	1,124
			Thousands of U.S. dollars	179,612	38,384	54,495	12,011	399,647	684,164	
Research Center (Global Innovation Center) (Yokohama City, Kanagawa Prefecture, Nishi-ku)	Other	R&D facilities	Millions of yen	26,749	615	6,841 [7]	0	3,893	38,101	740
			Thousands of U.S. dollars	188,772	4,340	48,278	0	27,474	268,885	
Kakegawa Factory (Kakegawa City, Shizuoka Prefecture)	Other	Production facilities	Millions of yen	8,088	4,836	903 [202]	27	1,119	14,976	628
			Thousands of U.S. dollars	57,078	34,128	6,373	191	7,897	105,688	
Osaka Factory (Osaka-shi, Osaka Prefecture Higashiyodogawa-ku) (Note 4)	Other	Production facilities	Millions of yen	-	1,039	2,461 [36]	2	110	3,613	330
			Thousands of U.S. dollars	-	7,332	17,368	14	776	25,498	
Nasu Factory (Otawara City, Tochigi Prefecture)	Other	Production facilities	Millions of yen	14,811	13,178	586 [110]	97	1,038	29,712	455
			Thousands of U.S. dollars	104,524	92,999	4,135	685	7,325	209,682	
Osaka Ibaraki Factory (Ibaraki City, Osaka Prefecture)	Other	Production facilities	Millions of yen	16,047	11,690	14,479 [72]	25	2,249	44,492	361
			Thousands of U.S. dollars	113,246	82,498	102,181	176	15,872	313,987	
Fukuoka Kurume Factory (Kurume City, Fukuoka Prefecture)	Other	Production facilities	Millions of yen	20,515	19,392	1,893 [97]	100	1,248	43,149	314
			Thousands of U.S. dollars	144,778	136,853	13,359	706	8,807	304,510	

Notes:

1. Carrying amount represents amounts based on Japanese GAAP.
2. “Other” in the carrying amount is the sum of tools, furniture and fixtures, construction in progress, and intangible assets excluding goodwill, trademarks, and leased assets.
3. There are no major facilities currently inactive.
4. Figures are net of impairment losses for facilities at Osaka Factory that are scheduled to be disposed as a result of the plant integration. For details, please refer to “15. Impairment of Non-financial Assets” under “5. Financial Information, 1. Consolidated Financial Statements and Notes, (1) Consolidated Financial Statements, Notes to the Consolidated Financial Statements.”

(2) Domestic subsidiaries

As of December 31, 2023

Company name	Site name (Location)	Segment name	Description	Unit	Carrying amount						Number of employees (Persons)
					Buildings and structures	Machinery, equipment and vehicles	Land [thousand ㎡]	Right-of-use assets	Other	Total	
Shiseido Japan Co., Ltd.	Head Office and 2 other business divisions, 15 branches and divisions (Minato-ku and others, Tokyo)	Japan Business	Office equipment / Store facilities	Millions of yen	5,461	4	1,515 [14]	7,969	21,637	36,588	8,973
				Thousands of U.S. dollars	38,539	28	10,692	56,239	152,696	258,207	
Shiseido Parlour Co., Ltd.	Ginza Main Store (Chuo-ku, Tokyo)	Other	Store facilities	Millions of yen	1,557	27	1,792 [1]	1,448	67	4,894	305
				Thousands of U.S. dollars	10,988	191	12,646	10,219	473	34,538	
Selan Anonymous Association	Shiodome Office (Minato-ku, Tokyo)	Other	Office equipment	Millions of yen	10,759	0	- [-]	13,018	51	23,829	-
				Thousands of U.S. dollars	75,928	0	-	91,870	360	168,165	

Notes:

1. Carrying amount represents amounts based on IFRS.
2. “Other” in the carrying amount is the sum of tools, furniture and fixtures, construction in progress, and intangible assets.
3. There are no major facilities currently inactive.

(3) Overseas subsidiaries

As of December 31, 2023

Company name	Site name (Location)	Segment name	Description	Unit	Carrying amount						Number of employees (persons)
					Buildings and structures	Machinery, equipment and vehicles	Land [thousand m²]	Right-of-use assets	Other	Total	
Shiseido (China) Co., Ltd.	Head Office (Shanghai, China)	China Business	Store facilities	Millions of yen	-	-	- [-]	659	8,534	9,194	4,150
				Thousands of U.S. dollars	-	-	-	4,651	60,226	64,884	
Shiseido Liyuan Cosmetics Co. Ltd.	Head Office / Beijing Factory (Beijing, China)	China Business	Store facilities / Production facilities	Millions of yen	435	234	- [-]	220	531	1,422	2,071
				Thousands of U.S. dollars	3,070	1,651	-	1,553	3,747	10,035	
Taiwan Shiseido Co., Ltd.	Hsinchu Factory (Taiwan, Hsinchu)	Asia Pacific Business	Production facilities	Millions of yen	2,426	425	2,136 [66]	580	890	6,460	357
				Thousands of U.S. dollars	17,121	2,999	15,074	4,093	6,281	45,589	
Shiseido America Inc.	East Windsor Factory (Americas, New Jersey)	Americas Business	Production facilities	Millions of yen	4,583	3,662	338 [168]	-	4,982	13,567	323
				Thousands of U.S. dollars	32,343	25,843	2,385	-	35,159	95,745	
Shiseido International France S.A.S.	Gien Factory (France Gien), Bar de Loire Factory (France Orm)	EMEA Business	Production facilities	Millions of yen	2,233	2,067	273 [340]	91	707	5,373	527
				Thousands of U.S. dollars	15,759	14,587	1,927	642	4,989	37,918	
Shiseido Cosmetics Manufacturing Co., Ltd.	Shanghai Factory (Shanghai, China)	Other	Production facilities	Millions of yen	1,121	351	- [-]	108	349	1,931	437
				Thousands of U.S. dollars	7,911	2,477	-	762	2,463	13,627	

Notes:

1. Carrying amount represents amounts based on IFRS.
2. “Others” in the carrying amount is the sum of tools, furniture and fixtures, construction in progress, and intangible assets.
3. There are no major facilities currently inactive.

3. Plans for New Additions or Disposals of Facilities

The Group (the Company and Consolidated subsidiaries) planned significant additions and disposals of facilities as follows:

(1) New additions and renovations

Capital expenditures plan for significant additions and renovation of facilities (Note) during the following year after the current fiscal year is ¥59,000 million ($416,373 thousand), and the required funds will be covered by the Company's own funds, bonds and borrowings.

The breakdown by reportable segment is as follows:

Segment name	Planned investment		Major contents and purpose of equipment
	Millions of yen	Thousands of U.S. dollars	
Japan Business	10,800	76,217	Investment in marketing of store facilities, etc., software investment
China Business	5,600	39,520	Investment in marketing of store facilities, etc., software investment
Asia Pacific Business	3,200	22,583	Investment in marketing of store facilities, etc., software investment
Americas Business	7,800	55,046	Investment in marketing of store facilities, software investment, plant capital expenditures
EMEA Business	5,100	35,992	Investment in marketing of store facilities, etc.
Travel Retail Business	2,300	16,231	Investment in marketing of store facilities, etc.
Other	24,200	170,783	Plant capital expenditures and software investment
Total	59,000	416,373	

Note: Capital expenditures, property, plant and equipment and intangible assets (excluding trademarks, etc.).

(2) Disposals

As disclosed in “15. Impairment of Non-Financial Assets” under “5. Financial Information, 1. Consolidated Financial Statements and Notes, (1) Consolidated Financial Statements, Notes to the Consolidated Financial Statements,” the Group plans disposals of the non-current assets that are not expected to be used in the future in conjunction with the integration of the manufacturing operations at the Osaka Factory into the Osaka Ibaraki Factory. The Group recorded impairment losses at the current fiscal year, and the amount is immaterial.

4. Corporate Information on the Company

1. Information on the Company's Shares

(1) Number of shares

1) Total number of shares

Class	Total number of shares authorized to be issued (shares)
Common stock	1,200,000,000
Total	1,200,000,000

2) Number of shares issued

Class	Number of shares issued As of December 31, 2023	Number of shares issued As of March 26, 2024 (Insurance date of this Securities Report)	Stock exchanges on which the Company is listed/the name of authorized financial instruments firms association	Description
Common stock	400,000,000	400,000,000	The Prime Market of the Tokyo Stock Exchange	The Company's standard class of shares with no rights limitations. The number of shares constituting one unit of the Company is 100 shares.
Total	400,000,000	400,000,000	-	-

(2) Status of stock acquisition rights

1) Stock option plans

Under the provisions of Article 236 and 238 of the Companies Act, stock acquisition rights are issued as stock options to Directors and Corporate Officers of the Company and its associates.

	Fiscal Year 2011 Stock Options (28th and 29th Series Stock Acquisition Rights)	Fiscal Year 2012 Stock Options (30th and 31st Series Stock Acquisition Rights)	Fiscal Year 2013 Stock Options (32nd and 33rd Series Stock Acquisition Rights)
Resolution date	Resolved at the Ordinary General Meeting of Shareholders held on June 24, 2011, and the Board of Directors meeting held on July 29, 2011	Resolved at the Ordinary General Meeting of Shareholders held on June 26, 2012, and the Board of Directors meeting held on July 31, 2012	Resolved at the Ordinary General Meeting of Shareholders held on June 25, 2013, and the Board of Directors meeting held on July 31, 2013
Title and number of grantees	5 Directors of the Company 12 Corporate Officers of the Company	5 Directors of the Company 14 Corporate Officers of the Company	6 Directors of the Company 10 Corporate Officers of the Company
Number of stock acquisition rights (units)*	13 (Note 1) [3]	219 (Note 1)	284 (Note 1) [234]
Class, details, and number of shares to be issued upon exercise of stock acquisition rights (shares)*	Common stock 1,300 (Note 2) [300]	Common stock 21,900 (Note 2)	Common stock 28,400 (Note 2) [23,400]
Amount paid in upon exercise of stock acquisition rights (yen)	1 (Note 3)	1 (Note 3)	1 (Note 3)
Exercise period of stock acquisition rights*	August 1, 2014- July 31, 2026	August 1, 2015- July 31, 2027	August 1, 2016- July 31, 2028
Issue price and amount credited to equity in the event of issuance of shares upon exercise of stock acquisition rights (yen)*	Issue price: 1,295 (Note 4) Amount credited to equity: 648	Issue price: 1,002 (Note 4) Amount credited to equity: 501	Issue price: 1,435 (Note 4) Amount credited to equity: 718
Conditions for exercising stock acquisition rights*	(Note 5)	(Note 5)	(Note 5)
Transfer of stock acquisition rights*	The transfer of stock acquisition rights shall be subject to the approval of the Board of Directors.	The transfer of stock acquisition rights shall be subject to the approval of the Board of Directors.	The transfer of stock acquisition rights shall be subject to the approval of the Board of Directors.
Delivery of stock acquisition rights in the event of the Reorganization*	(Note 6)	(Note 6)	(Note 6)

	Fiscal Year 2014 Stock Options (34th and 35th Series Stock acquisition rights)	Fiscal Year 2015 Stock Options (36th and 37th Series Stock acquisition rights)	Fiscal Year 2016 Stock Options (38th and 39th Series Stock acquisition rights)
Resolution date	Resolved at the Ordinary General Meeting of Shareholders held on June 25, 2014, and the Board of Directors meeting held on July 31, 2014	Resolved at the Ordinary General Meeting of Shareholders held on June 23, 2015, and the Board of Directors meeting held on February 23, 2016	Resolved at the Ordinary General Meeting of Shareholders held on March 25, 2016, and the Board of Directors meeting held on February 23, 2017
Title and number of grantees	5 Directors of the Company 1 individual who was the Chairman (Representative Director) until the close of the 114th General Meeting of Shareholders 12 Corporate Officers of the Company	3 Directors of the Company 13 Corporate Officers of the Company or its wholly owned subsidiaries 2 individuals who were Corporate Officers of the Company until December 31, 2015	3 Directors of the Company 20 Corporate Officers of the Company or its wholly owned subsidiaries 1 employee of a subsidiary of the Company (1 individual who was a Corporate Officer of the Company until December 31, 2016)
Number of stock acquisition rights (units)*	321 (Note 1)	158 (Note 1)	512 (Note 1)
Class, details, and number of shares to be issued upon exercise of stock acquisition rights (shares)*	Common stock 32,100 (Note 2)	Common stock 15,800 (Note 2)	Common stock 51,200 (Note 2)
Amount paid in upon exercise of stock acquisition rights (yen)	1 (Note 3)	1 (Note 3)	1 (Note 3)
Exercise period of stock acquisition rights*	August 1, 2017- July 31, 2029	September 1, 2018-February 28, 2031	September 1, 2019-February 29, 2032
Issue price and amount credited to equity in the event of issuance of shares upon exercise of stock acquisition rights (yen)*	Issue price: 1,899.5 (Note 4) Amount credited to equity: 950	Issue price: 2,516.5 (Note 4) Amount credited to equity: 1,259	Issue price: 2,991 (Note 4) Amount credited to equity: 1,496
Conditions for exercising stock acquisition rights*	(Note 5)	(Note 5)	(Note 5)
Transfer of stock acquisition rights*	The transfer of stock acquisition rights shall be subject to the approval of the Board of Directors.	The transfer of stock acquisition rights shall be subject to the approval of the Board of Directors.	The transfer of stock acquisition rights shall be subject to the approval of the Board of Directors.
Delivery of stock acquisition rights in the event of the Reorganization*	(Note 6)	(Note 6)	(Note 6)

	Fiscal Year 2017 Stock Options (40th and 41st Series Stock Acquisition Rights)	Fiscal Year 2018 Stock Options (42nd and 43rd Series Stock Acquisition Rights)
Resolution date	Resolved at the Ordinary General Meeting of Shareholders held on March 28, 2017, and the Board of Directors meeting held on March 6, 2018	Resolved at the Ordinary General Meeting of Shareholders held on March 27, 2018, and the Board of Directors meeting held on February 21, 2019
Title and number of grantees	3 Directors of the Company 13 Corporate Officers of the Company or its wholly owned subsidiaries 5 individuals who were Corporate Officers of the Company or its wholly owned subsidiaries until December 31, 2017	3 Directors of the Company 12 Corporate Officers of the Company or its wholly owned subsidiaries 3 individuals who were Corporate Officers of the Company or its wholly owned subsidiaries until December 31, 2018
Number of stock acquisition rights*	419 (Note 1)	154 (Note 1)
Class, details, and number of shares to be issued upon exercise of stock acquisition rights (Shares)*	Common stock 41,900 (Note 2)	Common stock 15,400 (Note 2)
Amount paid in upon exercise of stock acquisition rights (yen)	1 (Note 3)	1 (Note 3)
Exercise period of stock acquisition rights*	September 1, 2020– February 28, 2033	September 1, 2021– February 28, 2034
Issue price and amount credited to equity in the event of issuance of shares upon exercise of stock acquisition rights (yen)*	Issue price: 6,616 (Note 4) Amount credited to equity: 3,308	Issue price: 7,865 (Note 4) Amount credited to equity: 3,933
Conditions for exercising stock acquisition rights*	(Note 5)	(Note 5)
Transfer of stock acquisition rights*	The transfer of stock acquisition rights shall be subject to the approval of the Board of Directors.	The transfer of stock acquisition rights shall be subject to the approval of the Board of Directors.
Delivery of stock acquisition rights in the event of the Reorganization*	(Note 6)	(Note 6)

* The description above represents the status as of the end of the current fiscal year (December 31, 2023). The details changed between December 31, 2023, and February 29, 2024, which is the end of the month preceding to the filing month, are shown in [ ] based on the status as of February 29, 2024. The other details have not changed since December 31, 2023.

Notes:

1. The number of shares to be issued upon exercise of one stock acquisition right shall be 100 shares.
2. In the event that the Company implements a stock split (including gratis allocation of the Company's shares) or stock consolidation, the number of shares to be issued upon exercise of stock acquisition rights (the "Number of Subject Shares") shall be adjusted in accordance with the following formula, with any fraction of one share occurring upon such adjustment discarded:
   Number of Subject Shares after adjustment = Number of Subject Shares before adjustment × Split/consolidation ratio
   In addition, upon the occurrence of any unavoidable event that requires adjustment to the Number of Subject Shares, an adjustment shall be made thereto to the extent it is reasonable.
3. The amount of property to be contributed upon exercise of each stock acquisition right shall be the amount of cash to be paid in for each of the shares to be delivered upon exercise thereof, which shall be ¥1, multiplied by the Number of Subject Shares.

4. The issue price is the sum of the amount paid in upon the exercise of each stock acquisition right (¥1 per share) and the fair value of each stock acquisition right (¥1,294 ($9.13) per share for the 28th and 29th Series; ¥1,001 ($7.06) per share for the 30th and 31st Series; ¥1,434 ($10.12) per share for the 32nd and 33rd Series; ¥1,898.5 ($13.40) per share for the 34th and 35th Series; ¥2,515.5 ($17.75) per share for the 36th and 37th Series; ¥2,990 ($21.10) per share for the 38th and 39th Series; ¥6,615 ($46.68) per share for the 40th and 41st Series; and ¥7,864 ($55.50) per share for the 42nd and 43rd Series) at the grant date.

5. (1) Any allottee of stock acquisition rights shall remain in office as Director or Corporate Officer of the Company when he/she exercises the rights, unless he/she leaves office upon expiration of the term of office or due to any other justifiable reasons.
   (2) If any allottee of stock acquisition rights dies prior to the expiration of the exercise period of the stock acquisition rights, only one heir to such allottee shall be entitled to succeed to his/her rights and no one can succeed to such heir.
   (3) Any other conditions for exercising stock acquisition rights shall be governed by the “contract of allotting stock acquisition rights” agreed between the Company and the relevant allottee of the stock acquisition rights.

6. In the event that the Company is merged (as a result of which, the Company shall be dissolved), or conducts an absorption-type company split, incorporation-type company split, share exchange or share transfer (collectively, the “Reorganization”), the Company shall, with regard to the stock acquisition rights outstanding when the Reorganization becomes effective (the “Outstanding Stock Acquisition Rights”), deliver to any allottee thereof stock acquisition rights of relevant corporations (“Reorganizing Companies”) listed in Article 236, paragraph 1, item 8 (a) through (e) of the Companies Act, in accordance with the following conditions. In such case, the Outstanding Stock Acquisition Rights shall become null and void and the Reorganizing Companies shall newly issue stock acquisition rights, only if and when the delivery of stock acquisition rights of the Reorganizing Companies is stipulated in accordance with the following conditions in the absorption-type merger agreement, consolidation-type merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement or share transfer plan.
   (1) Number of stock acquisition rights of the Reorganizing Company to be delivered
   The same number as that of the Outstanding Stock Acquisition Rights held by each allottee thereof shall be delivered.
   (2) Class of shares of the Reorganizing Company to be issued upon exercise of stock acquisition rights
   Common stock of the Reorganizing Company
   (3) Number of shares of the Reorganizing Company to be issued upon exercise of stock acquisition rights
   The number of such shares shall be determined in accordance with Note 2 above, by taking into account the conditions of the Reorganization.
   (4) Amount of property to be contributed upon exercise of each stock acquisition right
   The amount of property to be contributed upon exercise of each stock acquisition right to be delivered shall be an amount obtained by multiplying the paid-in amount after the Reorganization set forth below by the number of shares of the Reorganizing Company be issued upon exercise of each of the stock acquisition rights, which shall be determined as set forth in (3) above. The paid-in amount after the Reorganization shall be ¥1 per share of the Reorganizing Company that can be delivered upon exercise of each stock acquisition right exercised.
   (5) Exercise period of stock acquisition rights
   From later of the first day of the exercise period of the Outstanding Stock Acquisition Rights and the day on which the Reorganization becomes effective, to the last day of the exercise period of the Outstanding Stock Acquisition Rights
   (6) Matters concerning share capital and legal capital surplus to be increased in the event that the Reorganizing Company issues shares upon exercise of stock acquisition rights
   Such matters shall be determined in accordance with the provisions set forth for the Outstanding Stock Acquisition Rights.
   (7) Restriction on acquisition of stock acquisition rights by transfer
   Any acquisition of stock acquisition rights by transfer shall be subject to the approval by resolution of the Board of Directors of the Reorganizing Company.
   (8) Terms and conditions of acquisition of stock acquisition rights
   Such terms and conditions shall be determined in accordance with the terms and conditions specified for the outstanding stock acquisition rights.
   (9) Other conditions for exercising stock acquisition rights
   Such conditions shall be determined in accordance with the conditions for exercising the outstanding stock acquisition rights.

2) Right plans

Not applicable.

3) Other stock acquisition rights

Not applicable.

(3) Exercise Status of Bonds with stock subscription rights containing a clause for Exercise Price Adjustment
Not applicable.

(4) Changes in the number of shares issued, Changes in share capital and other

Period	Changes in the number of shares issued (thousand)	Balance of the number of shares issued (thousand)	Unit	Changes in share capital	Balance of share capital	Changes in legal capital surplus	Balance of legal capital surplus
May 21, 2010	(10,000)	400,000	Millions of yen	-	64,506	-	70,258
			Thousands of U.S. dollars	-	455,229	-	495,822

Note: Decrease due to retirement of treasury stock

(5) Details of Shareholders

As of December 31, 2023

Classification	Status of Shares (Number of shares constituting one unit: 100 shares)								Less-than-one-unit shares (shares)
	National and local governments	Financial institutions	Securities companies	Other corporations	Foreign corporations, etc.		Individuals and other	Total	
					Other than individuals	Individuals			
Number of shareholders (persons)	1	73	65	1,018	852	777	102,513	105,299	-
Number of shares held (unit)	40	1,443,539	181,262	161,261	1,591,538	3,124	614,815	3,995,579	442,100
Shareholding ratio (%)	0.00	36.12	4.53	4.03	39.83	0.07	15.38	100.00	-

Notes:

1. 344,199 shares of treasury stock are included in the “Individuals and others” column as 3,441 units, and 99 shares are included in the “Less-than-one-unit shares.”
2. The “Other corporations” column includes one unit of shares held in the name of the Japan Securities Depository Center, Inc (hereinafter, JASDEC).
3. The Company had 117,378 shareholders of record as of December 31, 2023, including shareholders holding only less-than-one-unit shares.

(6) Principal Shareholders

As of December 31, 2022

Shareholders	Address	Number of shares held (thousand shares)	Percentage of shareholding to the total number of shares issued excluding treasury stock (%)
The Master Trust Bank of Japan, Ltd. (Trust Account) (Note 1)	11-3 Hamamatsucho, Minato-ku, Tokyo	80,807	20.21
Custody Bank of Japan, Ltd. (Trust Account) (Note 1)	8-12 Harumi, Chuo-ku, Tokyo	27,007	6.75
STATE STREET BANK WEST CLIENT - TREATY 505234 (Standing proxy: Settlement Sales Department, Mizuho Bank, Ltd.)	1776 HERITAGE DRIVE, NORTH QUINCY, MA 02171, U.S.A. (Shinagawa Intercity Tower A, 15-1, Konan 2-chome, Minato-ku, Tokyo)	7,374	1.84
Mizuho Trust & Banking Co., Ltd. re-trusted to Custody Bank of Japan, Ltd. Employees’ Pension Trust for Mizuho Bank	8-12, Harumi 1-chome, Chuo-ku, Tokyo	7,000	1.75
THE BANK OF NEW YORK 134104 (Standing proxy: Settlement Sales Department, Mizuho Bank, Ltd.)	BOULEVARD ANSPACH 1, 1000 BRUSSELS, BELGIUM (Shinagawa Intercity Tower A, 15-1, Konan 2-chome, Minato-ku, Tokyo)	6,458	1.61
THE BANK OF NEW YORK MELLON AS DEPOSITARY BANK FOR DEPOSITARY RECEIPT HOLDERS (Standing proxy: Settlement Sales Department, Mizuho Bank, Ltd.)	240 GREENWICH STREET, NEW YORK, NEW YORK 10286, U.S.A. (Shinagawa Intercity Tower A, 15-1, Konan 2-chome, Minato-ku, Tokyo)	6,270	1.56
BNYM AS AGT/CLTS 10 PERCENT (Standing proxy: The Bank of Mitsubishi UFJ, Ltd.)	240 GREENWICH STREET, NEW YORK, NEW YORK 10286 U.S.A. (Settlement Business Department, 7-1 Marunouchi 2-chome, Chiyoda-ku, Tokyo)	5,785	1.44

Shareholders	Address	Number of shares held (thousand shares)	Percentage of shareholding to the total number of shares issued excluding treasury stock (%)
Nippon Life Insurance Company (Standing proxy: The Master Trust Bank of Japan, Ltd.)	(1-6-6 Marunouchi, Chiyoda-ku, Tokyo) (2-11-3 Hamamatsucho, Minato-ku, Tokyo)	5,615	1.40
SSBTC CLIENT OMNIBUS ACCOUNT (Standing Proxy: The Hong Kong and Shanghai Banking Corporation Limited, Tokyo Branch, Custody Business Department)	ONE CONGRESS STREET, SUITE1, BOSTON MA USA (3-11-1 Nihonbashi, Chuo-ku, Tokyo)	5,583	1.39
NORTHERN TRUST CO.(AVFC) RE NON TREATY CLIENTS ACCOUNT (Standing Proxy: The Hong Kong and Shanghai Banking Corporation Limited, Tokyo Branch, Custody Business Department)	50 BANK STREET CANARY WHARF LONDON E 14 5NT, UK (3-11-1 Nihonbashi, Chuo-ku, Tokyo)	5,581	1.39
Total	-	157,484	39.40

Notes:

1. 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.
2. 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.
3. 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.
4. 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 25, 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.
5. 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.
6. 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.
7. 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.

(7) Status of voting rights

1) Shares Issued

As of December 31, 2023

Classification	Number of shares (shares)		Number of voting rights (units)	Description
Non-voting shares	-		-	-
Share with restricted voting right (Treasury stock, etc.)	-		-	-
Share with restricted voting right (Other)	-		-	-
Shares with full voting rights (Treasury stock, etc.)	(Treasury stock held) Common stock	344,100	-	Standard shares without restriction on the content of the rights
Shares with full voting rights (Other) (Note 1)	Common stock	399,213,800	3,992,138	Same as above
Less-than-one-unit shares (Note 2)	Common stock	442,100	-	Less-than-one-unit shares (One unit is 100 shares)
Total number of shares issued		400,000,000	-	-
Total voting rights held by all shareholders	-		3,992,138	-

Notes:

1. The column of "Shares with full voting rights (Other)" includes 100 shares (1 voting right) in the name of JASDEC.
2. "Less-than-one-unit shares" includes 99 shares of treasury stock owned by the Company.

2) Treasury stock, etc.

As of December 31, 2023

Shareholders	Addresses of shareholders	Number of shares held under own name (shares)	Number of shares held under the names of others (shares)	Total number of shares held	Number of shares held to total number of shares issued and outstanding (%)
(Treasury stock held) Shiseido Co., Ltd.	5-5, Ginza 7-chome, Chuo-ku, Tokyo	344,100	-	344,100	0.08
Total	-	344,100	-	344,100	0.08

2. Acquisition of Treasury Stock

Type of shares
Acquisition of common stock under Article 155, Item 7 of the Companies Act

(1) Acquisition of treasury stock based on a resolution approved at the annual general meeting of shareholders
Not applicable.

(2) Acquisition of treasury stock based on a resolution approved by the Board of Directors
Not applicable.

(3) Acquisition of treasury stock not based on a resolution approved at the ordinary general meeting of the shareholders or on a resolution approved by the Board of Directors

Classification	Number of shares (shares)	Total amount (yen)	Total amount (U.S. dollars)
Treasury stock acquired during the period from January 1, 2023 to December 31, 2023	1,438	8,571,379	60,489.62
Treasury stock acquired during the period from January 1, 2024 to March 26, 2024	113	464,323	3,276.80

Note: Treasury stock acquired during the period does not include the number of less-than-one-unit shares purchased during the period from March 1, 2024 to the date of the submission of this Annual Securities Report.

(4) Status of the disposition and holding of acquired treasury stock

Classification	During the period from January 1, 2023 to December 31, 2023			During the period from January 1, 2024 to March 26, 2024		
	Number of shares (shares)	Total disposition amount (yen)	Total disposition amount (U.S. dollars)	Number of shares (shares)	Total disposition amount (yen)	Total disposition amount (U.S. dollars)
Acquired treasury stock for which subscribers were solicited	-	-	-	-	-	-
Acquired treasury stock that was disposed of	-	-	-	-	-	-
Acquired treasury stock for which transfer of shares were conducted in association with merger/share exchange/share issuance/corporate separation	-	-	-	-	-	-
Other (Transfer due to request for additional purchase of less-than-one-unit shares)	32	147,939	1,044.03	-	-	-
Other (Transfer by exercise of stock options)	66,400	306,771,641	2,164,937.48	6,000	27,736,750	195,742.77
Other (Disposal of treasury stock due to Performance linked share-based compensation as long-term incentive compensation)	43,259	199,885,563	1,410,625.00	-	-	-
Treasury stock held	344,199	-	-	338,312	-	-

Note: The number of treasury stock held during the period from January 1, 2024 to March 26, 2024 does not include purchase due to the purchase of less-than-one-unit shares from March 1, 2024 to the date of this Annual Securities Report submission, disposal of treasury stock due to transfer due to request for additional purchase of less-than-one-unit shares, transfer due to exercise of stock options and Performance linked stock awards as long-term incentive compensation.

3. Dividend Policy

The Company aims to achieve “total equity returns” through direct profit distribution and medium- to long-term increases share prices for its profit distribution to shareholders. Based on this concept, our basic policy is to place top priority on strategic investments for sustainable growth and aim to maximize corporate value, while increasing the invested capital efficiency with the capital cost in mind, which will lead to increase dividends and share prices over the medium to long term.

In determining dividends, we emphasize consolidated performance and free cash flow, and we achieve long-term stable and continuous return with a target of Ratio of Dividend to Equity Attributable to Owners of Parent (DOE) of 2.5% or more as one of the indicators that reflect equity policies. With regards to acquisition of treasury stock, the Company's policy is to act in a flexible manner in light of market conditions.

(Dividends)

The basic policy for frequency of dividends for the Company in each fiscal year is to pay dividends twice a year during the interim and year-end. The decision-making body for these dividends is the Board of Directors for interim dividends and the general meeting of shareholders for year-end dividends. The Articles of Incorporation stipulates that the Company may perform interim dividends stipulated in Clause 5 of Article 454 of the Companies Act.

For the current fiscal year (the 124th fiscal year), the Company paid an annual dividend of ¥60.00 ($0.42) per share including an interim dividend of ¥30.00 ($0.21) and a year-end dividend of ¥30.00 ($0.21).

Date of resolution	Unit	Total dividend amount	Dividends per share (yen/U.S. dollars)
August 8, 2023 Resolution at the Board of Directors meeting	Millions of yen	11,988	30.00
	Thousands of U.S. dollars	84,601	0.21
March 26, 2024 Resolution at the annual general meeting of shareholders	Millions of yen	11,989	30.00
	Thousands of U.S. dollars	84,608	0.21

4. Corporate governance

(1) Summary of corporate governance

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

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

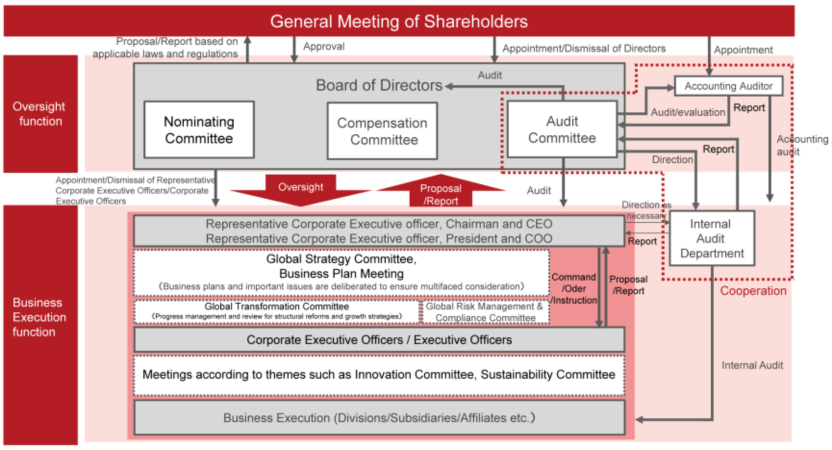
1) Corporate Governance of the Company

The Company has long been committed to improving the corporate governance through a range of initiatives including the adoption of governance system aligned with the “monitoring board-type system” where the board is putting more focus on oversight responsibilities to ensure transparency and fairness in governance practice, while ensuring effective strategic planning and timely execution thereof. Now, we take this effort a step further, the Company has transited to a company with three statutory committees in order to maximize corporate value.

Under this structure, by clearly separating the functions between management oversight and execution of the Company’s business while strengthening each of these function, the Company ensures effective implementation of its strategies even in the increasingly volatile business environment.

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. Nominating Committee and Compensation Committee, each composed solely of Independent Directors are responsible for appointment of directors and remuneration of directors and Corporate Executive Officers with fairness, transparency, and objectivity for successful implementation of our business strategy. Furthermore, with the strengthened function of the Internal Audit Department, the Audit Committee conducts highly effective audit, whereas Corporate Executive officers and Executive officers are responsible for the execution of the Company’s business through an accelerated decision-making process under the direct supervision of representative Corporate Executive Officers.

The following is the Company’s corporate governance framework:



In addition to the above structure, with the recognition that promoting of the Three Lines Model contributes to strengthening corporate governance, the business department on the first line, the function department of the global headquarter and the regional headquarters on the second line and the Internal Audit Department on the third line work together while aiming to promote healthy growth strategies and enhance sustainable corporate value, and establishment and improvement of risk scenarios and risk mitigation activities are continuously carried out

(Composition of the Board of Directors and the committees as of the submission date of this Annual Securities Report)

Title	Name	Board of Directors	Nominating Committee	Compensation Committee	Audit Committee	Remarks
Director	Masahiko Uotani	◎				Chairperson of the Board of Directors
Director	Kentaro Fujiwara	○				
Director	Hiromi Anno	○			○	Full-time member of the Audit Committee
Director	Takeshi Yoshida	○			○	Full-time member of the Audit Committee
External Director	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	○			○	

Notes:

1. Committee members are marked with ○, and the chairperson of the Board of Directors and that of the committees are marked with ◎.
2. The legal name of Ms. Hiromi Anno, a full-time Audit & Supervisory Board member, is Hiromi Hara.

(a) Oversight function

(i) Board of Directors

The Company’s Board of Directors is composed of 11 Directors including 7 External Directors. The Board of Directors meetings shall be held approximately once a month. It focuses on deciding management strategies and business plans, and overseeing the implementation thereof to reinforce the oversight function and accelerate overall business execution of the Company in a rapidly changing environment. In addition, the Board of Directors discusses and decides matters stipulated in laws and regulations/the Company's Articles of Incorporation as well as matters provided for in the Regulations of the Board of Directors and delegate the authority to decide on other matters to representative Corporate Executive Officers or Corporate Executive Officers.

(Activities of the Board of Directors for the current fiscal year)

We held the Board of Directors meetings 14 times in the current fiscal year. It mainly discussed business strategies, business transformations, ideal corporate governance structure, effectiveness of the Board of Directors, risk management, status of internal audits, etc.

In addition to the abovementioned 14 meetings of the Board of Directors, pursuant to the provisions of Article 370 of the Companies Act and Article 25, Paragraph 2 of the Company's Articles of Incorporation, there was one deemed resolution where a resolution at a Board of Directors meeting is deemed to have been passed.

Title	Name	Attendance status (Attendance rate)
Representative Director	Masahiko Uotani	Fourteen attendances of all fourteen meetings (100%)
Representative Director	Kentaro Fujiwara	Eleven attendances of all eleven meetings (100%)
Director	Yukari Suzuki	Fourteen attendances of all fourteen meetings (100%)
Director	Norio Tadakawa	Fourteen attendances of all fourteen meetings (100%)
Director	Takayuki Yokota	Fourteen attendances of all fourteen meetings (100%)
External Director	Kanoko Oishi	Fourteen attendances of all fourteen meetings (100%)
External Director	Shinsaku Iwahara	Fourteen attendances of all fourteen meetings (100%)
External Director	Charles D. Lake II	Fourteen attendances of all fourteen meetings (100%)
External Director	Mariko Tokuno	Thirteen attendances of all fourteen meetings (93%)
External Director	Yoshihiko Hatanaka	Ten attendances of all eleven meetings (91%)

Note: For Mr. Kentaro Fujiwara and Mr. Yoshihiko Hatanaka, only meetings of the Board of Directors held after they became Directors in March 2023.

(ii) Nominating Committee

The Nominating Committee resolves matters such as proposals regarding appointment and dismissal of Directors to be submitted to general meetings of shareholders and matters regarding the succession of Directors. In addition, the Nominating Committee discusses appointment and dismissal of the Representative Corporate Executive Officers and Corporate Executive Officers, areas for which Corporate Executive Officers take responsibility, appointment and dismissal of the CEO, as well as matters regarding the succession of the CEO etc. and reports to the Board of Directors.

The committee is composed of solely External Directors and its chairperson is selected from the committee members with the resolution of the Nominating Committee.

(iii) Compensation Committee

The Compensation Committee resolves policies on decisions regarding remuneration of Directors and Corporate Executive Officers, designs of the remuneration policy for Corporate Executive Officers and Directors, and details of remuneration to individual Corporate Executive Officers and Directors, etc.

The committee is composed of solely External Directors and its chairperson is selected from the committee members with the resolution of the Compensation Committee.

(iv) Audit Committee

The Audit Committee conducts audit and prepares audit reports on performance of duties of Directors and Corporate Executive Officers, and makes decisions on proposals for appointment, dismissal, or non-reappointment of accounting auditors submitted to general meetings of shareholders.

The committee is composed of the majority of External Directors and its chairperson is selected from the committee members with the resolution of the Audit Committee.

(Activities of the Nomination & Remuneration Advisory Committee for the current fiscal year)

The Company had the Nomination & Remuneration Advisory Committee for the current fiscal year.

The Nomination & Remuneration Advisory Committee was composed of 5 External Directors (including 1 chairperson) and the CEO.

We held the Nomination & Remuneration Advisory Committee meetings 5 times in the current fiscal year to discuss annual incentives for Directors and Executive Officers for the previous fiscal year, as well as the remuneration policy for directors and Executive Officers, and remuneration for said individuals for the current fiscal year, and discussed and reported the selection of candidates for Directors and Audit & Supervisory Board members, appointments of Executive Officers, etc.

In addition to the aforementioned actual meetings of Nomination & Remuneration Advisory Committee, there were 3 written resolutions.

Title	Name	Attendance status (Attendance rate)	Remarks
Representative Director	Masahiko Uotani	Five attendances of all five meetings (100%)	
External Director	Kanoko Oishi	Five attendances of all five meetings (100%)	
External Director	Shinsaku Iwahara	Five attendances of all five meetings (100%)	Chairperson
External Director	Charles D. Lake II	Five attendances of all five meetings (100%)	
External Director	Mariko Tokuno	Five attendances of all five meetings (100%)	
External Director	Yoshihiko Hatanaka	Three attendances of all three meetings (100%)	

Note: For Mr. Yoshihiko Hatanaka, only meetings of the Nomination & Remuneration Advisory Committee held after he became a Director in March 2023.

(Activities of the Audit & Supervisory Board for the current fiscal year)

The Company had the Audit & Supervisory Board for the current fiscal year.

The Audit & Supervisory Board was composed of 5 members, 2 full-time Audit & Supervisory Board members and 3 External Audit & Supervisory Board members, and Audit & Supervisory Board members audited the legality and appropriateness of the directors' performance of duties as described in “1) Auditor’s Audit in (3) Status of Audit.”

In the current fiscal year, we held the Audit & Supervisory Board Committee meetings 13 times.

Title	Name	Attendance status (Attendance rate)	Remarks
Audit & Supervisory Board Member	Takeshi Yoshida	Thirteen attendances of all thirteen meetings (100%)	Chairperson
Audit & Supervisory Board Member	Akiko Uno	Three attendances of all three meetings (100%)	
Audit & Supervisory Board Member	Hiromi Anno	Ten attendances of all ten meetings (100%)	
External Audit & Supervisory Board Member	Hiroshi Ozu	Thirteen attendances of all thirteen meetings (100%)	
External Audit & Supervisory Board Member	Yasuko Gotoh	Thirteen attendances of all thirteen meetings (100%)	
External Audit & Supervisory Board Member	Ritsuko Nonomiya	Thirteen attendances of all thirteen meetings (100%)	

Note: For Ms. Akiko Uno, only meetings of the Audit & Supervisory Board held before her retirement as an Audit & Supervisory Board member by March 2023.

(b) Business Execution function

Corporate Executive Officers are responsible for business execution based upon the delegation from the Board of Directors. The Company will expedite decision-making regarding business execution and implementation of business strategies by delegating significant authority to Corporate Executive Officers.

Title	Name
Representative Corporate Executive Officer	Masahiko Uotani
Representative Corporate Executive Officer	Kentaro Fujiwara
Corporate Executive Officer	Yoshiaki Okabe
Corporate Executive Officer	Norio Tadakawa
Corporate Executive Officer	Toshinobu Umetsu
Corporate Executive Officer	Takayuki Yokota

In addition, the Company has established committees to discuss and decide important matters related to business execution of the Company.

The major committees are as follows:

(i) Global Strategy Committee

Prior to decision-making by the CEO/COO, this committee deliberates on group policies, organizational transformations, new businesses/brand launches and other particularly import matters for the Shiseido Group.

(ii) Business Plan Meeting

This meeting discusses business strategies and plans for core brands, regions, and key corporate functions.

(iii) Global Transformation Committee

This committee chaired by CEO was established in 2024 to “reinforce oversight and monitoring functions” to deliver expected results from the business transformation. Each task force will implement actions plans to realize our dual ambitions: “driving gross profit” and “implementing extensive cost reduction measures and improving personnel productivity.”

(iv) Global Risk Management & Compliance Committee

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

2) Internal Control System

(a) Development Status of Internal Control System

The Company's Board of Directors passed a resolution to revise the "Basic Policy on Internal Control System" at the meeting held on March 26, 2024. The revised "Basic Policy on Internal Control System" is as follows:

1. System under Which Performance of Duties by Directors, Corporate Executive Officers, and Employees of the Company and All Group Companies Is Ensured in Compliance with the Laws and Regulations, and the Articles of Incorporation of the Company; System under Which the Appropriateness of the Whole Group's Business Is Ensured.

The Board of Directors shall define the corporate philosophy and strategy of the Company and the whole Group and oversee their appropriate execution.

The Representative Corporate Executive Officers shall present proposals and provide updates on the business execution and strategic key areas to the Board of Directors on a regular basis. The Audit Committee shall audit the performance of duties by the Corporate Executive Officers and Directors, create audit reports, and present and explain the audit results at General Meetings of Shareholders.

The Company has defined THE SHISEIDO PHILOSOPHY, which is shared across the Group based on three elements: OUR MISSION, which determines the reason we exist; OUR DNA, which embodies our unique heritage of over 150 years; OUR PRINCIPLES (TRUST 8), which is a mindset to be shared by each and every Group employee in their work. THE SHISEIDO PHILOSOPHY, together with the Shiseido Code of Conduct and Ethics, which defines the action standards for business conduct with the highest ethical principles, promotes legitimate and fair corporate activities. (*)

The Company shall establish a set of basic policies and rules based on the Shiseido Code of Conduct and Ethics, which every Group company must follow. Every Group company and business site shall be fully aware of these policies and rules, along with THE SHISEIDO PHILOSOPHY. This will help create an environment where detailed internal regulations of the Company can be developed at every Group company and business site.

The Company has set up a committee to oversee compliance and risk management and coordinate with organizations established to perform the compliance and risk management functions in the respective regional headquarters located in the major regions across the globe. This committee shall be responsible for improving corporate quality by increasing the Group's legitimate and fair corporate activities and managing risk. Major management risks and incidents shall be reported to the Board of Directors through the Representative Corporate Executive Officers, along with the proposal for response to them and its progress.

The Company deploys a person in charge of promoting legitimate and fair corporate activities of the whole Group and risk management at every Group company and business site, plans and promotes regular training and educational activities on corporate ethics, responds to incidents, and manages risks. The department in charge of risk management and the committee that oversees compliance and risk management will share information regularly with the persons in charge deployed within every Group company and business site.

To detect and remedy any type of conduct within the Group that violates laws, the Articles of Incorporation, and internal regulations, the Company shall set up a hotline for whistle-blowers in every Group company. Additionally, employees will have access to a hotline where employees can directly report and consult with the officer in charge of risk management. In the Japan region, the Company shall establish hotlines staffed by both internal and external personnel and counselors.

The department in charge of internal audit, which operates independently, shall conduct group-wide internal audit to ensure the appropriateness of business based on the instructions of the Audit Committee and the Representative Corporate Executive Officers, following the regulations related to internal audit. If there is any inconsistency between the instructions of the Audit Committee and those of the Representative Corporate Executive Officers, the instructions of the Audit Committee shall take precedence. The results of internal audit shall be regularly reported to the Audit Committee as well as the Representative Corporate Executive Officers.

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

The Shiseido Code of Conduct and Ethics states the following: "We do not work with individuals or organizations that engage in illegal activities such as threatening public order or safety. We also do not respond to any requests for money or support from such individuals or organizations." A coordination office is established in the department in charge of risk management to effectively gather information. The Company also maintains manuals on the intranet on how to cope with such forces. The Company is taking measures to strengthen its collection of outside information and cooperation with external organizations by coordinating with local police offices and being a member of an organization that promotes the exclusion of anti-social forces.

2. System under Which Directors and Corporate Executive Officers of the Company and All Group Companies Shall Be Ensured to Efficiently Perform Duties

The Board of Directors shall focus on determining the basic management policy and management strategy and overseeing the implementation thereof. It shall significantly delegate the authority to determine particulars of business execution to the Corporate Executive Officers to increase the flexibility in performing their duties.

To achieve swift and efficient corporate management, the Representative Corporate Executive Officers shall manage and oversee the performance of duties of the entire Group to achieve targets. The Corporate Executive Officers and Executive Officers shall set specific targets in the assigned fields, including all Group Companies, and establish a business system that ensures efficient achievement of the targets.

The Group's business plans and important matters shall be deliberated from a multifaceted perspective at the relevant decision-making meetings composed the Representative Corporate Executive Officers, Corporate Executive Officers, and Executive Officers.

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

3. System under Which Information Regarding Performance of Duties by the Company's Corporate Executive Officers Shall Be Maintained and Managed; System under Which Items Regarding Performance of Duties by Directors and Employees of All Group Companies Shall Be Reported to the Company

Important documents such as minutes of General Meetings of Shareholders, the Board of Directors meetings, meetings of respective committees, and relevant meetings for decision-making on business execution shall be appropriately created, filed, and managed in compliance with laws and regulations, and internal regulations of the Company. These important documents shall be filed and managed in a highly searchable manner and should be readily available for inspection by the Directors and Corporate Executive Officers, Audit Committee and the department in charge of internal audit.

Regulations on information asset protection and information disclosure shall be established to appropriately prepare, file, and manage a variety of documents, books, and records related to the performance of duties of Directors, Corporate Executive Officers, and employees, and other information.

Important information regarding the performance of duties by Directors and employees of all Group companies shall be reported in a timely manner to the Company by all Group companies in accordance with the internal regulations of the Company that stipulate reporting to the Company or through the reporting line to Corporate Executive Officers and Executive Officers.

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

Organizations are set up in the respective regional headquarters located in the major regions across the globe for the purpose of performing the compliance and risk management functions. These organizations will be responsible for overseeing risks related to corporate activities through Group-wide cross-sectional communication.

The committee that oversees compliance and risk management recognizes and evaluates risks associated with management strategy and business execution, and takes necessary measures, or assists the regional headquarters located in the major regions across the globe to prepare their own contingency responses to deal with emergency situations.

In the case of emergency, the regional headquarters of the affected area, the Company, or both, pursuant to the situation, the seriousness of the impact on the Group and other factors shall establish Emergency Task Forces to take necessary actions.

5. Matters Related to Employees to Assist Duties of Audit Committee, the Independence of Such Employees from Corporate Executive Officers, and Ensuring the Effectiveness of Instructions from Audit Committees to Such Employees

The Audit Committee shall establish a secretariat in the department in charge of internal audit to support the duties of the Audit Committee, and employees shall be assigned to the secretariat.

To ensure the independence of the said employees and the effectiveness of instructions from the Audit Committee, prior approval of the Audit Committee shall be required for staffing (appointment and dismissal, and evaluation) of the department head in charge of internal audit, who has the authority and responsibility to manage the secretariat, and determination of the particulars of the audit resources (including budget) of said department. In addition, matters to determine members who work for the secretariat of the Audit Committee, including their appointment, transfer, and evaluation, shall require approval of the Audit Committee.

6. System under Which Directors, Audit and Supervisory Board Members, Corporate Executive Officers, and Employees of the Company and All Group Companies Report to Audit Committee and Other Systems under Which Any Report Is Made to Audit Committee; System to Ensure That Persons Are Not Treated Disadvantageously for Making Such Reports to Audit Committee

Directors, Corporate Executive Officers, and employees shall regularly or promptly report to the Audit Committee on the progress of performance of their duties. In addition, they shall promptly report to the Audit Committee on the progress of the performance of their duties and asset situation on request from the Audit Committee.

The Company shall establish means by which Directors, Audit and Supervisory Board Members, Corporate Executive Officers, and employees, including those of all Group companies, can directly inform the Audit Committee of issues and build awareness of these means across the Group.

The Company and all Group companies shall develop internal regulations of the Company to ensure that the said Directors, Audit and Supervisory Board Members, Corporate Executive Officers, and employees are not dismissed, discharged from service, or otherwise disadvantaged because of their reporting to the Audit Committee or informing the committee of issues and shall announce these regulations.

7. Matters Regarding Policy on Handling Advance Payment or Repayment of Expenses Resulting from Audit Committee Members' Performance of Duties or Other Expenses or Debts Arising from the Said Performance of Duties

Expenses deemed necessary for the performance of duties by the Audit Committee and its members shall be budgeted for and recorded in advance. However, expenses paid urgently or temporarily shall be compensated by subsequent refund.

8. Other Systems to Ensure the Effective Performance of Audit by Audit Committee

The Audit Committee shall provide instructions to the department in charge of internal audit. In addition, regular meetings shall be held to exchange opinions between the Representative Corporate Executive Officers and Audit Committee members. The Company shall establish a system to ensure that audits are effectively conducted by the Audit Committee through measures such as holding liaison meetings between the Audit Committee, the department in charge of internal audit, and Accounting Auditor and ensuring that Audit Committee members or members of the department in charge of internal audit attend the relevant meetings, on request from the Audit Committee.

(b) Operating status of internal control system

The Company continues to make progress on implementation and operation of its internal control system in accordance with the basic policy for the current fiscal year and has operated the system during the current fiscal year 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.

The job titles listed are the ones in the current fiscal year.

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 Company conducted e-learning training on the “Shiseido Code of Conduct and Ethics” for all global employees to strengthen its ethical foundation into one that is apt for a truly global beauty wellness company. The Company conducted the training on the “Shiseido Code of Conduct and Ethics” for new and mid-career employees.

・The Company conducted the training regarding the “Compliance Rules Regarding Prevention of Bribery” and the “Compliance Rules Regarding Prevention of Cartels,” which are detailed rules of the “Shiseido Code of Conduct and Ethics.” In Japan, the Americas, China, and other regions, the training on the rules was conducted mainly for office staff through e-learning and on-site training.

・The Global Risk Management & Compliance Committee met in December and discussed material risks for the Shiseido Group and their countermeasures. Matters such as response to major incidents were reported to the Board of Directors (matters for the first half: in August; matters for the second half: in February 2024). In Japan, the HQ/SJ Compliance Committee was held in May and December to discuss issues and actions mainly on disciplinary cases and whistleblowing and consultation cases received through the hotlines in the Japan region.

・In addition, the Company received whistleblowing reports through the Global Hotline directly managed by the headquarters (HQ) and hotlines managed by each region. The hotline in the Japan region has three contact points, the Compliance Committee Hotline, the Shiseido Sodan Room, the Shiseido External Hotline, and the Business Partner Hotline to establish the function of a whistleblower contact point. At the HQ/SJ Compliance Committee held in December 2023, it was decided to reorganize the three contact points of the hotlines in the Japan region (the Compliance Committee Hotline, the Shiseido Sodan Room and the Shiseido External Hotline) and to consolidate the operations as the “Shiseido Hotline” from January 2024.

・In accordance with the “Audit Department Operation Manual (including the “Internal Audits Rules”),” the Company evaluated the status of design and operation of internal control in the Shiseido Group, from the perspectives of operational effectiveness and efficiency, reliability of financial reporting and compliance with applicable laws, regulations, and internal regulations, 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 preliminary supplier inspection 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 suppliers of the cosmetics business, and it continues to promote the system. The Company is a member of two organizations that promote 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 offices.

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 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 in which the Executive Officers take responsibility for the company-wide business execution, in order to accelerate business transformation and structural reforms in the global business with the aim to further enhance profitability. The Corporate 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 their annual plans and the status of progress thereof to the Board of Directors and other meeting bodies on a periodic basis.

・The Company has adopted a resolution to change its corporate governance structure from a "Company with an Audit & Supervisory Board" to a "Company with Three Statutory Committees" at the 124th Ordinary General Meeting held in March 2024. The "Basic Policy on Internal Control System" has been 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 such as the Global Strategy Committee 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 "Acceptable Use of Information Systems," "Rules for Handling Information Assets Handling," "Confidential Information Controlling Regulation," "Privacy Rules," "Personal Information Protection Regulation" under the "Shiseido Group Information Security 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 "Executive Officers Regulations" 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 across the world and risk managers. In March, briefings were held for 12 newly appointed risk managers (57 departments) who are in charge of strengthening response support for convergence in the event of an incident in the Japan region; in October, with the aim of strengthening the incident management system in Japan, risk managers were expanded to all departments at HQ and SJ (111 departments), and briefings were also held for 46 newly appointed risk managers.

・In addition, we conducted drills for an HQ Emergency Task Force in June in anticipation of the Nankai trough earthquake, and for an Osaka Emergency Task Force (the drill 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 voluntary recall operation 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 head of Internal Audit Department, following consent of the 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" 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 period. 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 accounting auditor's audit results report meeting are held on a quarterly basis. Of these quarterly meetings, the External Directors also attend 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-way 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.

(c) 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.

3) Outline of Execution of Liability Limitation Agreements

The Company has established provisions in the Articles of Incorporation enabling the Company to enter into an agreement with directors (excluding those who execute business of the Company or its subsidiaries, etc.) limiting their liability for compensation of damages for the purpose of inducing directors (excluding those who execute business of the Company or its subsidiaries) to fully perform expected roles and enabling the Company to invite competent personnel.

Pursuant to these provisions, the Company concluded such an agreement with seven of the Directors (excluding those who execute business of the Company or its subsidiaries) under which his/her liability for compensation of damages shall be restricted to the minimum limited liability amount provided in the laws and regulations.

4) Outline of Execution of Directors and Officers Liability Insurance Agreement

The Company 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, Corporate Executive Officers, Executive Officers of the Company and Directors, corporate auditors and other principal executive persons of the Company's subsidiaries and their subsidiaries.

5) Provisions of the Company's Articles of Incorporation

The Company's Articles of Incorporation stipulate the following:

・The number of board members

The Articles of Incorporation stipulate that the number of board members should not exceed 14.

・Requirements for the resolution for the election of directors

The Articles of Incorporation stipulate that the resolution for the election of Directors shall be adopted by a majority of the votes of shareholders present at the meeting where shareholders holding one-third or more of the voting rights of shareholders who are entitled to exercise their voting rights are present. In addition, the Articles of Incorporation stipulate that Directors shall not be elected by cumulative voting.

・Matters at the General Meeting of Shareholders that may be resolved by the Board of Directors

(Acquisition of treasury stock)

The Articles of Incorporation stipulate that the Company may acquire treasury stock by a resolution of the Board of Directors pursuant to the provision of Article 165, Paragraph 2 of the Companies Act in order to implement a flexible capital policy and return profits to shareholders.

(Exemption from liability)

The Articles of Incorporation stipulate that the Company may, by a resolution of the Board of Directors, exempt up to the amount obtained by deducting the minimum liability amount stipulated by laws and regulations from the amount of liability for compensation, provided that the requirements stipulated by laws and regulations are met with respect to the liability for compensation under Article 423, Paragraph 1 of the Companies Act, to enable Directors (including former Directors) and Corporate Executive Officers(including those who were Corporate Executive Officers) to fully perform their expected roles.

(Interim dividends)

The Articles of Incorporation stipulate that the Company may pay interim dividends as stipulated in Article 454, Paragraph 5 of the Companies Act, with June 30 of each year as the record date by a resolution of the Board of Directors in order to flexibly distribute profits to shareholders.

・Special resolution requirements for General Meetings of Shareholders

The Articles of Incorporation stipulate that special resolutions of the General Meeting of Shareholders stipulated in Article 309, Paragraph 2 of the Companies Act shall be adopted by two-thirds or more of the votes of shareholders present at the meeting where shareholders holding one-third or more of the voting rights of shareholders who are entitled to exercise their voting rights are present. This is intended to facilitate smooth operation of the General Meeting of Shareholders by relaxing the quorum for special resolutions at General Meetings of Shareholders.

(2) Members of the Board of Directors and Executive Officers

1) List of officer

Directors: 10 men and 5 women (female ratio of 33.3%)

a. Director

Position	Name	Date of Birth	Career profile		Term of office (period)	Number of shares owned (shares)
Director	Masahiko Uotani	June 2, 1954	Apr. 1977 Jan. 1988 Apr. 1991 May. 1994 Oct. 2001 Aug. 2006 Jun. 2007 Aug. 2011 Oct. 2012 Apr. 2013 Apr. 2014 Jun. 2014 Jan. 2020 Oct. 2020 Jan. 2021 Jan. 2023 Mar. 2024	Joined the Lion Dentifrice Co., Ltd. (currently Lion Corporation) Manager, Citibank, N.A. Representative Director, Vice President, Kraft Japan Limited (currently Mondelēz Japan Limited) Director, Executive Vice President and Chief Officer of Marketing, Coca-Cola (Japan) Co., Ltd. Representative Director, President, Coca-Cola (Japan) Co., Ltd. (Global Officer) Representative Director, Chair, Coca-Cola (Japan) Co., Ltd. Representative Director, Chief Executive Partner, BrandVision Inc. External Director, ASKUL Corporation Director (part time), Citibank Japan Ltd. (previously) Outside Chief Marketing Advisor of the Company President and CEO of the Company Representative Director of the Company Japan Region CEO of the Company Representative Director, Chair and President, Shiseido Japan Co., Ltd. Representative Director, Chair and CEO, Shiseido Japan Co., Ltd. Executive Officer of the Company [incumbent] Representative Director, Chairman and CEO of the Company Director, Representative Corporate Executive Officer, Chairman and CEO of the Company [incumbent]	(Note 2)	11,000
Director	Kentaro Fujiwara	December 21, 1966	Apr. 1991 Jul. 2004 Nov. 2011 May. 2013 Apr. 2015 Nov. 2015 Jan. 2016 Jan. 2018 Jan. 2020 Jan. 2021 Jan. 2023 Mar. 2023 Sep. 2023 Jan. 2024 Mar. 2024	Joined the Company Director, Europe Distribution Center, Shiseido Europe S.A. Director, President, Shiseido Korea Co., Ltd. Director, President, Shiseido Professional Korea Co., Ltd. Vice President, Corporate Strategy Department of the Company Group Leader, Digital Strategy Group of the Company Chairman of the Board, President of Shiseido China Co., Ltd. Corporate Officer of the Company, China Region Corporate Officer of the Company, China Region Chief Executive Officer (CEO) Senior Executive Officer of the Company, China Region CEO Executive Officer of the Company [incumbent] President and Chief Operating Officer (COO) of the Company [incumbent] Representative Director of the Company [incumbent] Representative Director, Chairman of Shiseido Japan Co., Ltd. Japan Region CEO of the Company [incumbent] Representative Director, President and CEO of Shiseido Japan Co., Ltd. [incumbent] Director, Representative Corporate Executive Officer, President and COO of the Company [incumbent]	(Note 2)	2,100
Director	Hiromi Anno	July 27, 1970	Apr. 1995 Jan. 2018 Jan. 2020 Jan. 2021 Mar. 2023 Mar. 2024	Joined the Company Department Director, Global Communications Department of the Company Corporate Officer, Chief Public Relations Officer of the Company Executive Officer of the Company Audit & Supervisory Board Member of the Company Director of the Company [incumbent]	(Note 2)	700

Position	Name	Date of Birth	Career profile		Term of office (period)	Number of shares owned (shares)
Director	Takeshi Yoshida	October 4, 1961	Aug. 1985 Feb. 1992 Apr. 2009 Apr. 2011 Oct. 2014 Jan. 2016 Jan. 2017 Mar. 2018 Mar. 2024	Joined Okura Keiei Keiri Gakuin Co., Ltd. Joined the Company General Manager of Cosmetics Business Planning Department, General Manager of Business Administration Group, Cosmetics Business Planning Department of the Company Executive Vice President, Shiseido Americas Corporation Department Director, Internal Audit Department of the Company Department Director, Business Planning Department, Shiseido Japan Co., Ltd. Director, Personal Care Planning Department, FT Shiseido Co., Ltd. (currently FineToday Co., Ltd.) Audit & Supervisory Board Member of the Company Director of the Company [incumbent]	(Note 2)	3,800
External Director	Kanoko Oishi	March 24, 1961	Apr. 1983 Aug. 1987 Nov. 1988 Jun. 2000 Jul. 2000 Aug. 2001 Aug. 2002 Jun. 2010 Jun. 2015 Mar. 2016 Apr. 2018	Joined Nippon Life Insurance Company McKinsey & Company, Inc. New York Office McKinsey & Company, Inc. Tokyo Office CEO, MEDIVA Inc. [incumbent] CEO, Seinan MEDIVA Co., Ltd. (currently Seeds 1 Co., Ltd.) [incumbent] Outside Auditor, ASKUL Corporation External Director, ASKUL Corporation External Director, Astellas Pharma Inc. External Director, Ezaki Glico Co., Ltd. [incumbent] External Board Member, Santen Pharmaceutical Co., Ltd. [incumbent] External Director, Suruga Bank Ltd. External Director of the Company [incumbent] Chair of Remuneration Advisory Committee of the Company	(Note 2)	3,200
External Director	Shinsaku Iwahara	December 17, 1952	Aug. 1978 Sep. 1981 Dec. 1982 Sep. 1991 Nov. 1991 Apr. 2003 Jan. 2005 Apr. 2009 Apr. 2010 Apr. 2013 Jun. 2013 Jan. 2015 Jul. 2017 Mar. 2018 Jun. 2019 Sep. 2021 Apr. 2023 Dec. 2023 Mar. 2024	Associate Professor, Faculty of Law, The University of Tokyo Visiting Researcher, Harvard Law School, U.S.A. Visiting Researcher, University of California, Berkeley, School of Law, U.S.A. Visiting Professor, Harvard Law School, U.S.A. Professor, Graduate School of Law and Politics, The University of Tokyo Member, Postal Services Policy Council Member, Business Accounting Council, Financial Services Agency Director, Financial Accounting Standards Foundation Member, Legislative Council, Ministry of Justice, Chair, Corporate Legislation Subcommittee, Legislative Council, Ministry of Justice Professor, Faculty of Law, Waseda University Professor Emeritus, The University of Tokyo [incumbent] Member and Chair, Financial System Council, Financial Services Agency Adviser to Mori Hamada & Matsumoto [incumbent] External Director of the Company [incumbent] Chair, Legislative Council, Ministry of Justice Chair, Nomination & Remuneration Advisory Committee of the Company Emeritus Professor, Waseda University [incumbent] Member, The Japan Academy [incumbent] Chair, Nominating Committee of the Company [incumbent]	(Note 2)	1,000

Position	Name	Date of Birth	Career profile		Term of office (period)	Number of shares owned (shares)
External Director	Mariko Tokuno	October 6, 1954	Apr. 1978 Jan. 1994 Apr. 2002 Mar. 2004 Aug. 2010 Jun. 2013 Sep. 2013 Jun. 2016 Jun. 2017 Mar. 2022	Joined The Bank of Tokyo, Ltd. (currently MUFG Bank, Ltd.) Joined Louis Vuitton Japan K.K Senior Director, Sales Administration, Louis Vuitton Japan K.K Vice President, Tiffany & Co., Japan Inc. Representative Director, President, Christian Dior K.K External Director, HAPPINET CORPORATION Representative Director, President and CEO, Ferragamo Japan K.K External Director, Mitsubishi Materials Corporation [incumbent] External Director, YAMATO HOLDINGS CO., LTD. [incumbent] External Director of the Company [incumbent]	(Note 2)	1,100
External Director	Yoshihiko Hatanaka	April 20, 1957	Apr. 1980 Jun. 2005 Apr. 2006 Jun. 2008 Apr. 2009 Jun. 2011 Apr. 2018 Jun. 2019 Mar. 2023 Jun. 2023 Mar. 2024	Joined Fujisawa Pharmaceutical Co., Ltd. (currently Astellas Pharma Inc.) Corporate Executive, Vice President, Corporate Planning, Corporate Strategy Division, Astellas Pharma Inc. Corporate Executive, Astellas Pharma Inc. and President & CEO, Astellas US LLC and President & CEO, Astellas Pharma US, Inc. Senior Corporate Executive, Astellas Pharma Inc. and President & CEO, Astellas US LLC and President & CEO, Astellas Pharma US, Inc. Senior Corporate Executive, Chief Strategy Officer and Chief Financial Officer (CSTO & CFO), Astellas Pharma Inc. Representative Director, President and CEO, Astellas Pharma Inc. Representative Director, Chairman of the Board, Astellas Pharma Inc. External Director, Sony Corporation (currently SONY GROUP CORPORATION) [incumbent] External Director of the Company [incumbent] External Director, Sekisui Chemical Co., Ltd. [incumbent] Chair of Compensation Committee of the Company [incumbent]	(Note 2)	200

Position	Name	Date of Birth	Career profile		Term of office (period)	Number of shares owned (shares)
External Director	Hiroshi Ozu	July 21, 1949	Apr. 1974 Jun. 2001 Aug. 2002 Jun. 2004 Jun. 2006 Jul. 2007 Jul. 2009 Dec. 2010 Aug. 2011 Jul. 2012 Sep. 2014 Jun. 2015 Mar. 2016 Nov. 2016 Mar. 2017 Mar. 2017 Mar. 2024	Public Prosecutor, Tokyo District Public Prosecutors Office Chief Prosecutor, Saga Public Prosecutors Office Public Prosecutor, Supreme Public Prosecutors Office Deputy Vice-Minister, Ministry of Justice Director-General, Criminal Affairs Bureau, Ministry of Justice Vice-Minister, Ministry of Justice Superintendent Public Prosecutor, Sapporo High Public Prosecutors Office Deputy Prosecutor-General, Supreme Public Prosecutors Office Superintendent Public Prosecutor, Tokyo High Public Prosecutors Office Prosecutor-General, Supreme Public Prosecutors Office Registered as Attorney External Audit & Supervisory Board Member, MITSUI & CO., LTD. Outside Audit & Supervisory Board Member, TOYOTA MOTOR CORPORATION Representative Director, Shimizu Scholarship Foundation, general incorporated foundation [incumbent] President, Criminal Justice Welfare Forum Oasis, general incorporated association External Audit & Supervisory Board Member of the Company [incumbent] President, Japan Criminal Policy Society External Director of the Company [incumbent] Chair of Audit Committee of the Company [incumbent]	(Note 2)	600
External Director	Yasuko Gotoh	February 19, 1958	Apr. 1980 Jun. 2004 Oct. 2005 Jul. 2008 Jul. 2013 Oct. 2014 Jun. 2015 Jun. 2017 Jun. 2018 Mar. 2019 Jun. 2019 Apr. 2023 Jun. 2023 Oct. 2023 Mar. 2024	Joined Ministry of Transport (currently Ministry of Land, Infrastructure, Transport and Tourism (MLIT)) Director, Tourism Promotion Bureau at New York, Tourist Bureau of Japan Deputy Governor, Yamagata Prefecture Director, Regional Transport Bureau of Hokuriku and Shinetsu Regions, MLIT Director General, Policy Research Institute for Land, Infrastructure and Transport and Tourism, MLIT Advisor, Kyushu Railway Company Deputy Director General, Railway Operations Headquarters, Kyushu Railway Company Director General, Travel Services Headquarters, Kyushu Railway Company Managing Director, CFO in charge of the Treasury Department, Kyushu Railway Company Director, Audit and Supervisory Committee Member, Kyushu Railway Company External Audit & Supervisory Board Member of the Company Outside Audit & Supervisory Board Member, DENSO CORPORATION [incumbent] Guest professor, Faculty of Tourism and Community Development, Kokugakuin University [incumbent] Outside Audit & Supervisory Board Member, Mitsui Chemicals, Inc. [incumbent] Audit and Inspection Commissioners, the Tokyo Metropolitan Government [incumbent] External Director of the Company [incumbent]	(Note 2)	900

Position	Name	Date of Birth	Career profile		Term of office (period)	Number of shares owned (shares)
External Director	Ritsuko Nonomiya	November 28, 1961	Sep. 1987	Joined Pete Murwick Maine Accounting Firm (currently KPMG LLP)	(Note 2)	700
			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.		
			Jul. 2008	Senior Vice President, Business Development Leader, GE Capital Asia Pacific		
			Apr. 2013	Senior Executive Officer and Business Development Leader, GE Capital Japan, Japan GE Inc. (currently GE Japan Inc.)		
			Dec. 2013	Managing Director, GCA Savvian Corporation (currently GCA Corporation)		
			Mar. 2017	Director, GCA Corporation [incumbent]		
			Mar. 2020	External Audit & Supervisory Board Member of the Company		
			Jun. 2020	External Director, NAGASE & CO., LTD. [incumbent]		
			Feb. 2022	CEO, Representative Director, Houlihan Lokey Corporation [incumbent]		
			Mar. 2024	External Director of the Company [incumbent]		
Total						25,300

Notes:

1. Kanoko Oishi, Shinsaku Iwahara, Mariko Tokuno, Yoshihiko Hatanaka, Hiroshi Ozu, Yasuko Gotoh, and Ritsuko Nonomiya serve as external directors.
2. The term of office of director is from the conclusion of the Ordinary General Meeting of Shareholders for the fiscal year ended December 2023 to the conclusion of the Ordinary General Meeting of Shareholders for the fiscal year ending December 2024.
3. At the 124th Ordinary General Meeting of Shareholders held on March 26, 2024, the Company passed a resolution to transition to a Company with three statutory committees.
   The structure of the committees is as follows:
   Nominating Committee: Shinsaku Iwahara (chair), Kanoko Oishi (member), Mariko Tokuno (member), Yoshihiko Hatanaka (member)
   Audit Committee: Hiroshi Ozu (chair), Hiromi Anno (member), Takeshi Yoshida (member), Yasuko Gotoh (member), Ritsuko Nonomiya (member)
   Compensation Committee: Yoshihiko Hatanaka (chair), Kanoko Oishi (member), Shinsaku Iwahara (member), Mariko Tokuno (member)

b. Corporate Executive Officer

Position	Name	Date of Birth	Career profile		Term of office (period)	Number of shares owned (shares)
Representative Corporate Executive Officer	Masahiko Uotani	June 2, 1954	Please see a. Director		(Note 1)	11,000
Representative Corporate Executive Officer	Kentaro Fujiwara	December 21, 1966	Please see a. Director		(Note 1)	2,100
Corporate Executive Officer	Yoshiaki Okabe	February 8, 1967	Apr. 1989	Joined the Company	(Note 1)	2,500
			Apr. 2010	Brand Manager of Clé de Peau BEAUTÉ Marketing Unit of the Company		
			Jan. 2014	Shiseido China Co., Ltd. General Manager of Prestigious Cosmetics Business Division		
			Jan. 2015	General Manager of International Marketing Department, International Business Division of the Company		
			Apr. 2015	Corporate Officer of the Company *SHISEIDO* Brand Director, Global Business Division of the Company		
			Jan. 2016	Corporate Officer of the Company Brand Director, *SHISEIDO* Brand Unit Global Prestige Brands of the Company		
			Jan. 2019	Corporate Officer of the Company Chief Brand Officer, brand *SHISEIDO*, Global Prestige Brands of the Company		
			Jan. 2020	Corporate Officer of the Company Chief Brand Officer, brand *SHISEIDO* of the Company [incumbent]		
			Jan. 2021	Senior Executive Officer of the Company Chief Brand Innovation Officer of the Company		
			Jan. 2022	Chief Technology Officer of the Company		
			Jan. 2023	Chief Innovation Officer of the Company		
			Sep. 2023	Executive Officer, Executive Vice President of the Company [incumbent] Chief Marketing & Innovation Officer of the Company [incumbent] Chief Brand Officer, brand *SHISEIDO* of the Company [incumbent]		
			Mar.2024	Corporate Executive Officer of the Company [incumbent]		

Position	Name	Date of Birth	Career profile		Term of office (period)	Number of shares owned (shares)
Corporate Executive Officer	Norio Tadakawa	January 6, 1967	Apr. 1989 Jan.2010 Apr.2012 Apr.2014 Apr.2015 Jan.2016 Jan.2017 Jan.2018 Jul.2018 Jan.2019 Jan.2020 Mar.2020 Oct.2020 Jan.2021 Jul.2021 Jan.2024 Mar.2024	Joined the Company Department Director, International Business Planning Department, International Business Division of the Company Department Director, Corporate Planning Department of the Company Corporate Officer, Chief Financial Officer of the Company Responsible for Finance, Investor Relations, Information System Planning and Internal Control of the Company Corporate Officer, Chief Financial Officer of the Company Responsible for Financial Management of the Company Responsible for Business Development of the Company Senior Executive Officer of the Company Chief Supply Network Officer of the Company Chief Supply Network Officer of the Company Responsible for Demand & Supply Planning, Logistics, Production, Factories, Supply & Purchasing, Supply Network (SN) Strategy, Global Initiative and Nasu Factory Establishment of the Company Responsible for SN Strategy, SN Fundamental Development and Global Brands Sales & Operation (S&OP) of the Company Director of the Company Japan Region Chief Operating Officer (COO) Representative Director, President and COO, Shiseido Japan Co., Ltd. Senior Executive Officer of the Company [incumbent] Japan Region Chief Executive Officer (CEO) Representative Director, President and CEO, Shiseido Japan Co., Ltd. Chief Strategic Business Development Officer of the Company [incumbent] Corporate Executive Officer of the Company [incumbent]	(Note 1)	14,000
Corporate Executive Officer	Toshinobu Umetsu	September 4, 1979	Apr. 2002 Jan. 2011 Sep. 2011 Jan. 2018 Jan. 2019 Jan. 2020 Oct. 2020 Jan. 2021 Jul. 2021 Jan. 2022 Jan. 2023 Mar. 2024	Joined Beacon Communications K.K. Business Director, Beacon Communications K.K. Joined the Company Department Director, Corporate Strategy Department of the Company Chief Strategy Officer of the Company Corporate Officer of the Company Senior Vice President, Corporate Transformation Acceleration Division Director, Shiseido Japan Co., Ltd. Representative Director, EFFECTIM Co., Ltd. Executive Officer of the Company [incumbent] Vice President, Inner Beauty Business Development Department of the Company Director, Shiseido Interactive Beauty Company, Limited Responsible for Professional Business Director, Shiseido Professional Co., Ltd. [incumbent] China Region CEO [incumbent] Corporate Executive Officer of the Company [incumbent]	(Note 1)	200

Position	Name	Date of Birth	Career profile		Term of office (period)	Number of shares owned (shares)
Corporate Executive Officer	Takayuki Yokota	May 18, 1973	Apr.1996 Dec.2003 Aug.2006 Sep.2007 Dec.2010 Sep.2011 Aug.2012 Jul.2016 Nov.2019 Jan.2020 Apr.2020 Jan.2021 Mar.2021 Mar.2024	Joined SUMITOMO CORPORATION Country Controller, Dow Chemical Japan Limited Japan Finance Manager, GE Toshiba Silicones Company, Limited (currently Momentive Performance Materials Japan LLC) Supply Chain Finance Director, Northeast Asia, Unilever Japan K.K. Finance Director, Marketing Operations & Customer Development, Asia, Africa, MET, CEE, and Russia, Unilever Asia Private Limited Finance Director, Global Marketing Operations, Unilever Asia Private Limited Representative Director, Vice President, Finance, Japan & Korea, Unilever Japan Holdings K.K. Vice President, Finance, Global Hair Care Category, Unilever PLC Vice President, Global Headquarters Finance of the Company Vice President, Financial Accounting of the Company Director and CFO, Shiseido Japan Co., Ltd. Executive Officer of the Company [incumbent] Chief Financial Officer (CFO) of the Company [incumbent] Japan Region CFO Executive Officer and CFO, Shiseido Japan Co., Ltd. Director of the Company Corporate Executive Officer of the Company [incumbent]	(Note 1)	1,100
Total (Note 2)						17,800

Notes:

1. The term of office of Corporate Executive Officer is from the time of the conclusion of the first meeting of the Board of Directors held after the conclusion of the ordinary general meeting of shareholders for the year ended December 2023 to the time of the conclusion of the first meeting of the Board of Directors held after the conclusion of the ordinary general meeting of shareholders for the year ending December 2024.
2. The total number of shares does not include the number of shares held by Corporate Executive Officer who also serve as Directors.
3. For Executive Officers who do not concurrently serve as Directors, please see “ABOUT US > Global Leadership” (https://corp.shiseido.com/en/company/executiveofficers/) on our corporate information site.

2) External Directors

The status of concurrent positions of the External Directors and the relation between the Company and the organizations in which the Company’s External Directors hold important concurrent positions are as follows:

In addition to the perspective of having an interest with the Company, the Company also considers “main occupation” and other aspects in a multifaceted manner, and selects “important organizations” among the organizations in which the Company's External Directors hold important concurrent positions.

Position	Name	Important organization (Concurrent position at the organization)	Relation between the Company and the organizations in which the Company’s External Directors hold important concurrent position
External Director	Kanoko Oishi	MEDIVA Inc. (Representative Director)	The Company has no special relationships of interest with MEDIVA Inc.
		Seeds 1 Co., Ltd. (Representative Director)	The Company has no special relationships of interest with Seeds 1 Co., Ltd.
		Ezaki Glico Co., Ltd. (External Director)	The Group purchases snacks, etc. (mail order) from the company group. The Group's payment in the current fiscal year was less than 1% of the sum of Cost of sales and Selling, general and administrative expenses in the current fiscal year, and the value of transactions is insignificant. The company group's sales of snacks, etc. (mail order) to the Group were less than 1% of the company group's consolidated net sales of the current fiscal year, and the value of transactions from the perspective of the company group is insignificant.
		Santen Pharmaceutical Co., Ltd. (External Director)	The Group purchases cosmetics, etc. (sales) from the company group. The Group's payment in the current fiscal year was less than 1% of the sum Cost of sales and Selling, general and administrative expenses in the current fiscal year, and the value of transactions is insignificant. The company group's sales of cosmetics, etc. (sales) to the Group were less than 1% of the company group's consolidated net revenue of the current fiscal year, and the value of transactions from the perspective of the company group is insignificant.
	Mariko Tokuno	Mitsubishi Materials Corporation (External Director)	The Group has transactions with the company group such as Outsourcing business, etc. The Group's payment to the current fiscal year was less than 1% of the sum of Cost of sales and Selling, general and administrative expenses in the current fiscal year, and the value of transactions is insignificant. The company group's sales results due to outsourced works from the Group were less than 1% of the company group's consolidated net sales in the current fiscal year, and the value of transactions from the perspective of the company group is insignificant.
		Yamato Holdings Co., Ltd. (External Director)	The Group has transactions with the company group such as Outsourcing business, etc. The Group's payment in the current fiscal year was less than 1% of the sum of Cost of sales and Selling, general and administrative expenses in the current fiscal year, and the value of transactions is insignificant. The company group's sales results of outsourced works from the Group were less than 1% of the company group's consolidated operating revenue in the current fiscal year, and the value of transactions from the perspective of the company group is insignificant.
	Yoshihiko Hatanaka	SONY GROUP CORPORATION (External Director)	The Group has transactions with the company group such as Outsourcing business, etc. The Group's payment in the current fiscal year was less than 1% of the sum of Cost of sales and Selling, general and administrative expenses in the current fiscal year, and the value of transactions is insignificant. The company group's sales of outsourced works from the Group were less than 1% of the company group's consolidated net sales and financial services revenue in the current fiscal year, and the value of transactions from the perspective of the company group is insignificant.
		SEKISUI CHEMICAL CO., LTD. (External Director)	The Group purchases raw materials, etc. from the company. The Group's payment in the current fiscal year was less than 1% of the sum of Cost of sales and Selling, general and administrative expenses in the current fiscal year, and the value of transactions is insignificant. The company group's sales of raw materials, etc. to the Group were less than 1% of the company group's consolidated net sales in the current fiscal year, and the value of transactions from the perspective of the company group is insignificant.

Position	Name	Important concurrent position (Position at the organization)	Relation between the Company and the organizations in which the Company's External Directors hold important concurrent position
External Director	Hiroshi Ozu	Attorney	There are no special relationships of interest.
		Shimizu Scholarship Foundation, general incorporated foundation (Representative Director)	The Group has no special relationships of interest with Shimizu Scholarship Foundation (general incorporated foundation).
	Yasuko Gotoh	DENSO CORPORATION (External Audit & Supervisory Board Member)	The Group has transactions with the company group such as Outsourcing business, etc. The Group's payment in the current fiscal year was less than 1% of the sum of Cost of sales and Selling, general and administrative expenses in the current fiscal year, and the value of transactions is insignificant. The company group's sales results due to outsourced works from the Group are less than 1% of the company group's consolidated net revenue of the current fiscal year, and the value of transactions from the perspective of the company group is insignificant.
		Mitsui Chemicals, Inc. (External Audit & Supervisory Board Member)	The Group has transactions with the company group such as Outsourcing business, etc. The Group's payment in the current fiscal year was less than 1% of the sum of Cost of sales and Selling, general and administrative expenses in the current fiscal year, and the value of transactions is insignificant. The company group's sales results due to outsourced works from the Group were less than 1% of the company group's consolidated net revenue of the current fiscal year, and the value of transactions from the perspective of the company group is insignificant.
		Audit and Inspection Commissioners of the Tokyo Metropolitan Government	The Group has no special relationships of interest with the Tokyo Metropolitan Government
	Ritsuko Nonomiya	NAGASE & Co., Ltd. (External Director)	The Group conducts transactions with the company group for raw materials, etc. The Group's payment to the current consolidated year was less than 1% of the sum of Cost of sales and Selling, general and administrative expenses in the current fiscal year, and the value of transactions is insignificant. The company's group sales of raw materials, etc. to the Group were less than 1% of the company group's consolidated net revenue in the current fiscal year, and the value of transactions from the perspective of the company group is insignificant.
		Houlihan Lokey Corporation (CEO, Representative Director)	The Group has no special relationships of interest with Houlihan Lokey Corporation.

Notes:

1. This table indicates the existence or non-existence of the relationship between the Company and the organizations in which the Company's External Directors hold important concurrent position. Where transactions exist between the Company and such organizations, the table indicates that such transactions are minimal in terms of scale, and where competing transactions exist with the organizations, the table indicates that the transactions have no negative impact on the interests of shareholders.
2. The "company group" in the table includes companies in which an External Director holds concurrent positions and "the Group" includes the Company, as well as the parent company, consolidated subsidiaries, and equity method associates listed in "4. Information on subsidiaries and associates" under "Part I Overview of the Company, 4. Information on Subsidiaries and Associates" of Annual Securities Report filed in the immediately preceding fiscal year.

Other than the relationships set forth in the table above, there are no material personal, equity or business relationships or other interests between the Company and its respective External Directors.

In addition, in order to objectively judge the independence of External Directors, the Company has established its own "Criteria for Independence of External Directors" with reference to overseas laws and listing rules, etc.

In selecting candidates for External Directors, we also emphasize the high level of independence from the perspective of enhancing corporate governance, and we use these criteria to determine whether candidates for External Directors are highly independent.

(Summary of Criteria for Independence of External Directors)

- They are not originally from Shiseido Co., Ltd. (the "Company") or an affiliated company (collectively the "Shiseido Group")
- They are not a principal counterparty of the Shiseido Group or originally therefrom;
- They are not a person whose principal counterparty is the Shiseido Group or originally therefrom;
- They are not a large shareholder of the Company or originally therefrom;
- They are not an executive of a company whose large shareholder is the Shiseido Group or originally therefrom;
- They are not a lawyer, consultant or the like receiving a large sum of remuneration from the Shiseido Group;
- They are not a person receiving a large amount of donation from the Shiseido Group or originally therefrom;
- They are not an accounting auditor of the Company or originally therefrom;
- They have no one falling under the above criteria among their close relatives;
- They do not belong to any company, etc. where such person is in a state of "cross-assumption of Offices of Directors, etc." with the Company;
- They are not in any other circumstances in which duties imposed on an independent External Director are reasonably deemed not to be achieved.

The full text of the "Criteria for Independence of External Directors" is available at the following URL:
https://corp.shiseido.com/en/ir/governance/pdf/system01.pdf

3) Cooperation between oversight by the External Directors, and audit by the Internal Audit Department, Audit Committee and Accounting Auditors, and relationship with divisions involved in internal control

The Company has appointed seven highly independent External Directors with the aim of incorporating outside perspectives into management and further strengthening the oversight function over the business execution. The appointment of External Directors has also stimulated discussions at the Board of Directors meetings regarding decision-making on important matters. We believe that the incorporation of a wide range of perspectives and insights based on different backgrounds and areas of expertise will ensure objectivity and strengthen the oversight function.

Audit Committee members hold meetings to exchange opinions with the representative Corporate Executive Officers as necessary and share information with External Directors who are not Audit Committee members. Moreover, meetings are held as necessary to exchange opinions between external accounting auditors and full-time Audit Committee members, in addition to accounting auditors' audit results report meetings held every quarter. In order to share information, the External Directors who are not Audit Committee members also attend two of accounting auditors' audit results report meetings held at the end of the first half and the end of every fiscal year.

The full-time Audit Committee members receive monthly reports on internal audit results from the Internal Audit Department and receive semiannual reports on audit results of each area from the Quality Management Department, the Information Security Department, and the Audit Group of the Business Management Department of Shiseido Japan Co., Ltd. The full-time Audit Committee members also attend important meetings on business execution including Global Strategy Committee to confirm details discussed at these meetings and committees.

Liaison meetings between the full-time Audit Committee members, accounting auditors and the Internal Audit Department to share each audit information are held every quarter.

(3) Status of Audits

1) Audits by Audit & Supervisory Board Members

a. Personnel Composition and Background

The Company has five Audit & Supervisory Board members: two full-time internal members and three external members with no special interest in the Company. Three of the Audit & Supervisory Board members are women, and the ratio of women on the Audit & Supervisory Board is 60%. The chair of the Audit & Supervisory Board for the current fiscal year is Mr. Takeshi Yoshida, a full-time Audit & Supervisory Board member. He and External Audit & Supervisory Board members Yasuko Gotoh and Ritsuko Nonomiya have been appointed to the Audit & Supervisory Board with considerable knowledge of finance and accounting matters. Takeshi Yoshida has been engaged in accounting and business management operations since joining the Company in 1992. He was appointed Senior Vice President of Shiseido Americas Corp. in 2011 and Vice President of the Internal Audit Department in 2014, and assumed his current position in 2018. Yasuko Gotoh was the first female career bureaucrat in the Ministry of Transport (now the Ministry of Land, Infrastructure, Transport and Tourism) and has held a variety of important positions. She has since held a number of influential roles in the private sector, including Managing Director and CFO and Director and Audit Committee member. Ritsuko Nonomiya has experience working for accounting firms in the U.S. and Japan and has a high level of financial and accounting knowledge, including involvement in M&A and business development, as well as management knowledge.

The attendance of each member of the Board of Directors and Audit & Supervisory Board for the current fiscal year is as follows:

Title	Name	Board of Directors	Audit & Supervisory Board
Full-time Audit & Supervisory Board member	Takeshi Yoshida	100% (14 out of 14)	100% (13 out of 13)
Full-time Audit & Supervisory Board member	Akiko Uno	100% (3 out of 3)	100% (3 out of 3)
Full-time Audit & Supervisory Board member	Hiromi Anno	100% (11 out of 11)	100% (10 out of 10)
External Audit & Supervisory Board member	Yasuko Gotoh	100% (14 out of 14)	100% (13 out of 13)
External Audit & Supervisory Board member	Ritsuko Nonomiya	100% (14 out of 14)	100% (13 out of 13)
External Audit & Supervisory Board member	Hiroshi Ozu	100% (14 out of 14)	100% (13 out of 13)

We have assigned three staff members (as of December 31, 2023) who possess the necessary knowledge and skills to assist Audit & Supervisory Board members in the performance of their duties. Audit & Supervisory Board staff matters are determined by reflecting the opinions of the board members.

The Company has entered into an agreement (contracts stipulated in Article 427, Paragraph 1 of the Companies Act, “Limited Liability Agreement”) with its External Audit & Supervisory Board members that provides that, with respect to the liability stipulated in Article 423, Paragraph 1, if the liability is borne in good faith and without gross negligence, the liability shall be limited to the amount stipulated in each item of Article 425, Paragraph 1 of the same Act in order to enable the External Audit & Supervisory Board members to fully demonstrate their expected roles and to invite capable personnel to the Company.

Note that the Company has not made any Articles of Incorporation changes to change the scope of the responsibility limitation agreement since there is no need to conclude a liability limitation agreement with Audit & Supervisory Board members other than the External Audit & Supervisory Board members at this time.

b. Audit & Supervisory Board Activities

The Audit & Supervisory Board of the Company convenes regularly prior to the Board of Directors meetings and also convenes, as necessary. During the current fiscal year, the Audit & Supervisory Board convened a total of 13 times, with the average time required per meeting being approximately 1 hour and 30 minutes.

The Audit & Supervisory Board receives reports, holds discussions, and makes resolutions on important auditing-related matters in accordance with laws, the Articles of Incorporation, and Audit & Supervisory Board regulations.

The major agenda items of the Audit & Supervisory Board during the current consolidated fiscal year were as follows:

Resolutions (including Consent)	- Selection of the convener (chair) of the Audit & Supervisory Board, full-time Audit & Supervisory Board members, and specified Audit & Supervisory Board members - Audit plan and priority audit items for Audit & Supervisory Board members - Revision of rules and regulations for Audit & Supervisory Board members - Consent to remuneration for accounting auditors; reappointment of accounting auditors - Status of development and operation of internal controls - Audit report of the Audit & Supervisory Board - Comprehensive pre-commitment scope and individual pre-commitments for non-assurance services in the next fiscal year based on the revised International Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants (IESBA)
Deliberations	- Deliberation on remuneration for Audit & Supervisory Board members - Evaluation of the effectiveness of the Audit & Supervisory Board
Reporting	- Audit plan and priority audit items for Audit & Supervisory Board members - Results of a survey of proposals submitted to the General Meeting of Shareholders - Results of on-site visits conducted by Audit & Supervisory Board members - Status of internal audit and risk management response and implementation

In addition to the regular Audit & Supervisory Board meetings, we convene as needed to discuss important issues and exchange views among Audit & Supervisory Board members. During the current fiscal year, views were exchanged on the approach to the governance structure and the operation of the internal control system, and discussions were held with the Internal Audit Department and Risk Management Department.

The purpose of the evaluation of the effectiveness of the Audit & Supervisory Board was to maintain and improve its effectiveness. This was achieved by reviewing the annual audit activities based on the following evaluation criteria and conducting an evaluation after discussions within the Audit & Supervisory Board. As a result of our evaluation, we concluded that the Audit & Supervisory Board functioned effectively during the current consolidated fiscal year.

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

c. Major Activities of Audit & Supervisory Board Members

The Basic Policy on Audits by Audit & Supervisory Board member stipulates that members of the Audit & Supervisory Board, as an independent body entrusted by shareholders, are responsible for establishing a high-quality corporate governance system that can earn the trust of various stakeholders in order to ensure the sound and sustainable growth of the Company and its group companies.

The priority audit items and main points of the audit for the current fiscal year are as follows:

Priority Audit Items for Fiscal Year 2023	Main Points of the Audit
Skin Beauty Brand Expansion	- Build skin beauty portfolio, strengthen brand equity, and expand market share - Evolve business models digitally - Strengthen innovation based on skin research - Take initiatives to evolve sustainability management
Restructuring of Major Regional Businesses	- Reinforce the business base after transformation, rebuild the revenue base in Japan, and restructure growth in China - Develop new markets and enter new business domains
Supply Network	- Reduce product costs and restructure supply chain locations
People and Organization	- Improve people capabilities, organizational capabilities, and productivity through the promotion and penetration of human resource policies
Internal Control, Governance, and Others	- Internal controls and governance at HQ, regional headquarters, and subsidiaries - Establish global IT governance, introduce and establish FOCUS - Global development, penetration, and establishment of quality assurance governance

The status of audit activities is as follows:

Attendance at Board of Directors meetings and other important meetings and committees	Audit & Supervisory Board members provide necessary advice, and opinions from an independent perspective based on their extensive experience and knowledge in their respective fields, and they review the execution of duties by the Directors. Global Strategy Committee, Global Risk Management & Compliance Committee, HQ & SJ Compliance Committee, etc.
Meetings with representative Directors	Exchange opinions on important management issues and share issues based on annual audit activities twice a year.
Interviews and on-site inspections with Executive Officers, department heads, and office managers, among others	- Exchange opinions on the management and business environment—50 times domestically, 41 times overseas
Confirm status of internal audit	Audit & Supervisory Board meetings—twice a year Full-time Audit & Supervisory Board members—monthly

Audit & Supervisory Board members receive quarterly reports from the accounting auditor on the status of accounting audits, and they share information and exchange views with the accounting auditor on key audit matters (KAM) that have a significant impact on areas of the financial statements due to important decisions made by Company management.

In addition, a three-way audit liaison meeting, including the Internal Audit Department, is held every quarter to exchange opinions on the status of each audit.

2) Status of Internal Audit

a. Internal Audit Objectives and Policies

The control environment is premised on our corporate philosophy (THE SHISEIDO PHILOSOPHY), which is described in "2. Overview of Business 1 Management policy, management environment, and issues to be addressed." On this basis, the Group's internal audits aim to contribute to sustainable growth and the enhancement of corporate value through the promotion of appropriate control and improvement activities. Conducted in accordance with "The Internal Audit Rules" established by the Internal Audit Department, these audits comprehensively examine the state of our Group's internal controls from the perspectives of operational effectiveness and efficiency, reliability of financial reporting, compliance with relevant laws and internal regulations, and asset preservation. Additionally, the department assesses the appropriateness and effectiveness of risk management and provides advice and recommendations for improvements.

In order to achieve the above objectives, the Representative Corporate Executive Officer, Chairman and CEO will provide the necessary resources to enable the department to conduct high-quality internal audits, and through the use of the internal audit function, we will further evolve into an organization with high ethics and integrity, aiming to become a company trusted by all stakeholders.

b. Organization and Personnel Structure

During the current fiscal year, the Internal Audit Department reports directly to the Representative Director, Chairman and CEO and ensures multiple reporting lines, including monthly reports to the Representative Director, Chairman and CEO, Director and CFO, and full-time Audit & Supervisory Board members, and periodically to the Board of Directors and the Audit & Supervisory Board.

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

After the General Meeting of Shareholders in March 2024, the organization has become under the direct control of the Audit Committee to ensure greater independence and objectivity and reports periodically to the Audit Committee on the status of the audit and its results, as well as monthly to the Representative Corporate Executive Officer, Chairman and CEO, Corporate Executive Officer and CFO, and periodically to the Board of Directors, etc., to ensure multiple reporting lines. In the event of conflicting instructions or decisions between the Representative Corporate Executive Officer and the Audit Committee, the opinion of the Audit Committee shall prevail.

As of December 31, 2023, we have 19 members of the Internal Audit Department at the Head Office and six members of the Internal Audit Department at offices belonging to the Head Office in Europe, the Americas, Asia, and China (mainly locally hired). Approximately half of our employees hold professional certifications such as Certified Internal Auditor (CIA), Certified Information Systems Auditor (CISA), Certified Fraud Examiner (CFE), or Certified Public Accountant in Japan and the U.S., and we encourage those who do not hold these certifications to obtain them as we aim to build trust as a highly professional organization. In addition to having seasoned staff with an average of five to six years of experience in internal auditing, we utilize a skills matrix within the Internal Audit Department, and where the department lacks expertise, we bring in staff from other departments with that expertise to maintain a well-balanced composition of personnel. When resources are insufficient in terms of in-house expertise and number of staff, outside experts are utilized as needed.

In addition to the above, we have 18 full-time auditing staff with reporting lines to local management at major subsidiaries in Japan and overseas, depending on the risk base, to form a system capable of responding quickly to local situations.

To improve the quality of our internal audits, several CIAs experienced in conducting external quality evaluations conducted internal audit quality evaluations based on the International Standards for the Professional Practice of Internal Auditing (the Standards) of the Institute of Internal Auditors (IIA), and we are continuously improving our departmental management and operations to prepare for periodic external evaluations in the future. As we unify core systems at the global level, we are taking this chance to enhance data analysis capabilities in the Internal Audit Department to improve quality.

c. Major activities of Internal Audit Department members

The main organizational and functional reports and information exchanged during the current fiscal year are as follows. In addition to the information below, as described in “Status of Audits by Audit & Supervisory Board members,” the Company builds mutual cooperation among accounting auditors, Audit & Supervisory Board members, and the Internal Audit Department through regular exchanges of information.

Reporting and Information Exchange with the Internal Audit Department

Meeting	Frequency	Attendees
CEO/CFO Report	Monthly	CEO/CFO
Board of Directors Report	Twice a year	Director/ Audit & Supervisory Board members
Information Exchange with External Directors	As needed (1 time)	External Directors
Audit & Supervisory Board Member Report (including the Audit & Supervisory Board report)	Monthly	Audit & Supervisory Board members
Information Exchange with External Audit & Supervisory Board members	As needed (twice)	External Audit & Supervisory Board members

The Internal Audit Department conducts comprehensive risk assessments that take into account risk awareness from the Global Risk Management & Compliance Committee, other risks identified both inside and outside the Company, and the frequency of audits for the target organizations. Taking into account the resources available, including the Internal Audit Department personnel, priorities are set to select the organizations and themes for audit, upon which internal audits are carried out. As a result, in the current fiscal year, we conducted 25 internal audits covering various departments and processes. After internal audits are conducted, we regularly follow up on the status of the suggested improvements and progress being made and reports that progress to the CEO.

In specialized areas such as information security and product quality, global policies are created for each area to ensure through operation on the first line and the second line. After conducting a risk assessment, off-site monitoring using technology and monitoring through on-site visits are conducted. In addition, we share information on the results of audits conducted by the full-time auditing departments of our major domestic and overseas subsidiaries. Furthermore, joint audits are planned and conducted by each functional and subsidiary audit department and the Internal Audit Department.

We will work with the Sustainability Strategy Acceleration Department, the DE&I Strategy Acceleration Department, and the regional headquarters to contribute to enhancing disclosure of non-financial information.

3) Status of Accounting Audit

a. Name of the auditing firm

KPMG AZSA LLC

b. Years of continuous service as Accounting Auditor

The Company appointed KPMG AZSA LLC as its accounting auditor on June 29, 2006, and the current fiscal year marks 18 years since the appointment.

c. Certified Public Accountants engaged in the financial statements audit

Masakazu Hattori (years of continuous service: 4 years)

Kentaro Hayashi (years of continuous service: 4 years)

Unshil Kang (years of continuous service: 3 years)

Note: The rotation of managing partners is properly implemented in accordance with the policy set by KPMG AZSA LLC.

The rotation of KPMG AZSA LLC's managing partners is regulated by laws and regulations, independent rules, and our firm's (including KPMG International's) policies regarding the maximum period of involvement in audit attestation engagements. KPMG AZSA LLC monitors the rotation status, including audit assistants, from the perspective of the length of continuous involvement and independence.

d. Composition of assistants involved in the audit

Assistants involved in the audit consisted of 21 certified public accountants, 8 successful candidates who have passed the Certified Public Accountant Examination, and 34 others (tax and IT auditing, etc.).

e. Policy, Reasons, and Evaluation for Selection of Accounting Auditor

At the Company, the appointment and dismissal of the accounting auditor by the Audit & Supervisory Board is implemented by the unanimous agreement of all Audit & Supervisory Board members. This decision is based on the evaluations by the CFO and the persons in charge of departments related to financial accounting/auditing, etc., and the results of evaluations by Audit & Supervisory Board members.

The Company's policy for determining the dismissal or non-reappointment of the accounting auditor is as follows:

The Audit & Supervisory Board shall dismiss the accounting auditor pursuant to the provisions of Article 340 of the Companies Act, in the event the Company determines that the accounting auditor is seriously hindered as an accounting auditor, for example, if the accounting auditor breaches its official duty, neglects their official duty, or commits misconduct. Also, in the event that the accounting auditor deems it difficult to perform their duties properly, or in the event that the Audit & Supervisory Board deems it appropriate to change accounting auditors in order to improve the audit, the Board of Directors shall decide the content of the proposal on the dismissal or non-reappointment of the accounting auditor, taking into account the opinion of the executive body, and submit the proposal at the General Meeting of Shareholders based on the decision.

The Audit & Supervisory Board evaluated the accounting audit for the 123rd fiscal year and confirmed the appropriateness of the auditor, quality control, independence and professional competence of the audit team, appropriateness of the audit plan, communication with the Audit & Supervisory Board and other relevant parties, status of the Accounting auditor’s remuneration, and processes, and resolved to reappoint the accounting auditor for the 124th fiscal year.

4) Details of remuneration for the Accounting Auditor

a. Remuneration for audited Certified Public Accountants, etc.

Classification	Previous fiscal year		Current fiscal year			
	Remuneration for auditing and attestation (Millions of yen)	Remuneration for non-audit services (Millions of yen)	Remuneration for auditing and attestation (Millions of yen)	Remuneration for non-audit services (Millions of yen)	Remuneration for auditing and attestation (Thousands of U.S. dollars)	Remuneration for non-audit services (Thousands of U.S. dollars)
Submitting Company	234	12	242	-	1,708	-
Consolidated subsidiaries	44	-	45	-	318	-
Total	278	12	288	-	2,032	-

The Company's non-audit services in the previous consolidated fiscal year consisted of advisory services for the introduction of IFRS and the preparation of a comfort letter from the auditor to the managing underwriting company in connection with the issuance of corporate bonds.

b. Remuneration for the same networking as audited Certified Public Accountants, etc. (excluding a.)

Classification	Previous fiscal year		Current fiscal year			
	Remuneration for auditing and attestation (Millions of yen)	Remuneration for non-audit services (Millions of yen)	Remuneration for auditing and attestation (Millions of yen)	Remuneration for non-audit services (Millions of yen)	Remuneration for auditing and attestation (Thousands of U.S. dollars)	Remuneration for non-audit services (Thousands of U.S. dollars)
Submitting Company	-	-	-	-	-	-
Consolidated subsidiaries	711	26	799	47	5,639	332
Total	711	26	799	47	5,639	332

The non-audit services of the consolidated subsidiaries in the previous fiscal year consist of tax return advisory services, etc.
The non-audit services of the consolidated subsidiaries in the current fiscal year consist of tax return advisory services, etc.

c. Content of other important remuneration

Not applicable.

d. Policy on determining remuneration for the Accounting Auditor

After discussing the details of the audit plan with the Accounting auditor in terms of effectiveness and efficiency, the Company verifies whether the amount of remuneration is sufficient to enable the Accounting auditor to conduct the necessary audit and determines the amount of remuneration with the consent of the Audit & Supervisory Board.

e. Reasons why the Audit & Supervisory Board has consented to remuneration for the Accounting Auditor

The Audit & Supervisory Board confirmed and examined the basis for the remuneration of the Accounting auditor proposed by the Representative Director, Chairman and CEO, including the actual time spent on the audit, etc., for the audit work during the current fiscal year as well as the time required for additional audit issues expected in the next fiscal year, and all Audit & Supervisory Board members agreed on the appropriateness of the proposal.

5) Other

During the current fiscal year, the Company had an Audit & Supervisory Board but transitioned to a company with three statutory committees as of March 26, 2024. The Audit Committee consists of five members—three Independent External Directors and two non-executive Internal Directors—who lead organizational audits by setting audit policies and providing information to the Internal Audit Department, thus promoting effective auditing practices. The committee is chaired by an External Director who is a lawyer with extensive knowledge of laws, regulations, and corporate governance.

(4) Remuneration of Directors, Audit & Supervisory Board Members and Corporate Executive Officers

Details of the remuneration

(a) Total amount of remuneration by category / total amount by type / number of Executives

Millions of yen

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

Thousands of U.S. dollars

Position and number of Directors and Audit & Supervisory Board members (persons)	Basic Remuneration				Total [(a)+(b)]
	Basic Remuneration	Annual Incentive	Total of the left* (a)	Long-Term Incentive (Share Compensation) (b)	
Directors (10 persons)	3,020	939	3,966	1,002	4,975
Of which, External Directors (5 persons)	494	-	494	-	494
Audit & Supervisory Board Members (6 persons, including 1 person who retired in March 2023)	734	-	734	-	734
Of which, External Audit & Supervisory Board Members (3 persons)	275	-	275	-	275
Total	3,761	939	4,707	1,002	5,709

Notes:

1. The total amount of the basic remuneration and annual incentive for Directors has a ceiling of ¥2.0 billion ($14.1 million) annually (including a total of ¥0.2 billion ($1.4 million) 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 ($71 thousand) per month as per the resolution of the 105th ordinary general meeting of shareholders held on June 29, 2005. The number of Audit & Supervisory Board members at the conclusion of the said general meeting of shareholders was five.
2. The annual incentive of Directors for the current fiscal year indicated above represent the amounts that will be paid upon the resolution of the Board of Directors based on the resolution of the 118th ordinary general meeting of shareholders, as stated in note (c) Performance-linked targets, actual performance and payment percentage, etc. of annual incentives paid to Directors excluding External Directors.
3. The amount of long-term incentive-type remuneration (stock compensation) indicated above represents the total amount of the expenses recognized and measured in accordance with IFRS 2 “Share-based Payment” for the current fiscal year, on the performance-linked stock compensation (performance share units), upon the approval of the ordinary general meeting of shareholders, in consideration of duties executed by Directors. It has been resolved that the portion equivalent to 50% of the remuneration, etc. based on the aforesaid remuneration policy is provided in monetary remuneration claims for the delivery of shares of the common stock of the Company and the rest in cash. The said amount of the expenses recognized includes ¥(22) million ($(155) thousand) 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 ($(7) thousand) was recorded to the expenses recognized for the previous fiscal year, on the performance-linked stock compensation (performance share units) delivered to one Director of the Company, at the time the Directors served as a Corporate Executive Officer not concurrently serving as Director or an employee.
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.).

(b)Amounts of remuneration, etc. to Representative Directors and Directors whose total amount of remuneration, etc. exceeded ¥100 million ($706 thousand) for the current fiscal year.

Title and Name	Unit	Amounts of Remuneration, etc.by type				Total [(a)+(b)] (Millions of yen)
		Basic Remuneration	Annual Incentive	Total of the left (a)	Long-Term Incentive (Stock Compensation) (b)	
Masahiko Uotani, Chairman and CEO	Millions of yen	169	72	241	60	301
	Thousands of U.S. dollars	1,193	508	1,701	423	2,124
Kentaro Fujiwara, President and COO	Millions of yen	51	27	79	47	127
	Thousands of U.S. dollars	360	191	558	332	896

Notes:

1. The amounts of remuneration, etc. for Directors whose total amount of remuneration, etc. is ¥100 million ($706 thousand) or more for the current fiscal year are shown by type of remuneration, etc. The "Title" indicates the name of the position in the current fiscal year.
2. The annual incentive of Directors for the current fiscal year indicated above represent the amounts that will be paid upon the resolution of the Board of Directors based on the resolution of the 118th ordinary general meeting of shareholders, as stated in note 1. of (a) Total amount of remuneration by category / total amount by type / number of executives.
3. The amount of long-term incentive-type remuneration (stock compensation) indicated above represents the total amount of the expenses recognized for the current fiscal year, recognized and measured in accordance with IFRS 2 "Share-based Payment" on the performance-linked stock compensation (performance share units), upon the approval of the ordinary general meeting of shareholders, in consideration of duties executed by Directors. The said amount of the expenses recognized includes an adjustment of ¥(21) million ($(148) thousand) to the expenses recognized based on the achievement rate of performance indicator of the delivered long-term incentive-type remuneration (stock compensation).
4. No Director above was paid remuneration other than described above (including those described in notes 2 and 3).

(c) Performance-linked targets, actual performance and payment percentage, etc. of annual incentive paid to Directors excluding External Directors

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
		Billions of yen	Millions of U.S. dollars	Billions of yen	Millions of U.S. dollars		
Net Sales	0%–200%	1,000.0	7,057.2	973.0	6,866.9	97.3%	58.0%
Core Operating Profit		60.0	423.4	39.8	281.2	66.4%	0%
Profit Attributable to Owners of Parent	-	(Note 4)		21.7	153.5	-	Not subject to lowering of the payment amount percentage by thresholds
Performance of Business in Charge	0%–200%	(Note 1)					
Personal Performance Evaluation		(Note 2)		-	-	-	(Note 2) 43.3% (Average)

Total payment rate	(Note 3) 43.6%

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.

(d) Performance-linked targets, actual performance and payment percentage, etc. of long term incentive-type remuneration granted for the fiscal year ended December 31, 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 from top rated companies of DJSI World and DJSI Asia Pacific in the final fiscal year of the three-year period: Average 90 to 100 percentiles	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%)

Notes:

1. The period of evaluation for the performance-linked stock remuneration (performance share units) granted for the fiscal year ended December 31, 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 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 to the nearest whole number.

(e) Activities of Nomination & Compensation Advisory Committee and Board of Directors regarding Directors' remuneration etc.

In the current fiscal year, five meetings were held. The committee discussed annual incentive for Directors and Executive Officers for the previous fiscal year, as well as the remuneration policy for Directors and Executive Officers, and remuneration for said individuals for the current fiscal year, and discussed and reported the selection of candidates for Directors and Audit & Supervisory Board members, appointments of Executive Officers. In addition to the aforementioned actual meetings of Nomination & Remuneration Advisory Committee, there were three written resolutions.

Regarding individual remuneration, etc. of Individual Directors for the current fiscal year, the Nomination & Remuneration Advisory Committee had discussion according to the specific remuneration system and indicators which was designed based on the decision policy for individual remuneration, etc. of Individual Directors while considering social and economic situations surrounding the Company and made report to the Board of Directors. The Board of Directors decided remuneration, etc. while respecting the report from the committee, and therefore, the decided remuneration, etc. is judged to be in line with the aforementioned decision policy.

(f) Basic Policy for the amount and its calculation method of the Remuneration to Directors and Corporate Executive Officers of the Company

The Company regards the remuneration policy for Directors and Corporate Executive Officers as an important matter for corporate governance. For this reason, in accordance with the following basic philosophy: the Directors and Corporate Executive Officers remuneration policy of the Company is deliberated and decided in the Compensation Committee chaired by an External Director to incorporate objective points of view.

Basic philosophy and policy of the remuneration to Directors and Corporate Executive Officers

The remuneration policy to Directors and 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).

(g) The Company’s Directors and Corporate Executive Officers Remuneration Policy

Based on the above basic philosophy, the Compensation Committee has resolved its policy on decisions regarding remuneration of individual Directors and Corporate Executive Officers.

The Company’s Directors and Corporate Executive Officers remuneration policy, including an outline of the contents of the policy on decisions regarding remuneration of Individual Directors and Corporate Executive Officers, is described below in detail.

(Overall picture)

The remuneration of Corporate Executive Officers (including those who concurrently assume the position of Directors) comprises “basic remuneration” as fixed remuneration as well as “annual incentive” and “long-term incentive-type remuneration (non-monetary remuneration)” as performance-linked remuneration, and the Company sets remuneration levels by benchmarking peer companies in the same business industry or in the similar business size inside or outside Japan and by taking the Company’s financial condition into consideration. The remuneration of Individual Directors and Corporate Executive Officers are determined after deliberations by the Compensation Committee. In addition, remuneration for Directors is not paid to Directors who concurrently assume the position of Corporate Executive Officers.

In addition, External Directors who are independent from business execution and Directors who are the members of the Audit Committee receive only basic remuneration, as variable remuneration such as performance-linked remuneration is not appropriate.

[The proportion of each remuneration element for Corporate Executive Officers]

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

Title of Corporate Executive Officers	Composition of Remuneration for Directors and Executive Officers			
	Basic Remuneration	Performance-linked Remuneration		Total
		Annual Incentive	Long-Term Incentive-Type Remuneration	
Chairman and CEO	33.3%	33.3%	33.3%	100%
Corporate Executive Officers excluding Chairman and CEO	36%–48%	26%–32%	26%–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 Corporate Executive Officers pegged to having a representation right.
3. Because different remuneration tables will be applied depending on the Grade of Corporate Executive Officers, proportions of each individual remuneration element will vary even within a same title.

(Basic remuneration)

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

Basic remuneration for each Corporate Executive Officer is determined by the Board of Directors after deliberations by the Compensation Committee, and is paid in equal installments every month.

(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 Corporate Executive Officers to manage business operations while being more conscious about the Company's performance and share price from the perspectives of not only a single year but also over the medium to long term.

(Annual incentive)

Of the performance-linked remuneration the Company has set evaluation items for the annual incentive in accordance with the scope that Corporate Executive Officers as 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 Corporate Executive Officers, and the range of changes in the percentage amount of payment is set between 0% and 200%. Although it is essential that the entire management team 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 Compensation Committee deliberation, the Company has preliminarily established certain performance standards (thresholds) as described in the table below, with the evaluation framework designed so that the Compensation Committee will consider the possibility of lowering the percentage amount of the annual incentive payment attributable to the whole group performance component of the total annual incentive, if results fall below the thresholds. In determining the achievement rate of each target and threshold for consolidated net sales, core operating profit and profit attributable to owners of parent, actual performance may be adjusted by resolution of the Compensation Committee. In cases where such adjustments are made, it shall be stated in the disclosure materials of the actual remuneration of Corporate Executive Officers.

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

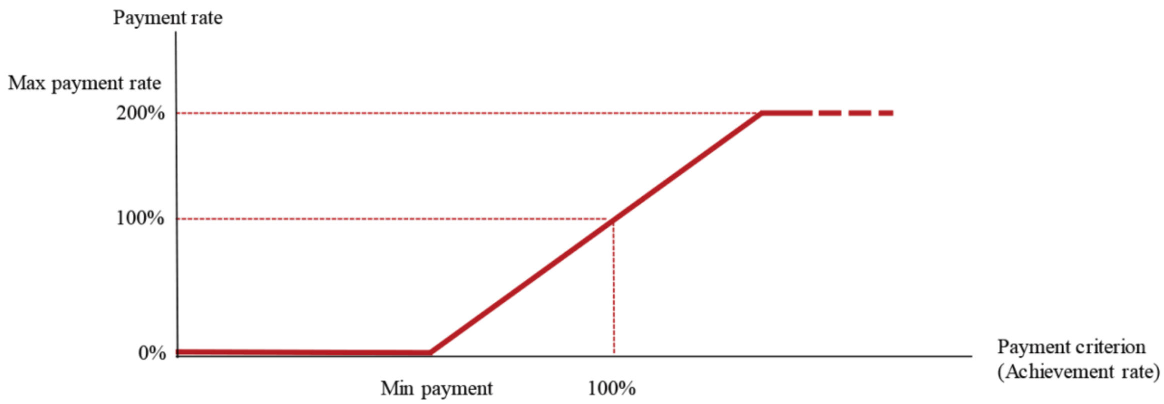
Annual incentive is paid once a year.

[Performance indicators and evaluation weights for annual incentive for Corporate Executive Officers]

<table>
<tr><th rowspan="3">Evaluation Item</th><th rowspan="3">Performance Indicators</th><th colspan="8">Evaluation Weight</th></tr>
<tr><th colspan="2" rowspan="2">CEO, COO and Executive Vice President</th><th colspan="4">Corporate Executive Officers in Charge of Businesses</th><th colspan="2">Corporate Executive Officers Other than Those in Charge of Businesses</th></tr>
<tr><th colspan="2">Regional Headquarters President</th><th colspan="2">Other</th><th colspan="2">Corporate Functions</th></tr>
<tr><td rowspan="3">Whole Group Performance</td><td>Consolidated net sales</td><td>30%</td><td rowspan="2">70%</td><td>10%</td><td rowspan="2">20%</td><td>10%</td><td rowspan="2">20%</td><td>30%</td><td rowspan="2">70%</td></tr>
<tr><td>Core operating profit</td><td>40%</td><td>10%</td><td>10%</td><td>40%</td></tr>
<tr><td>Profit attributable to owners of parent</td><td colspan="8">If this amount ends up below the threshold, the Compensation Committee will consider lowering the percentage amount of the payment attributable to the whole group performance component.</td></tr>
<tr><td>Performance of Business Unit in Charge</td><td>Business performance</td><td colspan="2">-</td><td colspan="2">50%</td><td colspan="2">50%</td><td colspan="2">-</td></tr>
<tr><td rowspan="2">Personal Performance</td><td rowspan="2">Level of achievement of strategic goals set individually</td><td colspan="8">30%</td></tr>
<tr><td colspan="8">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</td></tr>
</table>

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

[Model of annual incentive payment rate]



(Long-term incentive-type remuneration)

From fiscal year 2019, the Company has introduced performance share units, a type of performance-linked stock compensation, and has incentivized the creation of corporate value over the medium to long term through annual 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 Corporate Executive Officers' interests consistently align with those of our shareholders. To such ends, the LTI will help:

1. promote efforts to create value by achieving our long-term vision and strategic goals,
2. curb potential damage to the corporate value and maintain substantial corporate value over the long term,
3. attract and retain talent capable of taking on leadership in business,
4. realize a "Global One Team" by fostering a sense of solidarity among management teams of the entire Shiseido Group and raising 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.

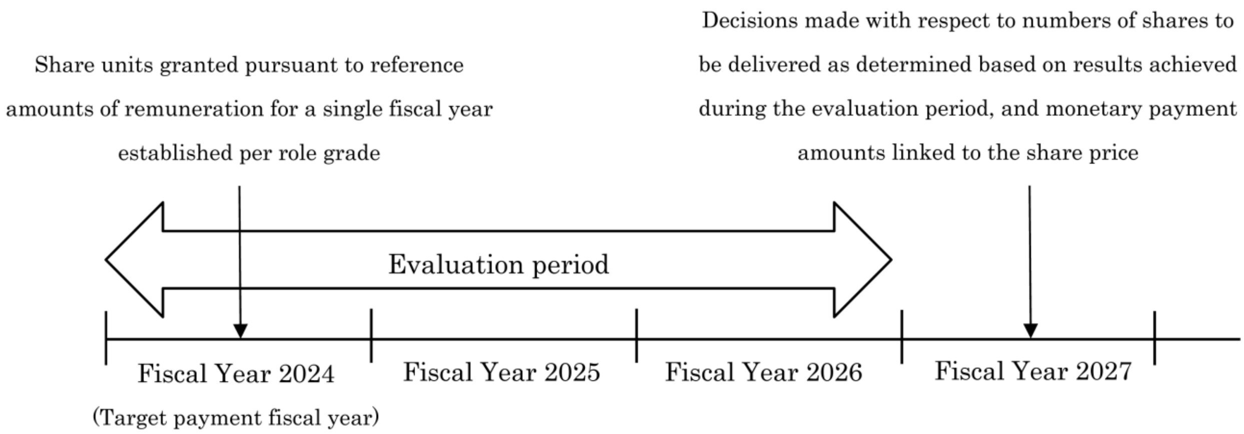
Regarding evaluation indicators for the long-term incentive-type remuneration in fiscal year 2024, as an indicator for economic value of corporate value, the Company has set the compound average growth rate (CAGR) of consolidated net sales from fiscal year 2023 to fiscal year 2026 and the consolidated core operating profit margin for fiscal year 2026. Furthermore, the Company has adopted the multiple internal and external indicators pertaining to the environment, society and corporate governance (ESG) as benchmarks on creation of social value to ensure the structure to support the increase of the corporate value in terms of both economic value and social value. The Company also has added consolidated ROE which is an important indicator in measuring corporate value to the evaluation indicators in order to share a sense of profit with shareholders.

The requirement for the payment of the long-term incentive-type remuneration is that the eligible parties have been in the position of either Director or Corporate Executive Officer during the predetermined period.

The Company has introduced the malus and clawback provisions for performance share units. Specifically, in certain conditions, such as in case of serious misconduct of the eligible parties, the Compensation Committee is entitled to make the decision to reduce the number of the share units or receive a refund.

The long-term incentive-type remuneration is also paid to principal executive persons in and outside Japan to realize a "Global One Team" by fostering a sense of solidarity among global management teams and instilling the consciousness of participating in the running of the Company.

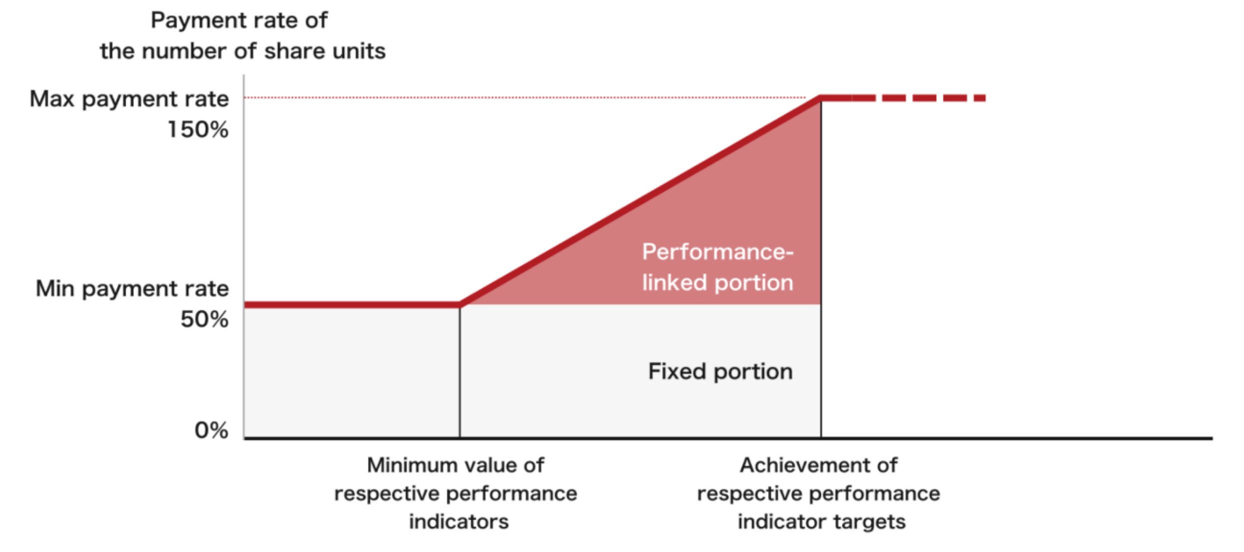
[LTI schedule]



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

<table>
<tr><th>Evaluation Item</th><th colspan="2">Performance Indicators</th><th colspan="2">Evaluation Weight</th></tr>
<tr><td rowspan="2">Economic Value</td><td colspan="2">Consolidated core operating profit margin in the final fiscal year of the evaluation period</td><td>50%</td><td rowspan="5">100%</td></tr>
<tr><td colspan="2">Compound average growth rate (CAGR) of consolidated net sales</td><td>30%</td></tr>
<tr><td rowspan="3">Social Value</td><td>Environment</td><td>Status of the achievement of the CO_2 emissions reduction target</td><td rowspan="3">20%</td></tr>
<tr><td>Society</td><td>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</td></tr>
<tr><td>ESG</td><td>Evaluation scores by ESG rating agencies designated by the Company</td></tr>
<tr><td>Economic Value</td><td colspan="2">Consolidated ROE</td><td colspan="2">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.</td></tr>
</table>

[Model for payment rate of the number of share units for the LTI]



(f) Framework to ensure objectivity, fairness and transparency of evaluation that serves as a basis of calculation for remuneration

In the Company's Directors and Corporate Executive Officers remuneration policy, personal evaluation of each Corporate 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 the Compensation Committee that is composed of only External Directors. At the same time, regarding personal evaluation of Corporate Executive Officers other than the CEO, objectivity, fairness and transparency of this personal evaluation are ensured by the Compensation Committee monitoring this evaluation process and the evaluation approach.

(5) Shares Held by the Company

1) Criteria and Concepts for Classification of Investment Shares

The Company classifies its holdings as “investment shares for pure investment” and “investment shares for purposes other than pure investment,” with shares held exclusively for the purpose of receiving profits from share value fluctuations or share-related dividends being classified as “investment shares for pure investment,” and other shares being classified as “investment shares for purposes other than pure investment.”

2) Investment shares held for purposes other than pure investment

a. Methods of verifying holding policy and rationality of holdings, and details of verification by the Board of Directors, etc. regarding the appropriateness of holding individual shares

The Company's policy is to hold shares at the minimum necessary level in accordance with the following policy:

- We will hold the minimum necessary amount of shares only when we judge that it will contribute to the sustainable growth of the Company and the enhancement of its corporate value over the medium to long term.
- The Board of Directors will review the appropriateness of holding shares and disclose the status of reduction by periodically examining whether the purpose and benefits of holding each individual share are commensurate with the cost of capital.
- If a company that holds our company's shares as strategic shareholdings offers to sell them, we will not prevent them from doing so, nor will we take any action that would suggest a reduction in the transaction.

b. Number of shares and balance sheet amount

	Number of issuers	Amount on Balance Sheet (Millions of yen)	Amount on Balance Sheet (Thousands of U.S. dollars)
Unlisted shares	25	1,533	10,819
Shares other than unlisted shares	2	1,211	8,546

(Shares whose number of shares increased in the current fiscal year

	Number of issuers	Total acquisition cost related to increase in number of shares (Millions of yen)	Total acquisition cost related to increase in number of shares (Thousands of U.S. dollars)	Reason for increase in number of shares
Unlisted shares	1	999	7,050	Investment in a company leading a project, which aims to establish a sustainable microalgae-based industry
Shares other than unlisted shares	-	-	-	-

(Shares whose number of shares decreased in the current fiscal year)

	Number of issuers	Total amount of sale price related to the decrease in the number of shares (Millions of yen)	Total amount of sale price related to the decrease in the number of shares (Thousands of U.S. dollars)
Unlisted shares	-	-	-
Shares other than unlisted shares	1	151	1,066

c. Information on the number of shares, balance sheet amount, etc. of specified investment shares and deemed investment shares by issue

Specified investment shares

Company	Current Fiscal Year		Previous Fiscal Year	Purpose of holding, quantitative holding effects, and reasons for increase in the number of shares	Holding of the Company’s shares
	Number of Shares (thousand shares)		Number of Shares (thousand shares)		
	Amount on Balance Sheet (Millions of yen)	Amount on Balance Sheet (Thousands of U.S. dollars)	Amount on Balance Sheet (Millions of yen)		
Perfect Corp.	1,300		1,300	In the digital domain, the Company collaborates in the development of virtual make-up and beauty platforms with this company. 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	4,030	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	4,517	565		
PLANET, INC.	-	-	120	-	No
	-	-	147		

Note: “-” indicates that the Company does not hold the issue.

Deemed Holding Shares

Not applicable.

3) Investment shares whose purpose of holding is pure investment

Not applicable.

4) Shares for which the purpose of holding changed from pure investment to other than pure investment during the current fiscal year

Not applicable.

5) Securities for which the purpose of holding investment shares was changed from other than pure investment purposes to pure investment purposes during the current fiscal year

Not applicable.

5. Financial Information

1. Preparation methods of consolidated financial statements and non-consolidated financial statements
   (1) The Company's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (hereinafter "IFRS") pursuant to Article 93 of the "Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements" (Ministry of Finance Regulation No. 28 of 1976, hereinafter "the Regulation on Consolidated Financial Statements").
   (2) The Company's non-consolidated financial statements are prepared in accordance with the "Ordinance on Terminology, Forms, and Preparation Methods of Financial Statements, etc." (Ministry of Finance Ordinance No. 59 of 1963, hereinafter "the Regulation on Financial Statements").
   The Company is classified as a special company submitting financial statements, and thus prepares its financial statements in accordance with the provisions of Article 127 of the Regulation on Financial Statements.

2. Audit certification
   The consolidated financial statements for the fiscal year (January 1, 2023 to December 31, 2023) and non-consolidated financial statements for the fiscal year (January 1, 2023 to December 31, 2023) are audited by KPMG AZSA LLC, pursuant to Paragraph 1, Article 193-2 of the Financial Instruments Exchange Act.

3. Particular efforts to ensure the appropriateness of the consolidated financial statements and the development of a system to ensure the appropriate preparation of the consolidated financial statements in accordance with IFRS
   The Company has made particular efforts to ensure the appropriateness of the consolidated financial statements and other documents and has developed a system to ensure the appropriate preparation of the consolidated financial statements in accordance with IFRS. The details are as follows:
   (1) In order to appropriately understand the details of accounting standards, etc., and develop a system to respond in a timely and accurate manner to changes in accounting standards, etc., the Company acquires information issued by the Financial Accounting Standards Foundation in a timely manner and attends seminars held by audit firms.
   (2) When applying IFRS, the Company obtains press releases and statements of standards issued by the International Accounting Standards Board as needed to properly understand the latest standards. Also, to ensure the appropriate preparation of consolidated financial statements in accordance with IFRS, the Company has created Group standards in compliance with IFRS and has applied consistent accounting treatments across the entire Group based on these.

1. Consolidated Financial Statements and Notes

(1) Consolidated Financial Statements

1) Consolidated Statement of Financial Position

	Notes		Millions of yen	Thousands of U.S. dollars
		As of December 31, 2022	As of December 31, 2023	As of December 31, 2023
Assets				
Current assets				
Cash and cash equivalents	7,19	119,036	104,685	738,779
Trade and other receivables	8,27,35	182,069	149,688	1,056,373
Inventories	10	130,942	149,646	1,056,076
Other financial assets	9,35	18,498	21,956	154,947
Other current assets	11	54,753	44,038	310,783
Subtotal		505,299	470,014	3,316,965
Assets held for sale	12	18,929	-	-
Total current assets		524,229	470,014	3,316,965
Non-current assets				
Property, plant and equipment	13,19,38	318,339	301,838	2,130,120
Goodwill	14	57,879	62,143	438,553
Intangible assets	14,38	123,217	137,663	971,510
Right-of-use assets	21,33	114,276	100,548	709,584
Investments accounted for using equity method	16	15,535	18,449	130,198
Other financial assets	9,19 27,35	84,701	95,321	672,696
Deferred tax assets	17	63,382	61,187	431,807
Other non-current assets	11	6,098	8,331	58,793
Total non-current assets		783,432	785,483	5,543,282
Total assets		1,307,661	1,255,497	8,860,247

	Notes		Millions of yen	Thousands of U.S. dollars
		As of December 31, 2022	As of December 31, 2023	As of December 31, 2023
Liabilities and equity				
Liabilities				
Current liabilities				
Trade and other payables	18,35	203,770	178,526	1,259,887
Bonds and borrowings	19,33,35	25,990	50,000	352,858
Lease liabilities	33,35	23,757	21,916	154,665
Other financial liabilities	20,35	4,744	5,385	38,003
Income taxes payable		5,442	3,553	25,074
Provisions	23	8,136	5,847	41,263
Other current liabilities	24,27	116,180	103,116	727,706
Subtotal		388,021	368,345	2,599,471
Liabilities directly associated with assets held for sale	12	1,541	-	-
Total current liabilities		389,562	368,345	2,599,471
Non-current liabilities				
Bonds and borrowings	19,33,35	140,000	110,559	780,233
Lease liabilities	33,35	107,441	98,506	695,173
Other financial liabilities	20,35	4,950	6,482	45,745
Retirement benefit liability	22	25,346	15,055	106,246
Provisions	23	1,328	1,227	8,659
Deferred tax liabilities	17	2,174	2,870	20,254
Other non-current liabilities		11,103	12,056	85,081
Total non-current liabilities		292,344	246,758	1,741,411
Total liabilities		681,907	615,104	4,340,889
Equity				
Share capital	25	64,506	64,506	455,229
Capital surplus	25	73,560	74,000	522,230
Treasury shares	25	(2,089)	(1,591)	(11,228)
Retained earnings	25,26	394,877	380,208	2,683,190
Other components of equity	25	73,404	101,624	717,177
Total equity attributable to owners of parent		604,259	618,748	4,366,606
Non-controlling interests		21,494	21,644	152,745
Total equity		625,754	640,392	4,519,351
Total liabilities and equity		1,307,661	1,255,497	8,860,247

2) Consolidated Statement of Profit or Loss and Consolidated Statement of Comprehensive Income

Consolidated Statement of Profit or Loss

	Notes		Millions of yen	Thousands of U.S. dollars
		Fiscal year ended December 31, 2022 Restated (Note)	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2023
Net sales	6,27	1,067,355	973,038	6,866,888
Cost of sales	2,6,10 15,21,28	327,071	259,674	1,832,562
Gross profit		740,283	713,364	5,034,326
Selling, general and administrative expenses	2,6,15, 21,28,34	717,841	696,625	4,916,196
Other operating income	6,12, 29,36	27,573	21,023	148,363
Other operating expenses	6,12, 29,36	3,442	9,629	67,953
Operating profit	6	46,572	28,133	198,539
Finance income	21,30,35	5,877	6,734	47,523
Finance costs	21,30,35	3,627	7,574	53,451
Share of profit of investment accounted for using equity method	12,16,36	1,607	3,744	26,422
Profit before tax		50,428	31,037	219,033
Income tax expense	17	12,845	6,860	48,412
Profit		37,583	24,177	170,621
Profit attributable to				
Owners of parent		34,202	21,749	153,486
Non-controlling interests		3,381	2,427	17,128
Profit		37,583	24,177	170,621
Earnings per share				
Basic earnings per share (yen/U.S. dollars)	32	85.60	54.43	0.38
Diluted earnings per share (yen/U.S. dollars)	32	85.54	54.40	0.38

Note: For details, please refer to "(4) Change in accounting policies under Notes to the Consolidated Financial Statements, 2. Basis of Preparation."

Consolidated Statement of Comprehensive Income

	Notes		Millions of yen	Thousands of U.S. dollars
		Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2023
Profit		37,583	24,177	170,621
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Financial assets measured at fair value through other comprehensive income	31	(675)	(823)	(5,808)
Remeasurements of defined benefit plans	31	11,134	6,568	46,351
Share of other comprehensive income of investments accounted for using equity method	31	24	68	480
Total of items that will not be reclassified to profit or loss		10,483	5,813	41,023
Items that may be reclassified to profit or loss				
Exchange differences on translation of foreign operations	31	40,024	30,007	211,764
Cash flow hedges	31	96	43	303
Share of other comprehensive income of investments accounted for using equity method	31	873	(553)	(3,903)
Total of items that may be reclassified to profit or loss		40,994	29,497	208,165
Other comprehensive income, net of tax		51,477	35,311	249,195
Comprehensive income		89,061	59,488	419,817
Comprehensive income attributable to				
Owners of parent		84,722	55,801	393,797
Non-controlling interests		4,338	3,687	26,020
Comprehensive income		89,061	59,488	419,817

3) Consolidated Statement of Changes in Equity

Previous fiscal year (From January 1, 2022 to December 31, 2022)

Millions of yen

	Notes	Equity attributable to owners of parent					
						Other components of equity	
		Share capital	Capital surplus	Treasury shares	Retained earnings	Exchange differences on translation of foreign operations	Financial assets measured at fair value through other comprehensive income
Balance as of January 1, 2022		64,506	73,035	(2,338)	372,202	33,427	-
Profit					34,202		
Other comprehensive income						40,019	(614)
Total comprehensive income		-	-	-	34,202	40,019	(614)
Purchase of treasury shares				(9)			
Disposal of treasury shares				257	35		
Dividends	26				(21,973)		
Changes in ownership interest in subsidiaries			(69)				
Change in scope of consolidation							
Share-based payment transactions			594		6		
Transfer to retained earnings					10,404		614
Other					0		
Total transactions with owners		-	524	248	(11,526)	-	614
Balance as of December 31, 2022		64,506	73,560	(2,089)	394,877	73,447	-

	Notes	Equity attributable to owners of parent				Non-controlling interests	Total
		Other components of equity					
		Cash flow hedges	Remeasureme -nts of defined benefit plans	Total	Total		
Balance as of January 1, 2022		(139)	-	33,288	540,695	21,484	562,179
Profit				-	34,202	3,381	37,583
Other comprehensive income		96	11,018	50,520	50,520	957	51,477
Total comprehensive income		96	11,018	50,520	84,722	4,338	89,061
Purchase of treasury shares				-	(9)		(9)
Disposal of treasury shares				-	293		293
Dividends	26			-	(21,973)	(4,073)	(26,046)
Changes in ownership interest in subsidiaries				-	(69)	(275)	(345)
Change in scope of consolidation				-	-	20	20
Share-based payment transactions				-	601		601
Transfer to retained earnings			(11,018)	(10,404)	-		-
Other				-	0		0
Total transactions with owners		-	(11,018)	(10,404)	(21,157)	(4,328)	(25,486)
Balance as of December 31, 2022		(43)	-	73,404	604,259	21,494	625,754

Current fiscal year (From January 1, 2023 to December 31, 2023)

Millions of yen

	Notes	Equity attributable to owners of parent					
						Other components of equity	
		Share capital	Capital surplus	Treasury shares	Retained earnings	Exchange differences on translation 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	-
Profit					21,749		
Other comprehensive income						28,176	(706)
Total comprehensive income		-	-	-	21,749	28,176	(706)
Purchase of treasury shares				(8)			
Disposal of treasury shares			17	506			
Dividends	26				(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	-

	Notes	Equity attributable to owners of parent				Non-controlling interests	Total
		Other components of equity			Total		
		Cash flow hedges	Remeasureme -nts of defined benefit plans	Total			
Balance as of January 1, 2023		(43)	-	73,404	604,259	21,494	625,754
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
Purchase of treasury shares				-	(8)		(8)
Disposal of treasury shares				-	524		524
Dividends	26			-	(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

Current fiscal year (From January 1, 2023to December 31, 2023)

Thousands of U.S. dollars

	Notes	Equity attributable to owners of parent					
						Other components of equity	
		Share capital	Capital surplus	Treasury shares	Retained earnings	Exchange differences on translation of foreign operations	Financial assets measured at fair value through other comprehensive income
Balance as of January 1, 2023		455,229	519,125	(14,742)	2,786,711	518,327	-
Profit					153,486		
Other comprehensive income						198,843	(4,982)
Total comprehensive income		-	-	-	153,486	198,843	(4,982)
Purchase of treasury shares				(56)			
Disposal of treasury shares			120	3,571			
Dividends	26				(296,076)		
Changes in ownership interest in subsidiaries			(0)				
Change in scope of consolidation							
Share-based payment transactions			2,978		339		
Transfer to retained earnings					41,150		4,982
Other			0		(2,421)		
Total transactions with owners		-	3,105	3,514	(257,015)	-	4,982
Balance as of December 31, 2023		455,229	522,230	(11,228)	2,683,190	717,177	-

	Notes	Equity attributable to owners of parent				Non-controlling interests	Total
		Other components of equity			Total		
		Cash flow hedges	Remeasureme-nts of defined benefit plans	Total			
Balance as of January 1, 2023		(303)	-	518,024	4,264,354	151,687	4,416,048
Profit				-	153,486	17,128	170,621
Other comprehensive income		303	46,133	240,303	240,303	8,885	249,195
Total comprehensive income		303	46,133	240,303	393,797	26,020	419,817
Purchase of treasury shares				-	(56)		(56)
Disposal of treasury shares				-	3,698		3,698
Dividends	26			-	(296,076)	(10,240)	(306,323)
Changes in ownership interest in subsidiaries				-	(0)	0	-
Change in scope of consolidation				-	-	(28)	(28)
Share-based payment transactions				-	3,317		3,317
Transfer to retained earnings			(46,133)	(41,150)	-		-
Other				-	(2,421)	(14,686)	(17,107)
Total transactions with owners		-	(46,133)	(41,150)	(291,546)	(24,961)	(316,507)
Balance as of December 31, 2023		-	-	717,177	4,366,606	152,745	4,519,351

4) Consolidated Statement of Cash Flows

	Notes	Millions of yen		Thousands of U.S. dollars
		Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2023
Cash flows from operating activities:				
Profit before tax		50,428	31,037	219,033
Depreciation and amortization		75,718	75,492	532,759
Impairment losses	6, 15	16,097	8,485	59,880
Loss (gain) on disposal of non-current assets	6	(2,422)	(11,357)	(80,148)
Loss (gain) on sale of businesses	6, 36	(15,294)	6,945	49,012
Increase (decrease) in retirement benefit liability		(1,941)	(546)	(3,853)
Interest and dividend income		(5,008)	(6,088)	(42,964)
Interest expenses		2,501	3,038	21,440
Share of profit of investments accounted for using equity method		(1,607)	(3,744)	(26,422)
Decrease (increase) in trade receivables		(6,334)	35,142	248,003
Decrease (increase) in inventories		(3,348)	(2,223)	(15,688)
Increase (decrease) in trade payables		(12,516)	(23,690)	(167,184)
Other		18,687	(24,154)	(170,459)
Subtotal		114,960	88,337	623,409
Interest and dividends received		1,367	2,350	16,584
Interest paid		(2,069)	(2,761)	(19,485)
Income taxes refund (paid)		(67,522)	1,099	7,756
Net cash provided by (used in) operating activities		46,735	89,026	628,271
Cash flows from investing activities:				
Payments into time deposits		(18,006)	(14,137)	(99,767)
Proceeds from withdrawal of time deposits		19,101	10,692	75,455
Purchase of property, plant and equipment		(36,289)	(26,703)	(188,447)
Proceeds from sale of property, plant and equipment, and intangible assets		5,288	14,804	104,474
Purchase of intangible assets		(29,915)	(28,972)	(204,460)
Proceeds from sale of businesses	36	13,778	68	480
Payments for sale of businesses	36	-	(1,700)	(11,997)
Proceeds from sale of shares of associates		-	8,500	59,986
Other		4,733	1,912	13,493
Net cash provided by (used in) investing activities:		(41,308)	(35,536)	(250,783)

	Notes	Millions of yen		Thousands of U.S. dollars
		Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2023
Cash flows from financing activities				
Net increase (decrease) in short-term borrowings and commercial papers	33	73	19,918	140,565
Proceeds from long-term borrowings	33	-	554	3,910
Repayments of long-term borrowings	33	(730)	(15,915)	(112,315)
Proceeds from issuance of bonds	33	20,000	-	-
Redemption of bonds	33	(15,000)	(10,000)	(70,572)
Purchase of treasury shares		(9)	(8)	(56)
Proceeds from disposal of treasury shares		244	0	0
Dividends paid		(21,969)	(41,908)	(295,752)
Dividends paid to non-controlling interests		(4,663)	(1,410)	(9,951)
Repayments of lease liabilities	33	(29,704)	(26,432)	(186,535)
Other		(658)	(440)	(3,105)
Net cash provided by (used in) financing activities		(52,418)	(75,642)	(533,818)
Net decrease in cash and cash equivalents		(46,991)	(22,152)	(156,330)
Cash and cash equivalents at beginning of period	7	156,503	119,036	840,056
Effect of exchange rate changes on cash and cash equivalents		10,024	7,280	51,376
Net change in cash and cash equivalents included in assets held for sale	12	(500)	521	3,677
Cash and cash equivalents at end of period	7	119,036	104,685	738,779

Notes to the Consolidated Financial Statements

1. Reporting Entity

Shiseido Company, Limited (hereinafter "the Company") is a company incorporated in Japan. The Company's consolidated financial statements as of and for the fiscal year ended December 31, 2023 comprise the accounts of the Company and its consolidated subsidiaries (hereinafter collectively, "the Group"), as well as its share of interests in associates. Information on the lines of business and main activities of the Group is presented in "6. Operating Segments" of the Notes.

2. Basis of Preparation

(1) Statement of compliance with the International Financial Reporting Standards (hereinafter "IFRS")

The Group's consolidated financial statements are prepared in accordance with IFRS pursuant to Article 93 of the "Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements" (Ministry of Finance Regulation No. 28 of 1976) on the grounds that it satisfies the requirements of a "specified company complying with designated international accounting standards" prescribed in Article 1-2 of the Regulation.

The Group's accounting policies are in accordance with IFRS that were effective as of December 31, 2023, except for those which the Group has not early adopted.

The translated consolidated financial statements were approved by Masahiko Uotani, Representative Corporate Executive Officer, Chairman and CEO, and Takayuki Yokota, Corporate Executive Officer, CFO (Chief Financial Officer), on April 5, 2024.

(2) Basis of measurement

As stated in "3. Notes on Material Accounting Policies" of the Notes, the Group's consolidated financial statements are prepared on a historical cost basis, except for certain items such as financial instruments that are measured at fair value.

(3) Functional currency and presentation currency

The Group's consolidated financial statements are presented in Japanese yen, which is the Company's functional currency, and figures are rounded down to the nearest million yen.

Amounts in U.S. dollars are included solely for the convenience of the reader. The rate of ¥141.70 = US$1 prevailing on December 31, 2023 has been used in translating the consolidated financial statements expressed in Japanese yen into U.S. dollars. Such translations should not be construed as representations that the Japanese yen amounts could be readily converted, realized or settled in U.S. dollars at this rate. Fractions resulting from the translations are rounded.

(4) Change 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 current fiscal year.

The Group adopted 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 current fiscal year, "Cost of sales" increased by ¥4,545 million ($32,075 thousand), "Selling, general and administrative expenses" decreased by ¥4,545 million ($32,075 thousand), and there is no change in "Operating profit" and "Profit before tax."

Basic earnings per share and diluted earnings per share for the current fiscal year remain unchanged compared with the previous method. As the impact on "Inventories" is immaterial, the Group has not calculated the impact on the consolidated financial statements.

This change in accounting policy is retrospectively applied, and the consolidated financial statements for the previous fiscal year has been restated to reflect the change. As a result, compared with the previous method, for the previous fiscal year, "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." Basic earnings per share and diluted earnings per share for the previous fiscal year remain unchanged compared with the previous method. As the impact on "Inventories" is immaterial, the Group has not calculated the impact on the consolidated financial statements.

(International tax reform - Pillar Two Model Rules – Amendments to IAS 12)

The Group has applied a temporary exception under the amendments to IAS 12 "Income Taxes" effective on May 23, 2023, and the Group does not recognize nor disclose information about deferred tax assets and liabilities related to income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organization for Economic Co-operation and Development (OECD).

The application of the Pillar Two Model Rules is not expected to have a material impact on the Group's consolidated financial statements.

(5) Change in presentation

(Consolidated statement of cash flows)

(Cash flows from operating activities)

"Interest on other financial liabilities" under "Cash flows from operating activities," which was presented as a separate account item in the previous fiscal year, has been included in "Other" from the current fiscal year as the amount is immaterial. In order to reflect this change in presentation, the consolidated statement of cash flows for the previous fiscal year has been reclassified. As a result, ¥115 million, which was included in "Interest on other financial liabilities" under "Cash flows from operating activities" in the consolidated statement of cash flows for the previous fiscal year, has been reclassified to "Other."

(Cash flows from financing activities)

"Repayments of long-term accounts payable-other" under "Cash flows from financing activities," which was presented as a separate account item in the previous fiscal year, has been included in "Other" from the current fiscal year as the amount is immaterial. In order to reflect this change in presentation, the consolidated statement of cash flows for the previous fiscal year has been reclassified. As a result, ¥(295) million, which was included in "Repayments of long-term accounts payable-other" under "Cash flows from financing activities" in the consolidated statement of cash flows for the previous fiscal year, has been reclassified to "Other."

3. Material Accounting Policies

(1) Basis of consolidation

1) Subsidiaries

Subsidiary refers 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 the 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, 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 in profit or loss.

2) Associates

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

In principle, associates are accounted for by the equity method from the day that the Group assumes 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 accounting policies that are different from 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 profit or loss in the consolidated statement of profit or loss.

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

If the initial accounting for the business combination is not completed by the end of the 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 currency at the exchange rate at the reporting date.

Translation differences arising from translation or settlement are recognized in 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 in 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 exchange rate at the reporting date, 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 in 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 cumulative amount of translation differences related to the foreign operation is reclassified 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 as 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 in all equity instruments, which are not held for sale, in other comprehensive income at the time of 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 as 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 of contractual cash flows and the sale of financial assets.
- 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 the 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 in 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 in profit or loss. When necessary, a provision 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 fair value and gains or losses on derecognition are recognized in other comprehensive income. The cumulative amount recognized in other comprehensive income is transferred to retained earnings immediately after recognition in other components of equity. Dividends from such financial assets are recognized in profit or loss for the period as part of finance 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 in 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 losses 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 losses 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 lifetime expected credit losses, regardless of whether credit risk has increased significantly since the initial recognition.

Expected credit losses are measured by grouping assets with similar credit risk characteristics and considering information that is reasonably available and supportable (internal and external credit ratings, etc.) in addition to information on the past due credits.

Expected credit losses are measured based on the present value of the difference between all contractual cash flows payable to the Group, and all contractual cash flows expected to be received by the Group.

Any issuer or debtor is deemed to be in default when the recovery of all or a portion of financial assets to such issuer or debtor is determined to be impossible or extremely difficult due to conditions such as their significant financial difficulty or breach of contract including past due status. In the event of default, the Group determines that objective evidence of credit impairment exists and classifies the asset 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 asset, the Group directly reduces the gross carrying amount of the financial asset.

The provision of allowance for doubtful accounts on financial assets is recognized in profit or loss. When an event that reduces the amount of allowance for doubtful accounts occurs, a reversal of the allowance for doubtful accounts is recognized in 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 at fair value less transaction costs directly attributable to the issuance of the financial liability. 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 obligations specified in the contract are discharged, cancelled or expired.

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 formally documents risk management purposes, relationship between the hedging instrument and the hedged item 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 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 the subsequent fair value changes are accounted for as follows:

(i) Cash flow hedges

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

Amounts relating to hedging instruments recognized in other comprehensive income and accumulated in other components of equity are reclassified to profit or loss when a transaction that is the hedged item affects profit or loss. If a hedged forecast transaction gives rise to the recognition of non-financial assets or non-financial liabilities, the amount recognized in 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 fair value of derivatives are recognized in 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 that have a maturity of three months or less from the acquisition date.

(6) Inventories

Inventories are measured at the lower of cost or 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 weighted-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 presented 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 cost 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:	2–50 years
Machinery, equipment and vehicles:	2–15 years
Tools, furniture and fixtures:	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 amortization 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:	5–10 years

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.

1) Lessee

In leases as a lessee, right-of-use assets and lease liabilities are recognized at the commencement date 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 or before the commencement date. Lease liabilities are initially measured at the present value of lease payments that have not been paid as at the commencement date, 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 commencement date to the earlier of the end of the useful lives of the right-of-use assets and the end of the lease term. 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 term of 12 months or less or leases of low-value assets. The Group recognizes lease payments for these leases as expenses over the lease term 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.

2) 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 contract. 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 income using the straight-line method over the lease term, 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 other than inventories and deferred tax assets, it is determined at the end of fiscal year 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 those which 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 higher of value in use or fair value less costs of disposal. 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 for impairment 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 combinations.

Impairment losses are recognized in 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 fiscal year for whether or not there is any indication that the loss no longer exists or decreased, and reversed up to the carrying amount after deducting necessary depreciation and amortization that would have been determined 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 in 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 in 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 share option plan as equity-settled share-based compensation plan, and a performance share unit plan as equity-settled and cash-settled performance-linked share compensation plan.

Share 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 share 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 share 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 in 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 finance costs.

(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 an amount of consideration promised in the contract 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 to customers according to sales of products under which customers can make payments using the points at the time of purchase of products in the future, and the Group 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 contract with the customer less discounts, rebates, sales returns and others. The amount allocated to performance obligations in the point program is deferred as contract liabilities and included in “Other current liabilities” in the consolidated statement of financial position, 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 as revenue on a systematic basis over the period in which related costs that are intended to be covered by the subsidies are recognized as expenses. Subsidies related to assets are recognized as deferred revenue, and recognized in profit or loss on a systematic basis over useful lives of the related assets.

(17) Income taxes

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

Current taxes are measured at an 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, which are differences between tax base of assets and liabilities and their carrying amount at 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) at the time of the transaction, and that do not give rise to an equal amount of taxable temporary differences and deductible temporary differences, 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 will be earned against which the temporary difference will be used
- As for taxable temporary differences related to investments in subsidiaries and associates, cases where the timing of the reversal of temporary difference 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 sufficient taxable income will be available against which the deductible temporary differences, unused tax losses and unused tax credits will be used.

Deferred tax assets and liabilities are measured using the tax rates and tax laws 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 laws 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 ordinary shares issued, which is adjusted for treasury shares during the period.

Diluted earnings per share are calculated by adjusting for the effects of all dilutive potential ordinary shares.

(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 or 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

1) Ordinary share

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

2) Treasury shares

Treasury shares are valued at acquisition cost and deducted from equity. In purchase, sale or cancellation 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.

3) 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 the consolidated financial statements

Application of the group tax sharing system

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

4. Significant Accounting Estimates and Judgments

The preparation of the Group's consolidated financial statements under IFRS requires management to adopt the accounting policies, to make judgements, estimates and assumptions that affect the amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

The estimates and the underlying assumptions are continuously reviewed. The impact of the revision of the estimates will be recognized in the accounting period in which the estimates are revised and the future accounting periods. The items which may significantly affect the consolidated financial statements for the following fiscal year, are as follows:

(Valuation of goodwill related to Shiseido Americas Corp. (hereinafter "Shiseido America") cash-generating unit and Drunk Elephant)

The Group identified a risk of significant estimates for the valuation of goodwill related to Shiseido America cash-generating unit and Drunk Elephant.

Shiseido America cash-generating unit is identified as the cash-generating unit that covers products under Shiseido America brand, including the Americas' portion of Drunk Elephant which was allocated to each reportable segment as cash-generating unit.

The recoverable amount for the impairment of goodwill is calculated as fair value less costs of disposal. Estimate of fair value less costs of disposal are calculated by the discounted cash flow method, which uses various estimates and assumptions such as future cash flow, discount rates, long-term market growth rate. Future cash flow is based on future projections, which consider information such as past performance, current and expected economic conditions, and market data. These estimates and assumptions may significantly affect the result of impairment test and impairment losses. Valuations by external specialists is utilized for the estimate of the fair value less costs of disposal and the impairment test of the goodwill.

At the end of the current fiscal year, the annual impairment test was performed, and since the recoverable amount exceeded its carrying amount in Shiseido America cash-generating unit and Drunk Elephant cash-generating unit, impairment losses of the goodwill were not recognized. Future cash flow used to calculate the fair value less costs of disposal was estimated based on the future business plan of each cash-generating unit and long-term market growth rate, and incorporates major assumptions such as the long-term market growth rate of the cosmetics market and an improvement in sales, profit margin ratio and other fronts through sales expansion plan. In addition, a discount rate which considers the company-specific risk premium on top of risk-free rate in each country is used.

Management determined that the estimates of the fair value less costs of disposal on this test are reasonable, but it is possible that the fair value will decline, and impairment losses will occur due to unpredictable changes in future business assumptions.

The carrying amount of each cash-generating unit and the calculation method of the recoverable amount of the goodwill is described in "14. Goodwill and Intangible Assets" of the Notes.

5. Published Standards and Interpretations Not Yet Adopted

None of the new standards or interpretations that have been established or revised by the date of approval for the issuance of the consolidated financial statements have a material impact on the consolidated financial statements.

6. Operating Segments

(1) Overview of reportable segments

The Group's operating segment is a component whose separate financial data is available and that is regularly reviewed by the Board of Directors in order to make decisions on allocation of managerial resources and assess business performance.

The Group's main business is the manufacturing and sale of cosmetics. The Group engages in business activities under a matrix organization encompassing brand categories based on consumer purchasing style and six regions (Japan, China, Asia Pacific, Americas, EMEA, and Travel Retail). This matrix organization gives the leader in each region broad authority as well as responsibility for sales and profits to ensure flexible decision-making. In specific terms, the Group's six reportable segments, which mainly refer to regions, are the "Japan Business," "China Business," "Asia Pacific Business," "Americas Business," "EMEA Business," and "Travel Retail Business."

- The Japan Business mainly comprises domestic business by brand category (Prestige, Fragrance, Premium, etc.) and the healthcare business (sale of health & beauty foods as well as over-the-counter drugs).
- The China Business covers business in China by brand category (Prestige, Fragrance, Cosmetics, etc.).
- The Asia Pacific Business covers business in the Asia and Oceania regions excluding Japan and China by brand category (Prestige, Fragrance, Cosmetics, etc.).
- The Americas Business covers business in the Americas region by brand category (Prestige, Fragrance, etc.).
- The EMEA Business covers business in Europe, the Middle East and African regions by brand category (Prestige, Fragrance, etc.).
- The Travel Retail Business covers the operation of worldwide duty-free stores by brand category (Prestige, Fragrance, Cosmetics, etc.).
- Other includes head office administration departments, IPSA Co., Ltd., manufacturing operations and the Restaurant business, etc.

(Changes of reportable segments, etc.)

Due to a partial revision of the categories used for the Group's business performance management, the business results of "Professional Business" are included in the "Other" segment from the current fiscal year.

Segment information for the previous fiscal year has been restated to reflect the reclassification.

(2) Method to determine sales, profit (loss) and others by reportable segment

The accounting policies for reportable segments are the same as those presented in "3. Material Accounting Policies" of the Notes.

Profit by reportable segments is stated on the basis of core operating profit, which is operating profit (loss) calculated by excluding profits or losses incurred by non-ordinary factors (non-recurring items) such as structural reform expenses and impairment losses, etc.

Intersegment transaction pricing and transfer pricing are determined based on prevailing market prices.

(3) Segment revenue and business result

Revenue and business results by reportable segment of the Group are as follows:

Previous fiscal year (From January 1, 2022 to December 31, 2022)

Millions of yen

	Reportable Segment					
	Japan Business	China Business	Asia Pacific Business	Americas Business (Note 4)	EMEA Business (Note 1)	Travel Retail Business
Net sales						
Sales to external customers	237,565	258,226	68,017	137,916	128,440	163,650
Intersegment sales or transfer	6,705	1,643	3,118	5,296	9,461	138
Total	244,271	259,870	71,136	143,212	137,901	163,789
Segment profit (loss) i.e. Core operating profit	(13,089)	(3,941)	4,716	7,660	6,926	37,678
Other information						
Depreciation and amortization	12,907	9,756	3,700	8,527	7,438	1,849
Impairment losses	-	-	-	2,809	-	-
Reversal of impairment losses	-	-	-	494	-	-

	Other (Note 2)	Total	Adjustments (Note 3)	Consolidation
Net sales				
Sales to external customers	73,538	1,067,355	-	1,067,355
Intersegment sales or transfer	237,694	264,059	(264,059)	-
Total	311,232	1,331,414	(264,059)	1,067,355
Segment profit (loss) i.e., Core operating profit	7,075	47,028	4,311	51,340
Other information				
Depreciation and amortization	31,536	75,718	-	75,718
Impairment losses	13,782	16,592	-	16,592
Reversal of impairment losses	-	494	-	494

Notes:

1. The EMEA Business includes the Middle East and African regions.
2. The Other segment includes head office administration departments, IPSA Co., Ltd., manufacturing operations and the Restaurant business, etc.
3. Segment profit (loss) adjustment is mainly intersegment transaction eliminations.
4. The Group changed its aggregation method of “Intersegment sales or transfer” for the Americas Business from a net basis to a gross basis from the current fiscal year to better manage internal transactions. Segment information for the previous fiscal year has been restated to reflect the new aggregation method.
5. Amounts of segment assets and segment liabilities are not presented as they are not subject to regular review for the purpose of making decisions about the allocation of management resources and assessing the Group’s business performance.

Current fiscal year (From January 1, 2023 to December 31, 2023)

Millions of yen

	Reportable Segment					
	Japan Business	China Business	Asia Pacific Business	Americas Business (Note 4)	EMEA Business (Note 1)	Travel Retail Business
Net sales						
Sales to external customers	259,900	247,921	67,283	110,294	116,949	132,525
Intersegment sales or transfer	4,847	3,750	4,286	5,558	6,778	243
Total	264,747	251,671	71,569	115,853	123,727	132,768
Segment profit (loss) i.e. Core operating profit	1,840	6,967	5,069	11,200	3,345	17,111
Other information						
Depreciation and amortization	12,543	9,415	4,302	8,688	6,326	1,939
Impairment losses	40	-	-	1,328	-	-
Reversal of impairment losses	-	-	-	-	-	-

	Other (Note 2)	Total	Adjustments (Note 3)	Consolidation
Net sales				
Sales to external customers	38,163	973,038	-	973,038
Intersegment sales or transfer	210,212	235,676	(235,676)	-
Total	248,375	1,208,715	(235,676)	973,038
Segment profit (loss) i.e. Core operating profit	(23,330)	22,205	17,636	39,842
Other information				
Depreciation and amortization	32,275	75,492	-	75,492
Impairment losses	7,116	8,485	-	8,485
Reversal of impairment losses	-	-	-	-

Thousands of U.S. dollars

	Reportable Segment					
	Japan Business	China Business	Asia Pacific Business	Americas Business (Note 4)	EMEA Business (Note 1)	Travel Retail Business
Net sales						
Sales to external customers	1,834,157	1,749,619	474,827	778,363	825,328	935,251
Intersegment sales or transfer	34,206	26,464	30,247	39,224	47,833	1,715
Total	1,868,363	1,776,083	505,074	817,594	873,162	936,965
Segment profit (loss) i.e. Core operating profit	12,985	49,167	35,773	79,040	23,606	120,755
Other information						
Depreciation and amortization	88,518	66,443	30,360	61,313	44,644	13,684
Impairment losses	282	-	-	9,372	-	-
Reversal of impairment losses	-	-	-	-	-	-

	Other (Note 2)	Total	Adjustments (Note 3)	Consolidation
Net sales				
Sales to external customers	269,323	6,866,888	-	6,866,888
Intersegment sales or transfer	1,483,500	1,663,204	(1,663,204)	-
Total	1,752,823	8,530,099	(1,663,204)	6,866,888
Segment profit (loss) i.e. Core operating profit	(164,644)	156,704	124,460	281,171
Other information				
Depreciation and amortization	227,770	532,759	-	532,759
Impairment losses	50,219	59,880	-	59,880
Reversal of impairment losses	-	-	-	-

Notes:

1. The EMEA Business includes the Middle East and African regions.
2. 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 in the Other segment are no longer recorded with some exceptions from April l, 2023 due to the transfer of Shiseido Kuki Factory.
3. Segment profit (loss) adjustment is mainly intersegment transaction eliminations.
4. The Group changed its aggregation method of “Intersegment sales or transfer” for the Americas Business from a net basis to a gross basis from the current fiscal year to better manage internal transactions.
5. Amounts of segment assets and liabilities are not presented as they are not subject to regular review for the purpose of making decisions about the allocation of management resources and assessing the Group’s business performance.

Adjustments from segment profit to operating profit are as follows:

		Millions of yen	Thousands of U.S. dollars
	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2023
Segment profit	51,340	39,842	281,171
Gain on sale of businesses	15,294	822	5,801
Loss on sale of businesses	-	(7,767)	(54,813)
Structural reform expenses	(6,568)	(7,745)	(54,658)
Government grant income on COVID-19	592	32	226
Loss on COVID-19	(1,816)	-	-
Impairment losses	(16,410)	(8,342)	(58,871)
Reversal of impairment losses	494	-	-
Gain on sale of non-current assets	3,645	13,253	93,529
Others	-	(1,960)	(13,832)
Operating profit	46,572	28,133	198,539

"Gain on sale of businesses" for the previous fiscal year includes the gain on transfer of assets from seven of the Company's subsidiaries operating the Personal Care Business in Asia Pacific (Taiwan Shiseido Co., Ltd., FLELIS International Inc., Shiseido Malaysia Sdn. Bhd., PT Shiseido Cosmetics Indonesia, Shiseido Philippines Corp., Shiseido (Thailand) Co. Ltd, and Shiseido Cosmetics Vietnam Co. Ltd.) to subsidiaries and associates of FineToday Co., Ltd., the gain on transfer of assets from the Company and four of its subsidiaries operating the Professional Business in Asia Pacific (Shiseido (China) Co., Ltd., Shiseido Hong Kong Ltd., Shiseido Singapore Co. (Pte.) Ltd., and Shiseido Korea Co., Ltd.) to Henkel AG & Co. KGaA Group companies, and the gain on transfer of all outstanding shares of Shiseido Professional (Thailand) Co., Ltd. to Henkel AG & Co. KGaA Group companies. The gain on these transfers is included in "Other operating income" in the consolidated statement of profit or loss.

"Gain on sale of businesses" for the current fiscal year includes the gain on sale of assets from three of the Company's subsidiaries operating the Professional Business in Asia Pacific (Taiwan Shiseido Co., Ltd., FLELIS International Inc., and Shiseido Malaysia Sdn. Bhd.) to Henkel AG & Co. KGaA Group companies. The gain on the transfer is included in "Other operating income" in the consolidated statement of profit or loss.

"Loss on sale of businesses" for the current fiscal year is due to transfer of Shiseido Kuki Factory and Shiseido Vietnam Inc. operating the manufacturing operations of personal care products to FineToday Holdings Co., Ltd. The loss on these transfers is included in "Other operating expenses" in the consolidated statement of profit or loss.

"Structural reform expenses" for the previous fiscal year are mainly the costs associated with the transfer of three prestige makeup brands, the transfer of the manufacturing operations of personal care products and the transfer of the Professional Business. The expenses are included in "Cost of sales," "Selling, general and administrative expenses" and "Other operating expenses" in the consolidated statement of profit or loss.

"Structural reform expenses" for the current fiscal year are mainly the costs associated with the conclusion of an agreement to transfer the Personal Care Manufacturing Business operated at Shiseido Kuki Factory and Shiseido Vietnam Factory. The expenses are included in "Cost of sales," "Selling, general and administrative expenses" and "Other operating expenses" in the consolidated statement of profit or loss.

"Impairment losses" for the previous fiscal year are mainly the impairment losses on the groups of assets related to the conclusion of an agreement to transfer the manufacturing operations of personal care products at Shiseido Kuki Factory and Shiseido Vietnam Factory and the impairment losses due to decline in profitability of offices subleased by Shiseido Americas Corp. The impairment losses are included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statement of profit or loss.

"Impairment losses" for the current fiscal year are the impairment losses on the groups of assets associated with the conclusion of an agreement to transfer the manufacturing operations of personal care products at Shiseido Kuki Factory and Shiseido Vietnam Factory, the impairment losses due to decline in profitability of offices subleased by Shiseido Americas Corp. and the impairment losses of the groups of assets associated with the integration of manufacturing operation at Shiseido Osaka Factory into Shiseido Osaka Ibaraki Factory. The impairment losses are included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statement of profit or loss.

"Reversal of impairment losses" for the previous fiscal year are the reversal of impairment losses on the right-of-use assets associated with the recovery in profitability of offices subleased by Shiseido Americas Corp. The income from the reversal is included in "Other operating income" in the consolidated statement of profit or loss.

"Gain on sale of non-current assets" for the previous fiscal year is the income arising from the sales of the land and buildings related to office relocation in the Japan Business and the sales of the company housing in the Other segment. The income is included in "Other operating income" in the consolidated statement of profit or loss.

"Gain on sale of non-current assets" for the current fiscal year is the income arising from the sales of the real estate owned by the Company and its subsidiaries. The income is included in "Other operating income" in the consolidated statement of profit or loss.

(4) Information by geographic areas

The regional breakdown of net sales and non-current assets is as follows:

Net sales

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2023
Japan	298,565	302,388	2,134,001
Americas	146,546	114,834	810,402
[U.S.A. within the Americas]	[121,409]	[96,402]	[680,325]
EMEA	141,662	125,932	888,723
Asia and Oceania	480,581	429,882	3,033,747
[China within Asia and Oceania]	[348,512]	[337,472]	[2,381,595]
Total	1,067,355	973,038	6,866,888

Note: Net sales are categorized by country/region based on the location of customers.

Non-current assets

	Millions of yen		Thousands of U.S. dollars
	As of December 31, 2022	As of December 31, 2023	As of December 31, 2023
Japan	394,536	376,839	2,659,414
Americas	157,710	164,201	1,158,793
[U.S.A. within the Americas]	[156,838]	[163,400]	[1,153,140]
EMEA	29,415	26,163	184,637
Asia and Oceania	38,151	43,319	305,709
[China within Asia and Oceania]	[19,181]	[19,634]	[138,560]
Total	619,812	610,524	4,308,567

Note: Non-current assets are categorized by country/region based on the location of assets. Financial instruments, deferred tax assets, and retirement benefit asset are not included.

(5) Information about major customers

This information is omitted because there were no customers that accounted for 10% or more of the net sales to third parties recorded in the consolidated statements of profit or loss.

7. Cash and Cash Equivalents

The breakdown of cash and cash equivalents is as follows:

	Millions of yen		Thousands of U.S. dollars
	As of December 31, 2022	As of December 31, 2023	As of December 31, 2023
Cash and deposits	119,036	104,685	738,779
Short-term investments	-	-	-
Total	119,036	104,685	738,779

Cash and cash equivalents is classified as financial assets measured at amortized cost.

The balance of cash and cash equivalents in the consolidated statement of financial position matches the balance of cash and cash equivalents in the consolidated statements of cash flows.

8. Trade and Other Receivables

The breakdown of trade and other receivables is as follows and amounts are shown net of provision for doubtful accounts.

	Millions of yen		Thousands of U.S. dollars
	As of December 31, 2022	As of December 31, 2023	As of December 31, 2023
Notes and accounts receivable	165,210	129,593	914,559
Others	16,859	20,094	141,807
Total	182,069	149,688	1,056,373

Trade and other receivables is classified as financial assets measured at amortized cost.

9. Other Financial Assets

(1) Breakdown of other financial assets

The breakdown of other financial assets is as follows and amounts are shown net of provision for doubtful accounts.

	Millions of yen		Thousands of U.S. dollars
	As of December 31, 2022	As of December 31, 2023	As of December 31, 2023
Other financial assets (current)			
Financial assets measured at amortized cost			
Deposits	15,459	19,682	138,899
Others	996	1,067	7,530
Financial assets measured at fair value through profit or loss			
Derivative assets	2,043	1,206	8,511
Total	18,498	21,956	154,947

	Millions of yen		Thousands of U.S. dollars
	As of December 31, 2022	As of December 31, 2023	As of December 31, 2023
Other financial assets (non-current)			
Financial assets measured at amortized cost			
Deposits	1	1	7
Long-term loans receivable	39,183	46,304	326,775
Leasehold and guarantee deposits	24,574	24,522	173,056
Others	4,684	6,537	46,133
Financial assets measured at fair value through profit or loss			
Investments in capital	3,127	4,092	28,878
Others	3,665	3,816	26,930
Financial assets measured at fair value through other comprehensive income			
Shares and investments in capital	9,464	10,045	70,889
Total	84,701	95,321	672,696

(2) Financial assets measured at fair value through other comprehensive income

The Group designates the shares and investments, which the Group holds for strategic investment purpose, as financial assets measured at fair value through other comprehensive income, since the Group believes they will contribute to the Group's sustainable growth and enhancement of corporate value over the medium to long term.

The major issuers and fair value of the financial assets measured at fair value through other comprehensive income are as follows:

	Millions of yen		Thousands of U.S. dollars
	As of December 31, 2022	As of December 31, 2023	As of December 31, 2023
Shares and investments in capital classified as Level 1			
Perfect Corp.	1,224	571	4,030
AEON CO., LTD.	616	699	4,933
PLANET, INC.	147	-	-
Others	3,674	3,867	27,290
Shares and investments in capital classified as Level 2, 3			
Unlisted shares and investments in capital	3,802	4,907	34,629
Total	9,464	10,045	70,889

The breakdown of dividend income recognized from equity financial assets measured at fair value through other comprehensive income is as follows:

Millions of yen				Thousands of U.S. dollars	
Fiscal year ended December 31, 2022		Fiscal year ended December 31, 2023		Fiscal year ended December 31, 2023	
Investments derecognized during the period	Investments held at end of period	Investments derecognized during the period	Investments held at end of period	Investments derecognized during the period	Investments held at end of period
3	67	5	70	35	494

The Group derecognized equity financial assets when the Group sold a portion of its equity financial assets measured at fair value through other comprehensive income for the purpose of asset efficiency and review of business relations, etc.

Fair values at the time of sale and cumulative gains or losses on sales for the fiscal years are as follows:

Millions of yen				Thousands of U.S. dollars	
Fiscal year ended December 31, 2022		Fiscal year ended December 31, 2023		Fiscal year ended December 31, 2023	
Fair value	Cumulative gains or losses on sale	Fair value	Cumulative gains or losses on sale	Fair value	Cumulative gains or losses on sale
301	260	151	83	1,066	586

The Group recognizes gains or losses from changes in fair value after initial recognition and from derecognition in other comprehensive income, and the cumulative amounts thereof are immediately reclassified to retained earnings after being recognized in other components of equity. The amounts (after tax) of other components of equity reclassified to retained earnings in the previous fiscal year and the current fiscal year were ¥(614) million and ¥(706) million ($(4,982) thousand), respectively.

10. Inventories

The breakdown of inventories is as follows:

	Millions of yen		Thousands of U.S. dollars
	As of December 31, 2022	As of December 31, 2023	As of December 31, 2023
Merchandise and finished goods	81,843	83,137	586,711
Work in process	6,348	7,966	56,217
Raw materials and supplies	42,749	58,542	413,140
Total	130,942	149,646	1,056,076

The amounts of inventories recognized as expenses in the previous fiscal year and the current fiscal year were ¥305,778 million and ¥243,932 million ($1,721,468 thousand), respectively, and these amounts were included in cost of sales. The Group has changed the scope of expenses to be included as manufacturing cost from the current fiscal year. This change in accounting policy is retrospectively applied, and the consolidated financial statements for the previous fiscal year has been restated to reflect the change.

Furthermore, the amounts of inventory write-downs recognized as expenses in the previous fiscal year and the current fiscal year were ¥21,140 million and ¥30,584 million ($215,836 thousand), respectively. There were no material reversals of write-downs in the previous or current fiscal years.

There were no inventories pledged as collateral for liabilities.

11. Other Assets

The breakdown of other assets is as follows:

	Millions of yen		Thousands of U.S. dollars
	As of December 31, 2022	As of December 31, 2023	As of December 31, 2023
Other current assets			
Prepaid expenses	11,074	13,338	94,128
Consumption taxes refund receivable	22,075	21,715	153,246
Others	21,602	8,984	63,402
Total	54,753	44,038	310,783
Other non-current assets			
Investment property	1,711	3,720	26,253
Long-term prepaid expenses	2,192	1,646	11,616
Others	2,195	2,965	20,924
Total	6,098	8,331	58,793

12. Non-Current Assets and Disposal Groups Held for Sale

(1) Non-current assets and liabilities held for sale

The breakdown of assets and liabilities classified as held for sale is as follows:

	Millions of yen		Thousands of U.S. dollars
	As of December 31, 2022	As of December 31, 2023	As of December 31, 2023
Assets held for sale			
Cash and cash equivalents	500	-	-
Trade and other receivables	70	-	-
Inventories	5,953	-	-
Other current assets	48	-	-
Property, plant and equipment	3,433	-	-
Intangible assets	2	-	-
Right-of-use assets	410	-	-
Investments accounted for using equity method	8,498	-	-
Deferred tax assets	11	-	-
Total assets	18,929	-	-
Liabilities directly attributable to assets held for sale			
Trade and other payables	763	-	-
Other financial liabilities	297	-	-
Income taxes payable	7	-	-
Other current liabilities	27	-	-
Provisions	445	-	-
Total liabilities	1,541	-	-

The major assets and liabilities held for sale in the previous fiscal year were assets, which had been held by subsidiaries of the Company, transferred in the current fiscal year in connection with the conclusion of an agreement to transfer the Professional Business, assets and liabilities held by the Company and its subsidiaries and shares held by the Company transferred in the current fiscal year in connection with the conclusion of an agreement to transfer manufacturing operation of personal care products at Shiseido Kuki Factory and Shiseido Vietnam Factory, and assets that were transferred in the current fiscal year in connection with the conclusion of a real estate transfer agreement. The impairment losses recognized for shares of Asian Personal Care Holding (currently FineToday Holdings Co., Ltd., hereinafter “FTH”) held by the Company upon their classification as held for sale are included in “Share of profit (loss) of investments accounted for using equity method” in the consolidated statement of profit or loss. Exchange differences on the translation of foreign operations of ¥745 million were recognized as other components of equity related to assets held for sale in the previous fiscal year.

All assets and liabilities held for sale in the previous fiscal year have been transferred in the current fiscal year. The gain of ¥822 million ($5,801 thousand) from the transfer of the Professional Business-related assets held by subsidiaries of the Company in the current fiscal year is included in “Other operating income” in the consolidated statement of profit or loss. The gain of ¥2,372 million ($16,740 thousand) from the sale of real estate held by the Company, which was classified as assets held for sale in the previous fiscal year, is included in “Other operating income” in the consolidated statement of profit or loss. In addition, FTH shares, which had been classified as assets held for sale in the previous fiscal year, were transferred in the current fiscal year, and the Company's shareholding ratio decreased to 20.1% due to the transfer of shares and third-party allocation of shares implemented on the same day. The gain of ¥738 million ($5,208 thousand) resulting from the transfer of shares and the third-party allocation of shares is included in “Share of profit of investment accounted for using equity method” in the consolidated statement of profit or loss. In addition, the loss of ¥7,767 million ($54,813 thousand) from the transfer of assets related to manufacturing operation of personal care products at Kuki Factory and Vietnam Factory in the current fiscal year is included in "Other operating expenses" in the consolidated statement of profit or loss.

13. Property, Plant and Equipment

(1) Schedule of changes

Changes in cost, accumulated depreciation and accumulated impairment losses, and carrying amount of property, plant and equipment are as follows:

[Cost]

Millions of yen

	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Balance as of January 1, 2022	285,421	132,401	129,574	47,251	16,188	610,837
Purchase	372	570	10,052	-	20,850	31,846
Sale or disposal	(9,830)	(6,274)	(18,124)	(412)	(78)	(34,719)
Reclassification	2,348	22,366	4,893	243	(31,587)	(1,735)
Reclassification to assets held for sale	(21,499)	(14,017)	(2,960)	(1,533)	(265)	(40,276)
Exchange differences on translation of foreign operations	4,775	3,332	6,289	152	311	14,863
Others	(376)	(1)	(59)	-	6	(430)
Balance as of December 31, 2022	261,212	138,377	129,665	45,702	5,425	580,383
Purchase	1,041	435	8,902	-	17,284	27,663
Sale or disposal	(5,807)	(17,461)	(14,032)	(1,358)	(481)	(39,141)
Reclassification	4,606	5,650	9,223	(2,263)	(16,823)	393
Exchange differences on translation of foreign operations	3,746	3,346	5,205	247	190	12,736
Others	(7)	5	(11)	7	(63)	(70)
Balance as of December 31, 2023	264,791	130,352	138,954	42,335	5,532	581,965

Thousands of U.S. dollars

	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Balance as of December 31, 2022	1,843,416	976,549	915,067	322,526	38,285	4,095,857
Purchase	7,347	3,070	62,823	-	121,976	195,222
Sale or disposal	(40,981)	(123,225)	(99,026)	(9,584)	(3,394)	(276,224)
Reclassification	32,505	39,873	65,088	(15,970)	(118,723)	2,773
Exchange differences on translation of foreign operations	26,436	23,613	36,733	1,743	1,341	89,880
Others	(49)	35	(78)	49	(445)	(494)
Balance as of December 31, 2023	1,868,673	919,915	980,621	298,765	39,040	4,107,022

[Accumulated depreciation and accumulated impairment losses]

Millions of yen

	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Balance as of January 1, 2022	117,189	71,151	81,726	732	-	270,800
Depreciation	10,085	7,498	18,757	-	-	36,340
Impairment losses	4,272	7,886	875	-	265	13,299
Reversal of impairment losses	-	-	(19)	-	-	(19)
Sale or disposal	(9,066)	(5,926)	(15,697)	-	(0)	(30,691)
Reclassification to assets held for sale	(19,665)	(14,017)	(2,893)	-	(265)	(36,842)
Exchange differences on translation of foreign operations	2,692	2,314	4,228	-	-	9,235
Others	(31)	(1)	(46)	-	-	(79)
Balance as of December 31, 2022	105,475	68,905	86,930	732	-	262,043
Depreciation	9,733	7,377	17,635	-	-	34,745
Impairment losses	2,847	3,109	348	-	684	6,990
Sale or disposal	(4,500)	(16,434)	(13,248)	-	(506)	(34,689)
Reclassification	-	(24)	2,185	-	-	2,160
Exchange differences on translation of foreign operations	2,308	2,606	3,835	-	-	8,749
Others	140	8	(22)	-	-	126
Balance as of December 31, 2023	116,004	65,548	97,664	732	177	280,127

Thousands of U.S. dollars

	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Balance as of December 31, 2022	744,354	486,274	613,479	5,166	-	1,849,280
Depreciation	68,687	52,061	124,453	-	-	245,201
Impairment losses	20,092	21,941	2,456	-	4,827	49,330
Sale or disposal	(31,757)	(115,977)	(93,493)	-	(3,571)	(244,806)
Reclassification	-	(169)	15,420	-	-	15,243
Exchange differences on translation of foreign operations	16,288	18,391	27,064	-	-	61,743
Others	988	56	(155)	-	-	889
Balance as of December 31, 2023	818,659	462,583	689,231	5,166	1,249	1,976,902

Notes:

1. Depreciation of property, plant and equipment is included in “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statement of profit or loss.
2. Impairment losses on property, plant and equipment are included in “Cost of sales” and “Selling, general and administrative expenses,” and reversals of impairment losses on property, plant and equipment are included in “Other operating income” in the consolidated statement of profit or loss.
3. Contractual commitments related to the purchase of property, plant and equipment are presented in “38. Commitments” of the Notes.

[Carrying amount]

Millions of yen

	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Balance as of January 1, 2022	168,231	61,249	47,847	46,519	16,188	340,037
Balance as of December 31, 2022	155,736	69,472	42,735	44,970	5,425	318,339
Balance as of December 31, 2023	148,787	64,804	41,289	41,602	5,354	301,838

Thousands of U.S. dollars

	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Balance as of December 31, 2023	1,050,014	457,332	291,383	293,592	37,784	2,130,120

There were no material borrowing costs included in the cost of property, plant and equipment in the previous or current fiscal years.

14. Goodwill and Intangible Assets

(1) Schedule of changes

Changes in cost, accumulated amortization and accumulated impairment losses, and carrying amount of goodwill and intangible assets are as follows:

[Cost]

Millions of yen

	Goodwill	Intangible assets			
		Trademarks	Software	Others	Total
Balance as of January 1, 2022	50,429	42,693	96,331	4,164	143,189
Purchase	-	-	28,571	51	28,623
Acquisition through business combination	197	173	-	525	698
Sale or disposal	-	-	(9,820)	(222)	(10,042)
Reclassification to assets held for sale	-	-	(590)	-	(590)
Exchange differences on translation of foreign operations	7,252	5,917	2,392	275	8,584
Others	-	-	869	(78)	790
Balance as of December 31, 2022	57,879	48,783	117,755	4,714	171,253
Purchase	-	0	28,403	128	28,532
Sale or disposal	-	-	(9,382)	(31)	(9,414)
Exchange differences on translation of foreign operations	4,263	3,485	2,445	223	6,153
Others	-	-	(983)	21	(962)
Balance as of December 31, 2023	62,143	52,269	138,237	5,056	195,563

Thousands of U.S. dollars

	Goodwill	Intangible assets			
		Trademarks	Software	Others	Total
Balance as of December 31, 2022	408,462	344,270	831,016	33,267	1,208,560
Purchase	-	0	200,445	903	201,355
Sale or disposal	-	-	(66,210)	(219)	(66,436)
Exchange differences on translation of foreign operations	30,085	24,594	17,255	1,574	43,423
Others	-	-	(6,937)	148	(6,789)
Balance as of December 31, 2023	438,553	368,871	975,561	35,681	1,380,120

[Accumulated amortization and accumulated impairment losses]

Millions of yen

	Goodwill	Intangible assets			
		Trademarks	Software	Others	Total
Balance as of January 1, 2022	-	2,059	37,875	1,438	41,374
Amortization	-	660	13,353	641	14,655
Impairment losses	-	-	182	-	182
Reversal of impairment losses	-	-	(0)	-	(0)
Sale or disposal	-	-	(9,095)	(203)	(9,298)
Reclassification to assets held for sale	-	-	(587)	-	(587)
Exchange differences on translation of foreign operations	-	116	1,225	121	1,463
Others	-	-	321	(72)	248
Balance as of December 31, 2022	-	2,836	43,274	1,926	48,036
Amortization	-	691	15,803	699	17,193
Impairment losses	-	-	77	-	77
Sale or disposal	-	-	(8,886)	(29)	(8,915)
Exchange differences on translation of foreign operations	-	105	1,271	105	1,481
Others	-	-	24	2	26
Balance as of December 31, 2023	-	3,632	51,564	2,703	57,900

Thousands of U.S. dollars

	Goodwill	Intangible assets			
		Trademarks	Software	Others	Total
Balance as of December 31, 2022	-	20,014	305,392	13,592	338,998
Amortization	-	4,876	111,524	4,933	121,334
Impairment losses	-	-	543	-	543
Sale or disposal	-	-	(62,710)	(205)	(62,915)
Exchange differences on translation of foreign operations	-	741	8,970	741	10,452
Others	-	-	169	14	183
Balance as of December 31, 2023	-	25,632	363,896	19,076	408,610

Notes:

1. Amortization of intangible assets is included in “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statement of profit or loss.
2. Impairment losses on intangible assets are included in “Cost of sales” and “Selling, general and administrative expenses,” impairment losses on goodwill are included in “Other operating expenses,” and reversals of impairment losses on intangible assets are included in “Other operating income” in the consolidated statement of profit or loss.
3. There are no intangible assets pledged as collateral for liabilities.
4. Contractual commitments related to the purchase of intangible assets are presented in “38. Commitments” of the Notes.

[Carrying amount]

					Millions of yen
	Goodwill	Intangible assets			
		Trademarks	Software	Others	Total
Balance as of January 1, 2022	50,429	40,633	58,456	2,725	101,814
Balance as of December 31, 2022	57,879	45,947	74,480	2,788	123,217
Balance as of December 31, 2023	62,143	48,636	86,673	2,353	137,663

					Thousands of U.S. dollars
	Goodwill	Intangible assets			
		Trademarks	Software	Others	Total
Balance as of December 31, 2023	438,553	343,232	611,665	16,606	971,510

There were no material borrowing costs included in the cost of intangible assets in the previous or current fiscal years.

Expenditures for R&D activities recognized as expenses during the previous fiscal year and the current fiscal year were ¥26,678 million and ¥27,557 million ($194,474 thousand), respectively.

(2) Significant goodwill and intangible assets

Significant goodwill and intangible assets, which were acquired through business combinations or licensing agreements, are as follows:

	Millions of yen		Thousands of U.S. dollars	
	Carrying amount			
	As of December 31, 2022	As of December 31, 2023	As of December 31, 2023	Remaining amortization period
Goodwill				
Shiseido America	27,399	29,439	207,756	Unamortized
Drunk Elephant (China Business)	6,020	6,468	45,646	Unamortized
Drunk Elephant (EMEA Business)	6,620	7,113	50,198	Unamortized
Drunk Elephant (Travel Retail Business)	7,296	7,840	55,328	Unamortized
Trademarks				
Drunk Elephant (Note)	39,564	42,510	300,000	Unamortized

Note: The trademarks of Drunk Elephant is included in Shiseido America cash-generating unit for impairment testing.

(3) Impairment test for goodwill and intangible assets with indefinite useful lives

The carrying amounts of major goodwill and intangible assets with indefinite useful lives that are allocated to each cash-generating unit are as presented in (2) Significant goodwill and intangible assets. The major intangible assets with indefinite useful lives are trademarks of brands, etc. They are not amortized as they are expected to remain as long as the business continues, and their useful lives are considered to be indefinite.

The carrying amounts of goodwill and intangible assets with indefinite useful lives that are individually immaterial as of the end of previous fiscal year and current fiscal year are ¥13,595 million, and ¥14,570 million ($102,823 thousand), respectively.

The recoverable amounts of Shiseido America cash-generating unit and Drunk Elephant cash-generating unit are mainly determined at fair value less costs of disposal, estimated primarily using discounted cash flows. Fair value less costs of disposal is determined by discounting the estimated cash flows based on management-approved, five-year business plans to the present value using a discount rate based on the weighted average cost of capital. Business plans reflect management assessments of future trends in the industry as well as past data, and are prepared based on both external and internal information, with factors including sales and profit margin ratio based on sales expansion plans, serving as the basis for calculation. For periods beyond the period covered by the business plan, the terminal value is calculated by discounting the projected pre-tax cash flows to present value using a conservative growth rate determined by taking into account the conditions in the country and industry to which the cash-generating unit or group of cash-generating units belongs.

The key assumptions used in the calculation of the recoverable amount of each cash-generating unit or group of cash-generating units to which significant goodwill and intangible assets with indefinite useful lives are allocated are as follows. They are categorized as level 3 of the fair value hierarchy in the fair value measurement.

	As of December 31, 2022	As of December 31, 2023
Discount rate:	10.8% - 12.5%	10.9% - 12.5%
Growth rate:	1.5% - 4.0%	2.0% - 4.0%

A change in the key assumptions used in the impairment test could give rise to an impairment loss.

In the previous and current fiscal years, the recoverable amounts of cash-generating units or groups of cash-generating units are well above the carrying amounts, and even if the key assumptions used in the impairment test change within a reasonably foreseeable range, it is considered unlikely that the recoverable amounts would be less than the carrying amounts.

15. Impairment of Non-Financial Assets

The Group has recorded impairment losses for the following asset groups:

In measuring impairment losses, the Group groups its assets based on the smallest identifiable group of assets that generates largely independent cash inflows. Among the assets for business use, store assets are grouped by store.

Previous fiscal year (From January 1, 2022 to December 31, 2022)

As a result of a decline in the profitability of offices subleased by Shiseido Americas Corp., the carrying amount has been reduced to the recoverable amount. Value in use is used as the recoverable amount. The impairment losses recognized are included in “Selling, general and administrative expenses” in the consolidated statement of profit or loss.

Furthermore, among the domestic subsidiaries, the carrying amount of the asset groups of stores whose profitability has declined, has been reduced to the recoverable amount. The recoverable amount is measured at value in use, which is calculated by using a discount rate of 6.9%, and for some stores the value in use is assessed at zero. The impairment losses recognized are included in “Selling, general and administrative expenses” in the consolidated statement of profit or loss.

Impairment losses are also recognized for assets held for sale in connection with the conclusion of an agreement to transfer the manufacturing operations of personal care products at Shiseido Kuki Factory and Shiseido Vietnam Factory. Non-current assets classified as held for sale are measured at the lower of the carrying amount or fair value less costs to sell, and they are categorized as level 3 of the fair value hierarchy. The impairment losses recognized are included in “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statement of profit or loss.

Reportable segment	Location	Use	Type	Millions of yen
Americas Business	New York and others, United States	Assets for business use	Right-of-use assets	2,809
Other	Shibuya-ku and others, Tokyo, Japan	Assets for business use	Buildings and structures	50
			Right-of-use assets	123
			Others	8
			Total	182
Other	Kuki-shi, Saitama Pref., Japan	Assets for business use	Buildings and structures	3,087
			Machinery, equipment and vehicles	6,764
			Others	819
			Total	10,671
Other	Dong Nai Province, Vietnam	Assets for business use	Buildings and structures	1,134
			Machinery, equipment and vehicles	1,117
			Others	675
			Total	2,927
				16,592

Current fiscal year (From January 1, 2023 to December 31, 2023)

As a result of a decline in the profitability of offices subleased by Shiseido Americas Corp., the carrying amount was reduced to the recoverable amount. Value in use is used as the recoverable amount. The impairment losses recognized are included in “Selling, general and administrative expenses” in the consolidated statement of profit or loss.

Among the domestic subsidiaries, the carrying amount of the asset groups of stores that have made the decision to withdraw, has been reduced to the recoverable amount. The recoverable amount is measured at value in use, which is calculated by using a discount rate of 6.1%, and for some stores the value in use is assessed at zero. The impairment losses recognized are included in “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statement of profit or loss.

The carrying amount was reduced to the recoverable amount in connection with the conclusion of an agreement to transfer the manufacturing operations of personal care products 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 are included in “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statement of profit or loss.

In connection with the integration of the Company’s manufacturing operation at Shiseido Osaka Factory operated by the Company into Shiseido Osaka Ibaraki Factory, the Company changed the cash-generating unit for some assets for business use, and the carrying amount was reduced to the recoverable amount. The recoverable amount is measured at value in use, which is calculated by using a discount rate of 6.1%. The impairment losses recognized are included in "Cost of sales" in the consolidated statement of profit or loss.

Reportable segment	Location	Use	Type	Millions of yen	Thousands of U.S. dollars
Japan Business	Minato-ku, Tokyo, Japan	Assets for business use	Software	40	282
Americas Business	New York and others, United States	Assets for business use	Right-of-use assets	1,328	9,372
Other	Meguro-ku and others, Tokyo, Japan	Assets for business use	Tools, Furniture and Fixtures	66	466
			Right-of-use assets	76	536
			Others	0	0
			Total	143	1,009
Other	Kuki-shi, Saitama Pref., Japan	Assets for business use	Buildings and structures	41	289
			Machinery, equipment and vehicles	127	896
			Others	523	3,691
			Total	693	4,891
Other	Dong Nai Province, Vietnam	Assets for business use	Machinery, equipment and vehicles	42	296
			Others	41	289
			Total	84	593
Other	Osaka-shi, Osaka Pref., Japan	Assets for business use	Buildings and structures	2,805	19,795
			Machinery, equipment and vehicles	2,939	20,741
			Others	451	3,183
			Total	6,196	43,726
				8,485	59,880

16. Investments Accounted for Using Equity Method

(1) Significant associates

A significant associate for the Group is FineToday Holdings Co., Ltd. (hereinafter "FTH") (located in Minato-ku, Tokyo), which is mainly engaged in the Personal Care Business.

The Company holds 35.0% and 20.1% stake in FTH in the previous and the current fiscal year, respectively.

In connection with the conclusion of an agreement to transfer the manufacturing operations of personal care products at Shiseido Kuki Factory and Shiseido Vietnam Factory, the application of the equity method has been discontinued during the previous fiscal year for the portion of the shares scheduled to be transferred in the current fiscal year.

The reconciliation table for the condensed consolidated financial information of FTH and the carrying amount of the Group's share in FTH as follows:

		Millions of yen	Thousands of U.S. dollars
	As of December 31, 2022	As of December 31, 2023	As of December 31, 2023
Current assets	65,711	82,363	581,249
Non-current assets	136,969	143,219	1,010,720
Current liabilities	27,107	30,814	217,459
Non-current liabilities	112,908	116,879	824,834
Total equity	62,664	77,888	549,668
Group's share of total equity	21,932	15,647	110,423
Amount equivalent to Goodwill and consolidation adjustment (Note)	(9,044)	-	-
Carrying amount of investments	12,888	15,647	110,423

Note: During the previous fiscal year, in connection with the conclusion of an agreement to transfer the manufacturing operations of personal care products at Shiseido Kuki Factory and Shiseido Vietnam Factory, the portion of the shares scheduled to be transferred in the current fiscal year was classified as assets held for sale. For details, refer to "12. Non-Current Assets and Disposal Groups Held for Sale."

		Millions of yen	Thousands of U.S. dollars
	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2023
Net sales	108,321	100,308	707,890
Profit	5,899	12,056	85,081
Other comprehensive income	1,683	1,368	9,654
Comprehensive income	7,583	13,424	94,735
The Group's share			
Profit	2,180	2,427	17,128
Other comprehensive income	890	278	1,962
Comprehensive income	3,071	2,705	19,090

In addition to the above, impairment losses of ¥966 million were recognized on investments in FTH accounted for using equity method during the previous fiscal year, and these amounts were included in "Share of profit of investments accounted for using equity method" in the consolidated statement of profit or loss.

In the current fiscal year, the Group recognized a gain of ¥738 million ($5,208 thousand) from the partial transfer of shares, etc., which is included in "Share of profit of investments accounted for using equity method" in the consolidated statement of profit or loss.

There are no dividends received from FTH for the previous and the current fiscal years.

(2) Immaterial associates

The carrying amounts of investments in associates that are individually immaterial for the Group are as follows:

	Millions of yen		Thousands of U.S. dollars
	As of December 31, 2022	As of December 31, 2023	As of December 31, 2023
Total carrying amount	2,647	2,802	19,774

The Group's share of profit, other comprehensive income, and comprehensive income of associates that are individually immaterial are as follows:

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2023
Profit	392	577	4,072
Other comprehensive income	7	4	28
Comprehensive income	399	582	4,107

17. Income Taxes

(1) Deferred tax assets and deferred tax liabilities

Major components of and changes in deferred tax assets and deferred tax liabilities are as follows:

Previous fiscal year (From January 1, 2022 to December 31, 2022)

Millions of yen

	January 1, 2022	Amount recognized through profit or loss	Amount recognized through other comprehensive income	Others	December 31, 2022
Deferred tax assets					
Inventories	20,689	(4,702)	-	802	16,789
Property, plant and equipment and intangible assets	4,178	1,787	-	30	5,995
Other current liabilities	26,511	(6,705)	-	534	20,339
Lease liabilities	22,906	(2,827)	-	108	20,188
Retirement benefit liability	12,943	(251)	(5,357)	87	7,421
Tax losses carried forward	9,227	7,427	-	962	17,617
Others	16,573	737	(43)	94	17,361
Total	113,029	(4,535)	(5,401)	2,620	105,713
Deferred tax liabilities					
Property, plant and equipment and intangible assets	9,505	813	-	935	11,253
Right-of-use assets	30,140	(4,626)	-	1,211	26,726
Undistributed earnings of subsidiaries and associates	3,336	(126)	-	42	3,251
Other financial assets	1,832	(200)	(223)	11	1,420
Others	2,386	(595)	-	62	1,854
Total	47,201	(4,735)	(223)	2,262	44,505

Current fiscal year (From January 1, 2023 to December 31, 2023)

Millions of yen

	January 1, 2023	Amount recognized through profit or loss	Amount recognized through other comprehensive income	Others	December 31, 2023
Deferred tax assets					
Inventories	16,789	(2,126)	-	468	15,131
Property, plant and equipment and intangible assets	5,995	(1,496)	-	38	4,537
Other current liabilities	20,339	(6,158)	-	267	14,449
Lease liabilities	20,188	(2,884)	-	32	17,335
Retirement benefit liability	7,421	(366)	(3,313)	73	3,814
Tax losses carried forward	17,617	15,603	-	944	34,165
Others	17,361	(4,449)	(19)	183	13,076
Total	105,713	(1,879)	(3,333)	2,009	102,510
Deferred tax liabilities					
Property, plant and equipment and intangible assets	11,253	1,276	-	621	13,151
Right-of-use assets	26,726	(3,725)	-	528	23,528
Undistributed earnings of subsidiaries and associates	3,251	730	-	20	4,002
Other financial assets	1,420	(70)	310	30	1,690
Others	1,854	(59)	-	26	1,820
Total	44,505	(1,848)	310	1,226	44,193

Thousands of U.S. dollars

	January 1, 2023	Amount recognized through profit or loss	Amount recognized through other comprehensive income	Others	December 31, 2023
Deferred tax assets					
Inventories	118,483	(15,004)	-	3,303	106,782
Property, plant and equipment and intangible assets	42,308	(10,558)	-	268	32,018
Other current liabilities	143,536	(43,458)	-	1,884	101,969
Lease liabilities	142,470	(20,353)	-	226	122,336
Retirement benefit liability	52,371	(2,583)	(23,380)	515	26,916
Tax losses carried forward	124,326	110,113	-	6,662	241,108
Others	122,519	(31,397)	(134)	1,291	92,279
Total	746,034	(13,260)	(23,522)	14,178	723,430
Deferred tax liabilities					
Property, plant and equipment and intangible assets	79,414	9,005	-	4,382	92,809
Right-of-use assets	188,610	(26,288)	-	3,726	166,041
Undistributed earnings of subsidiaries and associates	22,943	5,152	-	141	28,243
Other financial assets	10,021	(494)	2,188	212	11,927
Others	13,084	(416)	-	183	12,844
Total	314,079	(13,042)	2,188	8,652	311,877

Deductible temporary differences, tax losses carried forward, and tax credits carried forward for which deferred tax assets are not recognized are as follows. The amounts are shown on a tax basis.

	Millions of yen		Thousands of U.S. dollars
	As of December 31, 2022	As of December 31, 2023	As of December 31, 2023
Deductible temporary difference	31,025	31,813	224,510
Tax losses carried forward	17,494	20,599	145,371
Tax credits carried forward	2,514	2,832	19,986
Total	51,034	55,244	389,866

Tax losses carried forward and tax credits carried forward for which deferred tax assets are not recognized will expire as follows. The amounts are shown on a tax basis.

	Millions of yen		Thousands of U.S. dollars
	As of December 31, 2022	As of December 31, 2023	As of December 31, 2023
Tax losses carried forward			
1st year	284	-	-
2nd year	-	-	-
3rd year	-	2	14
4th year	2	335	2,364
5th year and beyond	17,207	20,260	142,978
Total	17,494	20,599	145,371

	Millions of yen		Thousands of U.S. dollars
	As of December 31, 2022	As of December 31, 2023	As of December 31, 2023
Tax credits carried forward			
1st year	295	322	2,272
2nd year	-	247	1,743
3rd year	446	1,332	9,400
4th year	-	1	7
5th year and beyond	1,772	926	6,535
Total	2,514	2,832	19,986

The total amount of taxable temporary differences related to investments in subsidiaries, etc. for which deferred tax liabilities were not recognized were ¥87,805 million and ¥98,458 million ($694,834 thousand) for the previous and the current fiscal year, respectively. The Group does not recognize deferred tax liabilities because the Group is able to control the timing of the reversal of the temporary differences and it is probable that these temporary differences will not reverse in the foreseeable future.

(2) Income tax expense

The breakdown of income tax expense is as follows:

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2023
Current tax expense	13,045	6,829	48,193
Deferred tax expense	(199)	30	212
Total	12,845	6,860	48,412

Factors behind the differences in the statutory effective tax rate and the average actual tax rate are as follows:

Income taxes applicable to the Group consist mainly of corporation tax, inhabitant tax, and enterprise tax. The statutory effective tax rate calculated based on the foregoing was 31.0% for both the previous and current fiscal years. However, overseas subsidiaries are subject to the income taxes of the jurisdictions in which they are located.

	%	
	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Statutory effective tax rate	31.0	31.0
Permanently non-deductible expenses	12.5	8.7
Permanently non-taxable income	(11.1)	(7.4)
Tax credits	(2.1)	(6.2)
Differences in effective tax rates	(12.1)	(6.0)
Effect of assessment of recoverability of deferred tax assets	6.5	2.0
Withholding tax on dividends, etc. from overseas subsidiaries	3.6	0.5
Others	(2.8)	(0.5)
Average actual tax rate	25.5	22.1

18. Trade and Other Payables

The breakdown of trade and other payables is as follows:

	Millions of yen		Thousands of U.S. dollars
	As of December 31, 2022	As of December 31, 2023	As of December 31, 2023
Notes and accounts payable	28,530	27,196	191,927
Electronically recorded obligations - operating	38,910	41,684	294,171
Other payables	96,938	78,160	551,588
Refund liabilities	39,341	31,451	221,955
Others	49	34	240
Total	203,770	178,526	1,259,887

Trade and other payables are classified as financial liabilities measured at amortized cost.

19. Bonds and Borrowings

(1) Breakdown of bonds and borrowings

The breakdown of bonds and borrowings is as follows:

	Millions of yen		Thousands of U.S. dollars	%	
	As of December 31, 2022	As of December 31, 2023	As of December 31, 2023	Average interest rate	Repayment due
Current liabilities					
Short-term borrowings	75	20,000	141,143	0.08	-
Current portion of long-term borrowings	15,915	30,000	211,715	0.06	-
Current portion of bonds payable	10,000	-	-	-	-
Total	25,990	50,000	352,858		
Non-current liabilities					
Long-term borrowings	80,000	50,559	356,803	0.13	2025 – 2028
Bonds	60,000	60,000	423,430	0.22	2025 – 2027
Total	140,000	110,559	780,233		

Notes:
1. Average interest rates are the weighted average interest rates for balances at the end of the current fiscal year.
2. Fixed interest rates after executing the interest rate swaps are applied to borrowings for which hedge accounting is applied using interest rate swaps.
3. Bonds and borrowings are classified as financial liabilities measured at amortized cost.

A summary of the terms of bond issuance is as follows:

				Millions of yen	Thousands of U.S. dollars	%		
Company name	Issue	Issue date	As of December 31, 2022	As of December 31, 2023	As of December 31, 2023	Interest rate	Collateral	Redemption date
Shiseido Company, Limited	10th Unsecured straight bonds	February 26, 2020	20,000 [-]	20,000 [-]	141,143 [-]	0.080	None	February 26, 2025
Shiseido Company, Limited	11th Unsecured straight bonds	December 17, 2020	10,000 [10,000]	- [-]	- [-]	0.040	None	December 15, 2023
Shiseido Company, Limited	12th Unsecured straight bonds	December 17, 2020	20,000 [-]	20,000 [-]	141,143 [-]	0.120	None	December 17, 2025
Shiseido Company, Limited	13th Unsecured straight bonds	December 8, 2022	20,000 [-]	20,000 [-]	141,143 [-]	0.450	None	December 8, 2027
	Total		70,000 [10,000]	60,000 [-]	423,430 [-]			

Note: Figures in [ ] represent the current portion.

(2) Assets pledged as collateral

Assets pledged as collateral are as follows:

	Millions of yen		Thousands of U.S. dollars
	As of December 31, 2022	As of December 31, 2023	As of December 31, 2023
Cash and cash equivalents	1,830	-	-
Property, plant and equipment	11,158	-	-
Other financial assets (non-current)	16,355	-	-
Total	29,345	-	-

The corresponding liabilities are as follows.

	Millions of yen		Thousands of U.S. dollars
	As of December 31, 2022	As of December 31, 2023	As of December 31, 2023
Current portion of long-term borrowings	15,915	-	-
Total	15,915	-	-

20. Other Financial Liabilities

The breakdown of other financial liabilities is as follows:

	Millions of yen		Thousands of U.S. dollars
	As of December 31, 2022	As of December 31, 2023	As of December 31, 2023
Other financial liabilities (current)			
Financial liabilities measured at amortized cost			
Deposits received	3,427	3,659	25,822
Others	1,227	80	565
Financial liabilities measured at fair value through profit or loss			
Derivative liabilities	88	1,645	11,609
Total	4,744	5,385	38,003
Other financial liabilities (non-current)			
Financial liabilities measured at amortized cost			
Long-term other payables	4,139	5,038	35,554
Others	461	578	4,079
Financial liabilities measured at fair value through profit or loss			
Derivative liabilities	-	515	3,634
Others	350	350	2,470
Total	4,950	6,482	45,745

21. Leases

(1) As lessee

The Group mainly takes lease for land for office buildings, retail stores, etc., real estate such as buildings, and tools, furniture and fixtures such as molds and dies, by lease arrangements.

1) Breakdown of right-of-use assets

The breakdown of right-of-use assets is as follows:

	Millions of yen		Thousands of U.S. dollars
	As of December 31, 2022	As of December 31, 2023	As of December 31, 2023
Right-of-use assets for which buildings and structures are the underlying assets	75,227	64,404	454,510
Right-of-use assets for which machinery, equipment and vehicles are the underlying assets	10,798	9,998	70,558
Right-of-use assets for which tools, furniture and fixtures are the underlying assets	3,886	2,795	19,725
Right-of-use assets for which land is the underlying asset	24,128	23,111	163,098
Others	234	238	1,680
Total	114,276	100,548	709,584

Increases in right-of-use assets for the previous fiscal year and the current fiscal year were ¥12,638 million and ¥11,271 million ($79,541 thousand), respectively.

2) Lease liabilities

Information on maturity analysis of lease liabilities is presented in “35. Financial Instruments (2) Financial risk management 2) Liquidity risk management” of the Notes.

3) Profit or loss and cash outflows related to right-of-use assets

Profit or loss associated with right-of-use assets is as follows:

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2023
Depreciation of right-of-use assets			
Right-of-use assets for which buildings and structures are the underlying assets	19,603	18,697	131,948
Right-of-use assets for which machinery, equipment and vehicles are the underlying assets	1,422	1,453	10,254
Right-of-use assets for which tools, furniture and fixtures are the underlying assets	2,397	2,101	14,827
Right-of-use assets for which land is the underlying asset	1,139	1,138	8,031
Others	124	124	875
Total depreciation	24,687	23,514	165,942
Interest expenses on lease liabilities	1,703	1,480	10,445
Lease expenses subject to exemptions for short-term leases	2,818	2,917	20,586
Lease expenses subject to exemptions for leases of low-value assets	2,291	2,035	14,361
Variable lease payments not included in measurement of lease liabilities	1,567	1,626	11,475
Income from sublease of right-of-use assets	(1,137)	(571)	(4,030)

Depreciation of right-of-use assets, short-term lease expenses, lease expenses of low-value assets, and variable lease payments are included in “Cost of sales” and “Selling, general and administrative expenses,” and interest expenses on lease liabilities are included in “Finance costs” in the consolidated statement of profit or loss.

Cash outflows associated with leases are as follows:

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2023
Cash outflows associated with leases	38,085	34,491	243,409

(2) As lessor

The Group mainly leases buildings, land, etc.

22. Employee Benefits

The Company and its domestic consolidated subsidiaries adopt the corporate pension fund plan as a defined benefit plan. In addition, the defined contribution pension plan or the retirement benefit advance payment plan are adopted as a defined contribution plan. In some cases, premium severance pay, etc., which are accounted for as retirement benefit expenses at the time of payment, may be paid to employees at the time of their retirement. In addition, some overseas consolidated subsidiaries adopt the defined benefit corporate pension plan, lump-sum retirement payment plan, and defined contribution plan. Defined benefit plans are typically exposed to general investment risks, interest rate risks, inflation risks and other actuarial risks.

Funded defined benefit plans are managed by pension funds that are legally separate from the Group. These plans are required by law to meet the minimum funding requirement, and if they are underfunded, additional contributions must be made within a specified time frame.

These pension funds are responsible for managing plan assets in accordance with a policy specified by the Company.

(1) Defined benefit plans

1) Reconciliation of defined benefit obligations and plan assets

The relationships between defined benefit obligations and plan assets, and net defined benefit liability (asset) recognized in the consolidated statement of financial position are as follows:

	Millions of yen		Thousands of U.S. dollars
	As of December 31, 2022	As of December 31, 2023	As of December 31, 2023
Present value of funded defined benefit obligations	238,770	230,848	1,629,132
Fair value of plan assets	(214,308)	(216,661)	(1,529,012)
Subtotal	24,462	14,187	100,120
Present value of unfunded defined benefit obligations	883	868	6,126
Net defined benefit liability (asset)	25,346	15,055	106,246
Amount recognized in the consolidated statement of financial position			
Retirement benefit liability	25,346	15,055	106,246
Retirement benefit asset (other non-current assets)	-	-	-
Net defined benefit liability (asset) recognized in the consolidated statement of financial position	25,346	15,055	106,246

2) Reconciliation of present value of defined benefit obligations

Changes in the present value of defined benefit obligations are as follows:

		Millions of yen	Thousands of U.S. dollars
	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2023
Beginning balance of present value of defined benefit obligations	277,644	239,654	1,691,277
Service costs	7,203	5,999	42,336
Interest costs	1,963	3,879	27,375
Remeasurements			
Actuarial differences arising from changes in demographic assumptions	(713)	(362)	(2,555)
Actuarial differences arising from changes in financial assumptions	(33,764)	(2,941)	(20,755)
Actuarial differences arising from experience adjustments	(35)	1,162	8,200
Retirement benefits paid	(11,950)	(13,444)	(94,876)
Effects of business combinations and disposals	(928)	(2,714)	(19,153)
Other	235	483	3,409
Ending balance of present value of defined benefit obligations	239,654	231,716	1,635,258

For the benefit plans of the Company and its major domestic subsidiaries, which account for a significant portion of the Group’s defined benefit obligations, the weighted average duration of the defined benefit obligations for the previous and the current fiscal year was 14.3 years, and 13.8 years, respectively.

3) Reconciliation of fair value of plan assets

Changes in the fair value of plan assets are as follows:

		Millions of yen	Thousands of U.S. dollars
	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2023
Beginning balance of fair value of plan assets	235,485	214,308	1,512,406
Interest income	1,687	3,440	24,277
Remeasurements			
Return on plan assets	(18,020)	7,740	54,622
Contribution from employers	6,671	6,446	45,490
Retirement benefits paid	(11,403)	(12,909)	(91,101)
Effects of business combinations and disposals	(118)	(2,480)	(17,502)
Other	7	116	819
Ending balance of fair value of plan assets	214,308	216,661	1,529,012

The Group plans to contribute ¥6,187 million ($43,663 thousand) in the following fiscal year.

4) Components of plan assets

Major components of plan assets are as follows:

	Millions of yen						Thousands of U.S. dollars		
	As of December 31, 2022			As of December 31, 2023			As of December 31, 2023		
	Publicly quoted market price in active markets			Publicly quoted market price in active markets			Publicly quoted market price in active markets		
	Yes	No	Total	Yes	No	Total	Yes	No	Total
Cash and cash equivalents	10,659	-	10,659	8,277	-	8,277	58,412	-	58,412
Commingled investment fund									
Equity instruments	-	35,732	35,732	-	36,423	36,423	-	257,043	257,043
Debt instruments	-	93,283	93,283	-	94,068	94,068	-	663,853	663,853
Alternative investments	-	68,122	68,122	-	71,290	71,290	-	503,105	503,105
General account of life insurance companies	-	6,510	6,510	-	6,601	6,601	-	46,584	46,584
Total	10,659	203,648	214,308	8,277	208,383	216,661	58,412	1,470,593	1,529,012

Note: The commingled investment fund for equity instruments has invested approximately 10% of its funds in domestic shares and approximately 90% in foreign shares in both the previous and the current fiscal year.
The commingled investment fund for debt instruments has invested approximately 10% of its funds in domestic bonds and approximately 90% in foreign bonds in both the previous and the current fiscal year.
Alternative investments include hedge funds, etc.

The Group’s policy for managing plan assets is based on internal rules, and is aimed at generating stable returns over the medium to long term to ensure the future payment of retirement benefit obligations. Specifically, a target rate of return and the asset composition ratios for each asset type are determined within the scope of risk tolerance specified each year, and investments are made while maintaining these ratios. Furthermore, the asset composition ratios are revised, as necessary.

5) Major actuarial assumptions

The major assumptions used in the actuarial calculations for the benefit plans of the Company and its major domestic subsidiaries, which account for a significant portion of the Group’s defined benefit obligations, are as follows:

		%
	As of December 31, 2022	As of December 31, 2023
Discount rate	1.5	1.7

The mortality is determined based on publicly available life tables, mortality rates, etc. that are typically used in making actuarial assumptions.

6) Sensitivity analysis

For the benefit plans of the Company and its major domestic subsidiaries, which account for a significant portion of the Group’s defined benefit obligations, the impact of a 0.5 percentage point change in the discount rate used in the actuarial calculations on the present value of defined benefit obligations is as follows. This analysis assumes that all other variables remain constant, but changes in other assumptions could affect the sensitivity analysis.

	Millions of yen		Thousands of U.S. dollars
	As of December 31, 2022	As of December 31, 2023	As of December 31, 2023
0.5 percentage point increase in discount rate	(14,677)	(13,630)	(96,189)
0.5 percentage point decrease in discount rate	16,316	15,054	106,239

(2) Defined contribution plans

The amounts of expenses recognized for defined contribution plans for the previous fiscal year and the current fiscal year were ¥4,992 million and ¥4,789 million ($33,797 thousand), respectively.

23. Provisions

The breakdown of and changes in provisions are as follows:

				Millions of yen
	Asset retirement obligations	Provision for structural reform	Other provisions	Total
Balance as of January 1, 2023	1,321	3,483	4,660	9,464
Increase during the period	261	1,047	3,164	4,474
Interest expenses for discount calculation during the period	10	-	-	10
Decrease during the period (intended use)	(141)	(3,724)	(3,491)	(7,356)
Decrease during the period (reversal)	(19)	-	(21)	(40)
Exchange differences on translation of foreign operations	18	119	383	522
Balance as of December 31, 2023	1,451	926	4,696	7,074

				Thousands of U.S. dollars
	Asset retirement obligations	Provision for structural reform	Other provisions	Total
Balance as of January 1, 2023	9,323	24,580	32,886	66,789
Increase during the period	1,842	7,389	22,329	31,574
Interest expenses for discount calculation during the period	71	-	-	71
Decrease during the period (intended use)	(995)	(26,281)	(24,637)	(51,912)
Decrease during the period (reversal)	(134)	-	(148)	(282)
Exchange differences on translation of foreign operations	127	840	2,703	3,684
Balance as of December 31, 2023	10,240	6,535	33,140	49,922

The breakdown of provisions in the consolidated statement of financial position is as follows:

	Millions of yen		Thousands of U.S. dollars
	As of December 31, 2022	As of December 31, 2023	As of December 31, 2023
Current liabilities	8,136	5,847	41,263
Non-current liabilities	1,328	1,227	8,659
Total	9,464	7,074	49,922

Asset retirement obligations comprise the amounts expected to be paid in the future to fulfill the obligations to restore offices and buildings leased to the Group to their original condition, based on past restoration experience. These expenses are expected to be paid after the lapse of the expected period of use, which is determined by taking into account the useful life of the internal structures in the offices, etc., but will be affected by future business plans and other factors.

Provision for structural reform includes amounts expected to be paid in the future in connection with business portfolio restructuring and other structural reforms. The timing of the payment of these expenses will be affected by future business plans and other factors.

Other provisions include provisions for losses arising from expenses related to litigation risk, product liability risk, etc. and provisions for losses associated with the discontinuation of brands and the withdrawal from businesses. The timing of the payment of these expenses will be affected by future business plans and other factors.

24. Other Liabilities

The breakdown of other liabilities (current) is as follows:

	Millions of yen		Thousands of U.S. dollars
	As of December 31, 2022	As of December 31, 2023	As of December 31, 2023
Accrued expenses	52,486	44,071	311,016
Accrued consumption taxes	9,387	9,105	64,255
Accrued bonuses	31,963	27,746	195,808
Accrued paid absences	12,033	12,002	84,700
Contract liabilities	6,942	6,879	48,546
Others	3,367	3,310	23,359
Total	116,180	103,116	727,706

25. Equity and Other Equity Items

(1) Number of shares authorized and total number of shares issued

Changes in the number of shares authorized and total number of shares issued are as follows:

	Shares	
	As of December 31, 2022	As of December 31, 2023
Number of shares authorized		
Ordinary share	1,200,000,000	1,200,000,000
Total number of shares issued		
Beginning balance	400,000,000	400,000,000
Change during the period	-	-
Ending balance	400,000,000	400,000,000

Note: All the shares issued by the Company are non-par-value ordinary share that have no restrictions on any rights, and the shares issued are fully paid in.

(2) Treasury shares

Changes in the number of treasury shares are as follows:

	Shares	
	As of December 31, 2022	As of December 31, 2023
Beginning balance	506,767	452,452
Change during the period	(54,315)	(108,253)
Ending balance	452,452	344,199

Note: The major factors behind the changes during the period are the exercise of share options, disposal under the performance-linked share compensation plan as a long-term incentive compensation, buyback or additional purchase request of less-than-one-unit shares.

(3) Capital surplus

The Companies Act of Japan (hereinafter “the Companies Act”) provides that at least half of the amount paid in or delivered at share issue shall be credited to share capital and the remainder may be credited to additional paid-in capital included in capital surplus. The Companies Act also provides that legal capital surplus may be credited to share capital subject to a resolution of the general meeting of shareholders.

Furthermore, the Company operates a share option plan and a performance share unit plan, and the portion accounted for as equity-settled share-based payment is recognized as capital surplus. Contract terms, amounts, etc. are presented in “34. Share-based Payments.”

(4) Other components of equity

1) Exchange differences on translation of foreign operations

Exchange differences arising from the translation of financial statements of foreign operations prepared in foreign currencies.

2) Financial assets measured at fair value through other comprehensive income

Valuation differences of the fair value of financial assets measured at fair value through other comprehensive income.

3) Cash flow hedges

Effective portion of the cumulative gains or losses arising from changes in the fair value of hedging instruments used for cash flow hedges.

4) Remeasurements of defined benefit plans

The impact of differences between actuarial assumptions at the beginning of the period and actual results, the impact of changes in actuarial assumptions, and changes in return on plan assets.

(5) Retained earnings

The Companies Act stipulates that an amount equal to one-tenth of the amount paid as dividends of surplus shall be reserved as legal capital surplus or legal retained earnings until the total amount of legal capital surplus and legal retained earnings reaches one-fourth of share capital. Legal retained earnings reserved may be used to cover deficits. Legal retained earnings may also be reversed subject to a resolution of the general meeting of shareholders.

26. Dividends

The amounts of dividends paid are as follows:

Previous fiscal year (From January 1, 2022 to December 31, 2022)

Resolution date	Type of shares	Total amount of dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
March 25, 2022 General Meeting of Shareholders	Ordinary shares	11,984	30.00	December 31, 2021	March 28, 2022
August 10, 2022 Board of Directors meeting	Ordinary shares	9,988	25.00	June 30, 2022	September 5, 2022

Current fiscal year (From January 1, 2023 to December 31, 2023)

Resolution date	Type of shares	Total amount of dividends		Dividend per share		Record date	Effective date
		Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars		
March 24, 2023 General Meeting of Shareholders	Ordinary shares	29,966	211,475	75.00	0.53	December 31, 2022	March 27, 2023
August 8, 2023 Board of Directors meeting	Ordinary shares	11,988	84,601	30.00	0.21	June 30, 2023	September 7, 2023

Note: Dividend per share resolved at the General Meeting of Shareholders on March 24, 2023 includes a commemorative dividend of ¥50 ($0.35) for the 150th anniversary of the Company's founding.

Dividends for which the effective date is in the following fiscal year are as follows:

Previous fiscal year (From January 1, 2022 to December 31, 2022)

Resolution date	Type of shares	Total amount of dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
March 24, 2023 General Meeting of Shareholders	Ordinary shares	29,966	75.00	December 31, 2022	March 27, 2023

Note: Dividend per share includes a commemorative dividend of ¥50 for the 150th anniversary of the Company's founding.

Current fiscal year (From January 1, 2023 to December 31, 2023)

Resolution date	Type of shares	Total amount of dividends		Dividend per share		Record date	Effective date
		Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars		
March 26, 2024 General Meeting of Shareholders	Ordinary shares	11,989	84,608	30.00	0.21	December 31, 2023	March 27, 2024

27. Net Sales

(1) Contract balances

The breakdown of the Group's contract balance is as follows:

	Millions of yen		Thousands of U.S. dollars
	As of December 31, 2022	As of December 31, 2023	As of December 31, 2023
Receivables arising from contracts with customers			
Notes and accounts receivable	170,183	133,512	942,216
Contract liabilities	6,942	6,879	48,546

Contract liabilities mainly consist of advances received in connection with customer loyalty programs that award points to customers.

In the consolidated statement of financial position, notes and accounts receivable are included in "Trade and other receivables" and "Other financial assets (non-current)" and contract liabilities are included in "Other current liabilities."

The balances of contract liabilities as of the beginning of the previous and current fiscal years have each been recognized as revenue for the previous and current fiscal years, respectively.

The amounts of revenue recognized from performance obligations satisfied in prior periods were immaterial in the previous and current fiscal years.

(2) Transaction price allocated to remaining performance obligations

As the Group has no significant transactions for which the individual expected contract period exceeds one year, it has applied the practical expedient and omitted the presentation of information on remaining performance obligations. In addition, considerations arising from contracts with customers do not include any significant amounts that are not included in transaction prices.

(3) Assets recognized from the costs to obtain or fulfil contracts with a customer

The amounts of assets recognized from costs to obtain or fulfill contracts with customers were immaterial in the previous and current fiscal years. If the amortization period of an asset to be recognized is one year or less, the Group applies the practical expedient and recognizes the incremental costs of obtaining a contract as an expense as incurred.

28. Breakdown of Expenses by Nature

The breakdown of cost of sales and selling, general and administrative expenses by nature is as follows:

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2023
Purchase costs of raw materials and merchandise	209,923	160,623	1,133,543
Changes in finished goods and work in process	10,441	19,714	139,125
Employee benefit expenses	269,123	266,538	1,881,002
Depreciation and amortization	75,718	75,492	532,759
Outsourced processing expenses	42,528	19,917	140,558
Media expenses	104,677	108,732	767,339
Sample and sales equipment expenses	44,775	43,025	303,634
Others	287,726	262,253	1,850,762
Total	1,044,913	956,299	6,748,758

29. Other Operating Income and Operating Expenses

The breakdown of other operating income is as follows:

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2023
Rental income from buildings	441	497	3,507
Subsidy income	4,917	4,656	32,858
Gain on sale of non-current assets	4,319	13,870	97,883
Reversal of impairment losses	494	-	-
Gain on sale of businesses	15,294	822	5,801
Others	2,105	1,177	8,306
Total	27,573	21,023	148,363

Details of gain on sale of businesses are presented in “6. Operating Segments, (3) Segment revenue and business result” and “36. Major Subsidiaries” of the Notes. Gain on sale of non-current assets is mainly related to sales of real estate.

The breakdown of other operating expenses is as follows:

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2023
Structural reform expenses	3,442	1,861	13,133
Loss on sale of businesses	-	7,767	54,813
Total	3,442	9,629	67,953

Details of loss on sale of businesses are presented in “6. Operating Segments, (3) Segment revenue and business result” and “36. Major Subsidiaries” of the Notes.

30. Finance Income and Finance Costs

The breakdown of finance income is as follows:

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2023
Interest income			
Financial assets measured at amortized cost	4,871	5,911	41,715
Lease receivables	57	101	713
Dividend income			
Financial assets measured at fair value through other comprehensive income	71	75	529
Financial assets measured at fair value through profit or loss	8	0	0
Gain on revaluation of fair value			
Financial assets measured at fair value through profit or loss	831	467	3,296
Others	38	179	1,263
Total	5,877	6,734	47,523

The breakdown of finance costs is as follows.

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2023
Interest expenses			
Financial liabilities measured at amortized cost	513	1,108	7,819
Lease liabilities	1,703	1,480	10,445
Retirement benefit liability	276	439	3,098
Unwinding of provisions due to passage of time	8	10	71
Foreign exchange losses	531	3,449	24,340
Others	595	1,086	7,664
Total	3,627	7,574	53,451

Financial liabilities measured at amortized cost in the amounts of interest expenses include the amounts reclassified from cash flow hedge reserve arising from derivatives to profit or loss (refer to “35. Financial Instruments”)

“Interest on other financial liabilities” which was presented as a separate account item in the previous fiscal year, has been included in “Other” from the current fiscal year as the amount is immaterial. In order to reflect this change in presentation, the breakdown of finance costs for the previous fiscal year has been reclassified. As a result, ¥115 million, which was included in “Interest on other financial liabilities” in the previous fiscal year has been reclassified to “Other.”

31. Other Comprehensive Income

The amounts arising during the year, reclassification adjustments to profit and loss, and the tax effects for each item of other comprehensive income are as follows:

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2023
Items that will not be reclassified to profit or loss:			
Financial assets measured at fair value through other comprehensive income			
Amount arising during the year	(898)	(512)	(3,613)
Tax effect	223	(310)	(2,188)
Amount after tax effect adjustment	(675)	(823)	(5,808)
Remeasurements of defined benefit plans			
Amount arising during the year	16,492	9,881	69,732
Tax effect	(5,357)	(3,313)	(23,380)
Amount after tax effect adjustment	11,134	6,568	46,351
Share of other comprehensive income of investments accounted for using equity method			
Amount arising during the year	24	68	480
Tax effect	-	-	-
Amount after tax effect adjustment	24	68	480
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations			
Amount arising during the year	39,987	31,861	224,848
Reclassification adjustments	36	(1,853)	(13,077)
Amount before tax effect adjustment	40,024	30,007	211,764
Tax effect	-	-	-
Amount after tax effect adjustment	40,024	30,007	211,764
Cash flow hedges			
Amount arising during the year	(52)	3	21
Reclassification adjustments	191	59	416
Amount before tax effect adjustment	139	62	438
Tax effect	(43)	(19)	(134)
Amount after tax effect adjustment	96	43	303
Share of other comprehensive income of investments accounted for using equity method			
Amount arising during the year	873	214	1,510
Reclassification adjustments	-	(767)	(5,413)
Amount before tax effect adjustment	873	(553)	(3,903)
Tax effect	-	-	-
Amount after tax effect adjustment	873	(553)	(3,903)
Total other comprehensive income:			
Amount arising during the year	56,426	41,516	292,985
Reclassification adjustments	228	(2,562)	(18,080)
Amount before tax effect adjustment	56,655	38,954	274,905
Tax effect	(5,178)	(3,643)	(25,709)
Amount after tax effect adjustment	51,477	35,311	249,195

32. Earnings Per Share

(1) Basis for the calculation of basic earnings per share

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2023
Profit attributable to owners of parent	34,202	21,749	153,486
Profit not attributable to common shareholders of parent	-	-	-
Profit used for calculating basic earnings per share	34,202	21,749	153,486
Weighted-average number of ordinary shares (thousands of shares)	399,538	399,615	
Basic earnings per share (yen/U.S. dollars)	85.60	54.43	0.38

(2) Basis for the calculation of diluted earnings per share

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2023
Profit used for calculating basic earnings per share	34,202	21,749	153,486
Profit adjustment	-	-	-
Profit used for calculating diluted earnings per share	34,202	21,749	153,486
Weighted-average number of ordinary shares (thousands of shares)	399,538	399,615	
Increase in ordinary share			
Share acquisition rights (thousands of shares)	284	235	
Diluted weighted-average number of ordinary shares (thousands of shares)	399,822	399,851	
Diluted earnings per share (yen/U.S. dollars)	85.54	54.40	0.38

33. Cash Flow Information

(1) Changes in liabilities related to financing activities are as follows:

Millions of yen

	January 1, 2022	Changes involving cash flows	Changes not involving cash flows			December 31, 2022
			New leases	Exchange differences on translation of foreign operations	Others	
Short-term borrowings and commercial papers	-	73	-	1	-	75
Long-term borrowings (including current portion)	96,645	(730)	-	-	-	95,915
Bonds (including current portion)	65,000	5,000	-	-	-	70,000
Lease liabilities (Note)	144,192	(29,704)	13,211	8,510	(5,011)	131,198
Total	305,837	(25,360)	13,211	8,512	(5,011)	297,189

Note: "Others" in lease liabilities mainly represents decreases resulting from the revision of considerations due to lease modifications.

Millions of yen

	January 1, 2023	Changes involving cash flows	Changes not involving cash flows			December 31, 2023
			New leases	Exchange differences on translation of foreign operations	Others	
Short-term borrowings and commercial papers	75	19,918	-	5	-	20,000
Long-term borrowings (including current portion)	95,915	(15,360)	-	5	-	80,559
Bonds (including current portion)	70,000	(10,000)	-	-	-	60,000
Lease liabilities (Note)	131,198	(26,432)	12,437	5,142	(1,923)	120,422
Total	297,189	(31,874)	12,437	5,154	(1,923)	280,982

Thousands of U.S. dollars

	January 1, 2023	Changes involving cash flows	Changes not involving cash flows			December 31, 2023
			New leases	Exchange differences on translation of foreign operations	Others	
Short-term borrowings and commercial papers	529	140,565	-	35	-	141,143
Long-term borrowings (including current portion)	676,888	(108,398)	-	35	-	568,518
Bonds (including current portion)	494,001	(70,572)	-	-	-	423,430
Lease liabilities (Note)	925,886	(186,535)	87,770	36,288	(13,571)	849,838
Total	2,097,311	(224,940)	87,770	36,373	(13,571)	1,982,936

Note: "Others" in lease liabilities mainly represents decreases resulting from the revision of considerations due to lease modifications.

(2) Non-cash transactions

The amount of assets related to newly recognized lease transactions is as follows:

	Millions of yen		Thousands of U.S. dollars
	As of December 31, 2022	As of December 31, 2023	As of December 31, 2023
Right-of-use assets	12,638	11,271	79,541

(3) Loss of control of subsidiaries

Information about the loss of control of subsidiaries is presented in "36. Major Subsidiaries" of the Notes.

34. Share-Based Payments

(1) Share option plan

1) Details of share option plan

The Company adopts a share option plan. Share options are granted to Directors and Corporate Officer of the Company and its subsidiaries with an aim to incentivize and motivate them to increase corporate value. All share options issued by the Company are equity-settled share-based compensation. The exercise period is specified in the allotment contract, and the options will be forfeited if they are not exercised within that period. New share options are no longer issued due to the introduction of performance-linked compensation from the fiscal year ended December 31, 2019.

Details of share options issued by the Company are as follows:

- Vesting conditions:

  Continuous service from the grant date to the vesting date (the day before the date of start of the exercise period) (The person must maintain the position of a director or an Executive Officer of the Company at the time of exercise of rights. However, this shall not apply in the case of resignation due to expiration of term of office, mandatory retirement, or when there are other justifiable reasons.)
- Exercise period:

  12 years from the first day of the month containing the day on which three years have passed since the grant date (for the FY2011 - FY2014 portion of grants) or 12 years and six months from the first day of the month containing the day on which two years and six months have passed since the grant date (for the FY2015 - FY2018 portion of grants)

Note: For the details of the share option plan, please refer to "4. Corporate Information on the Company 1. Information on the Company's shares, (2) Status of stock acquisition rights, 1) Share option plans."

2) Number and weighted average exercise price of share options

	Fiscal year ended December 31, 2022		Fiscal year ended December 31, 2023	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
	Shares	Yen	Shares	Yen
Outstanding at beginning of period	319,500	1	274,400	1
Granted	-	-	-	-
Exercised	(45,100)	1	(66,400)	1
Forfeited	-	-	-	-
Outstanding at end of period	274,400	1	208,000	1
Exercisable at end of period	274,400	1	208,000	1

Notes:
1. The weighted average share price at the time of exercise of share options during the previous fiscal year and the current fiscal year was ¥6,127 and ¥6,091 ($42.99), respectively.
2. The exercise price of share options outstanding as of the end of the previous fiscal year and the current fiscal year was both ¥1.
3. The weighted average remaining contract years of share options outstanding as of the end of the previous fiscal year and the current fiscal year were 8.2 years and 7.0 years, respectively.

3) Share-based payment expenses

No expenses were incurred in the previous and current fiscal years, as no new share options have been issued since the fiscal year ended December 31, 2019 and the vesting of outstanding share options had been completed by the end of the fiscal year ended December 31, 2021.

(2) Performance-linked share compensation plan

1) Details of performance-linked share compensation plan

The Company adopts a performance share unit plan under which shares in the Company or money are granted according to the rate of achievement of several predetermined evaluation indicators and other factors. This plan provides an effective incentive for generating and maintaining corporate value over the long term, and is designed to encourage its personnel to share with its shareholders an awareness of the importance of sustainably generating profits.

Each fiscal year, the Company grants share units (one unit = one share) to eligible members (Directors, Executive Officers, and employees). Multiple evaluation indicators are determined in advance, with three fiscal years, including the fiscal year subject to grant, set as the period subject to evaluation. After the end of the evaluation period, the Company calculates a payout ratio within a range of 50% to 150% based on the achievement rate of each evaluation indicator. After adjusting the number of share units based on the payout ratio, the Company grants monetary compensation claims and money for the delivery of the Company's ordinary shares in proportion to the number of such share units to each grantee. All such monetary compensation claims are to be contributed in kind in order to deliver the Company's ordinary shares to each grantee.

2) Method of measuring the fair unit price of the Company's shares granted during the period based on the performance-linked share compensation plan

The fair value of the Company's shares granted during the period is determined based on the share price on the grant date.

The number of share units granted during the period and their fair values are as follows:

		Yen	U.S. dollars
	As of December 31, 2022	As of December 31, 2023	As of December 31, 2023
Number of units granted during the period (units)	161,446	202,094	
Weighted average fair value (yen/ U.S. dollars)	6,438	5,920	41.78

3) Share-based payment expenses

Share-based payment expenses included in "Selling, general and administrative expenses" in the consolidated statement of profit or loss are as follows:

		Millions of yen	Thousands of U.S. dollars
	As of December 31, 2022	As of December 31, 2023	As of December 31, 2023
Equity-settled	892	1,019	7,191
Cash-settled	385	27	191

Total liabilities arising from share-based payment transactions are as follows:

		Millions of yen	Thousands of U.S. dollars
	As of December 31, 2022	As of December 31, 2023	As of December 31, 2023
Total carrying amount of liabilities	881	753	5,314
Total intrinsic value of vested liabilities	881	753	5,314

35. Financial Instruments

(1) Capital management

The Group's basic policy for capital management is to endeavor to maintain its shareholders' equity at an appropriate level as well as to improve its capital efficiency in order to achieve sustainable growth and maximize its corporate value.

Major indicators used by the Group to manage its capital are net debt-to-EBITDA ratio, net debt-to-equity ratio, return on equity (hereinafter "ROE"), and return on invested capital (hereinafter "ROIC").

The Group's net debt-to-EBITDA ratio, net debt-to-equity ratio, ROE, and ROIC are as follows:

	As of December 31, 2022	As of December 31, 2023
Net debt-to-EBITDA ratio (times) (Note 1)	0.31	0.39
Net debt-to-equity ratio (times) (Note 2)	0.05	0.06
ROE (%) (Note 3)	6.0	3.6
ROIC (%) (Note 4)	5.2	4.0

Notes:

1. (Interest-bearing debt (excluding lease liabilities) - Cash and cash equivalents - Time deposits with maturities exceeding 3 months) / EBITDA
   EBITDA = Core operating profit + Depreciation and amortization (excluding depreciation of right-of-use assets)
2. (Interest-bearing debt (excluding lease liabilities) - Cash and cash equivalents - Time deposits with maturities exceeding 3 months) / Equity attributable to owners of parent
3. Profit attributable to owners of parent / Equity attributable to owners of parent (average of the beginning and ending balances)
4. Core operating profit × (1 - Tax rate) / (Interest-bearing debt (average of the beginning and the ending balances, excluding lease liabilities) + Equity attributable to owners of parent (average of the beginning and the ending balances))

The Group is not subject to any significant capital restrictions (excluding the Companies Act and other general regulations).

(2) Financial risk management

The Group is exposed to financial risks (credit risk, liquidity risk, and market risk) in the course of its business activities. To mitigate such financial risks, the Group conducts risk management in accordance with certain policies. The Group limits its investment to short-term deposits and securities, and other similar instruments, and has a policy to use bank borrowings, commercial papers, bonds, and other instruments to procure funds. The Group uses derivatives to avoid the risk of foreign exchange fluctuations of foreign currency-denominated receivables and payables and the risk of fluctuation of borrowing interest rates. The Group limits the use of derivatives to the extent of the balance of receivables and payables and actual demand, and does not engage in speculative transactions. The Group executes and manages derivatives in accordance with the internal rules and regulations that prescribe transaction authority.

1) Credit risk management

Credit risk is the risk that a counterparty to a financial asset held by the Group will default on its contractual obligations, resulting in a financial loss to the Group. Credit risk arises principally from the Group's receivables from customers, loans receivable, and derivatives.

The Group manages due dates and outstanding balances for each counterparty and periodically monitors the credit status of major counterparties. The Group does not have any credit risk overly concentrated in a specific counterparty or a group to which such counterparty belongs.

To mitigate counterparty risk associated with the use of derivatives, the Group enters into derivatives only with highly creditworthy financial institutions and other such counterparties.

The carrying amount of impaired financial assets presented in the consolidated financial statements represents the maximum exposure of the Group's financial assets to credit risk, without taking into account the assessed value of collateral obtained.

Fluctuation analysis of provision for doubtful accounts

The changes in provision for doubtful accounts related to trade receivables are as follows:

	Millions of yen
	Lifetime expected credit losses
Balance as of January 1, 2022	4,060
Increase during period	1,288
Decrease during period (intended use)	(368)
Decrease during period (reversal)	(270)
Other changes	264
Balance as of December 31, 2022	4,972
Increase during period	790
Decrease during period (intended use)	(1,676)
Decrease during period (reversal)	(745)
Other changes	577
Balance as of December 31, 2023	3,919

	Thousands of U.S. dollars
	Lifetime expected credit losses
Balance as of January 1, 2023	35,088
Increase during period	5,575
Decrease during period (intended use)	(11,828)
Decrease during period (reversal)	(5,258)
Other changes	4,072
Balance as of December 31, 2023	27,657

There are no financial assets that were directly written off in the current fiscal year but for which collection activities are still ongoing.

A maturity analysis of the carrying amount of trade receivables and the corresponding provision for doubtful accounts is as follows: For financial assets other than trade receivables, there are no items that are materially past due or have significant credit risk exposure.

Previous fiscal year (As of December 31, 2022)

Millions of yen

	Not yet due	Past due				Total
		Within 30 days	Over 30 days	Over 60 days	Over 90 days	
Trade receivables	150,426	10,865	4,524	602	3,763	170,183
Provision for doubtful accounts	1,136	20	34	27	3,753	4,972

Current fiscal year (As of December 31, 2023)

Millions of yen

	Not yet due	Past due				Total
		Within 30 days	Over 30 days	Over 60 days	Over 90 days	
Trade receivables	112,626	12,226	3,255	500	4,904	133,512
Provision for doubtful accounts	178	37	9	30	3,663	3,919

Thousands of U.S. dollars

	Not yet due	Past due				Total
		Within 30 days	Over 30 days	Over 60 days	Over 90 days	
Trade receivables	794,820	86,281	22,971	3,529	34,608	942,216
Provision for doubtful accounts	1,256	261	64	212	25,850	27,657

2) Liquidity risk management

Liquidity risk is the risk that the Group is unable to perform the repayment obligations of financial liabilities on their due dates.

The Group strives to generate stable operating cash flows and secure a wide range of financing sources, while always seeking to appropriately secure adequate funds for its business activities, maintain liquidity, and achieve a sound financial condition. The Group limits its investments to short-term deposits and securities, and other similar instruments.

The Group manages its liquidity risk mainly by preparing and updating a cash management plan on a monthly basis.

The balances of financial liabilities (including derivative financial instruments) by due date are as follows. All financial liabilities included in current liabilities other than those listed below are due within one year and their carrying amounts are equal to the contractual cash flows, and therefore, they are not included in the table below.

Previous fiscal year (As of December 31, 2022)

Millions of yen

	Carrying amount	Contractual cash flow	Due within 1 year	Due after 1-2 years	Due after 2-3 years	Due after 3-4 years	Due after 4-5 years	Due after 5 years
Non-derivative financial liabilities								
Borrowings	95,990	96,379	16,169	30,064	5,063	55	45,026	-
Bonds	70,000	70,553	10,133	130	40,115	90	20,084	-
Lease liabilities	131,198	138,721	24,629	20,541	14,969	12,421	9,607	56,551
Long-term accounts payable-other (including current portion)	5,054	5,460	923	1,080	1,124	1,181	503	647
Derivative financial liabilities								
Derivative liabilities	88	88	88	-	-	-	-	-

Notes:

1. Receivables and payables arising from derivatives are presented on a net basis.
2. The above amounts of liabilities are presented as the sum of current liabilities and non-current liabilities.

Current fiscal year (As of December 31, 2023)

Millions of yen

	Carrying amount	Contractual cash flow	Due within 1 year	Due after 1-2 years	Due after 2-3 years	Due after 3-4 years	Due after 4-5 years	Due after 5 years
Non-derivative financial liabilities								
Borrowings	100,559	100,784	50,071	5,066	271	45,238	137	-
Bonds	60,000	60,419	130	40,115	90	20,084	-	-
Lease liabilities	120,422	126,104	22,617	17,289	14,310	11,522	10,088	50,276
Long-term accounts payable-other (including current portion)	7,173	7,034	1,924	1,419	1,580	1,319	790	-
Derivative financial liabilities								
Derivative liabilities	2,161	2,161	1,645	-	515	-	-	-

Thousands of U.S. dollars

	Carrying amount	Contractual cash flow	Due within 1 year	Due after 1-2 years	Due after 2-3 years	Due after 3-4 years	Due after 4-5 years	Due after 5 years
Non-derivative financial liabilities								
Borrowings	709,661	711,249	353,359	35,752	1,912	319,252	967	-
Bonds	423,430	426,387	917	283,098	635	141,736	-	-
Lease liabilities	849,838	889,936	159,612	122,011	100,988	81,313	71,193	354,806
Long-term accounts payable-other (including current portion)	50,621	49,640	13,578	10,014	11,150	9,308	5,575	-
Derivative financial liabilities								
Derivative liabilities	15,251	15,251	11,609	-	3,634	-	-	-

Notes:

1. Receivables and payables arising from derivatives are presented on a net basis.
2. The above amounts of liabilities are presented as the sum of current liabilities and non-current liabilities.

3) Market risk management

The Group is exposed to risks associated with market fluctuations such as foreign exchange fluctuations and interest rate fluctuations in the course of its business activities. To appropriately manage these market risks, the Group may use derivatives, including foreign exchange forward contracts, currency swap contracts, and interest rate swap contracts. The Group executes and manages derivatives in accordance with the internal rules and regulations that prescribe transaction authority. The Group does not use derivatives for speculative purposes. Therefore, changes in the fair value of derivatives held by the Company generally have the effect of offsetting changes in the fair value or cash flows of the corresponding transactions.

(i) Foreign exchange risk

The Group is engaged in business on a global scale and therefore is exposed to the risk of foreign exchange fluctuations of foreign currency-denominated receivables and payables mainly arising from foreign currency transactions. The risk of foreign exchange fluctuations associated with foreign currency transactions are hedged using derivatives (foreign exchange forward contracts and foreign currency options) to mitigate its impact on operating results.

The Group's net exposures to foreign exchange fluctuation risk associated with receivables and payables denominated in the major foreign currencies of the US dollar, Euro, and Chinese yuan that it held at the end of each fiscal year are as follows: The following table excludes the amounts for which foreign exchange fluctuation risk is hedged by derivatives.

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2023
US dollar	21,728	18,055	127,417
Euro	4,072	1,427	10,071
Chinese yuan	164	3,320	23,430

For foreign currency-denominated receivables and payables held by the Group at the end of each fiscal year, the effect of a 10% appreciation of the Japanese yen on profit before tax in the consolidated statement of profit or loss is as follows:

This analysis does not include the effects of translating financial instruments denominated in functional currencies as well as assets and liabilities, and income and expenses of foreign operations into the Japanese yen. It also assumes that currencies other than the respective currencies used in the calculations remain constant.

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2023
US dollar	(2,172)	(1,805)	(12,738)
Euro	(407)	(142)	(1,002)
Chinese yuan	(16)	(332)	(2,343)

(ii) Interest rate risk management

The Group is exposed to various interest rate fluctuation risks in its business activities. Among interest-bearing debts, short-term borrowings and commercial papers are primarily used to procure funds for operating transactions, whereas long-term borrowings, bonds, and lease liabilities are primarily used to procure funds for investments and loans, capital expenditures, and operating transactions. Since floating-rate borrowings are exposed to interest rate fluctuation risk, the Group hedges interest rate fluctuation risk by using derivatives instruments such as interest rate swaps for each individual contract, as necessary. Therefore, exposure to the interest rate fluctuation risk of the Group is limited, and the impact on the interest rate fluctuation is determined to be immaterial.

(3) Fair value of financial instruments

Financial instruments measured at fair value are classified into the following three levels according to the observability and materiality of inputs used to measure such financial instruments.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2: Fair value measured by directly or indirectly using observable prices, other than level 1 prices
Level 3: Fair value measured using valuation techniques that incorporate unobservable inputs

1) Methods of fair value measurement

The methods of measuring the fair value of financial instruments are as follows:

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

The fair value of these instruments is measured at their carrying amount as their fair value approximates their carrying amount because of their short settlement periods.

(Other financial assets, other financial liabilities)

Of the financial assets measured at fair value through other comprehensive income and the financial assets measured at fair value through profit or loss, listed shares are measured at the quoted market price at the fiscal year-end, whereas unlisted shares and investments in capital are primarily measured using the discounted cash flow (hereinafter "DCF") method.

Other financial assets measured at amortized cost mainly include long-term loans receivable, and leasehold and guarantee deposits. Other financial liabilities measured at amortized cost mainly include long-term accounts payable - other. The fair value of long-term loans receivable, leasehold and guarantee deposits, and long-term accounts payable - other is measured at the present value of future cash flows discounted at the current market interest rate, etc. The fair value of financial assets and financial liabilities measured at amortized cost that have short settlement periods is measured at the carrying amount as their fair value approximates their carrying amount.

Of the derivatives that are either financial assets or financial liabilities measured at fair value through profit or loss, foreign exchange forward contracts and interest rate swap contracts are measured based on forward foreign exchange rates provided by counterparty financial institutions or interest rates of interest rate swap contracts, etc. at the end of the accounting period. Written call option liabilities for investments accounted for using equity method are calculated using the binomial model based on the fair value of the underlying share, time to maturity, volatility, and other factors.

(Bonds and borrowings)

The fair value of short-term borrowings is measured at their carrying amount as their fair value approximates their carrying amount because of their short settlement periods.

The fair value of long-term borrowings with floating interest rates is measured at their carrying amount as their fair value reflects the market interest rates within a short period of time and therefore approximates their carrying amount.

The fair value of long-term borrowings with fixed interest rates is measured at the present value of future cash flows discounted at an interest rate assumed to be applied if similar contracts were newly executed.

The fair value of bonds is measured based on quoted market prices, etc.

2) Financial instruments measured at amortized cost

The carrying amount and the fair value of financial instruments measured at amortized cost are as follows: The table below does not include financial instruments whose fair value closely approximates their carrying amount.

			Millions of yen		Thousands of U.S. dollars	
	As of December 31, 2022		As of December 31, 2023		As of December 31, 2023	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Assets:						
Other financial assets						
Leasehold and guarantee deposits	24,574	18,682	24,522	18,593	173,056	131,214
Long-term loans receivable	39,183	28,643	46,304	37,601	326,775	265,356
Total	63,758	47,326	70,827	56,194	499,838	396,570

Note: Their fair value is categorized as level 2 of the fair value hierarchy.

3) Financial instruments measured at fair value

The fair value hierarchy of financial instruments measured at fair value is as follows:

Previous fiscal year (As of December 31, 2022)

Millions of yen

	Level 1	Level 2	Level 3	Total
Assets:				
Financial assets measured at fair value through profit or loss				
Other financial assets				
Derivatives	-	2,043	-	2,043
Investments in capital	-	-	3,127	3,127
Others	252	-	3,413	3,665
Financial assets measured at fair value through other comprehensive income				
Other financial assets				
Shares and investments in capital	5,661	146	3,656	9,464
Total	5,914	2,189	10,196	18,300
Liabilities:				
Financial liabilities measured at fair value through profit or loss				
Other financial liabilities				
Derivatives	-	88	-	88
Total	-	88	-	88

Current fiscal year (As of December 31, 2023)

Millions of yen

	Level 1	Level 2	Level 3	Total
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
Others	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	5,420	1,360	12,380	19,161
Liabilities:				
Financial liabilities measured at fair value through profit or loss				
Other financial liabilities				
Derivatives	-	1,645	515	2,161
Total	-	1,645	515	2,161

Current fiscal year (As of December 31, 2023)

	Level 1	Level 2	Level 3	Total
				Thousands of U.S. dollars
Assets:				
Financial assets measured at fair value through profit or loss				
Other financial assets				
Derivatives	-	8,511	-	8,511
Investments in capital	-	-	28,878	28,878
Others	1,990	-	24,940	26,930
Financial assets measured at fair value through other comprehensive income				
Other financial assets				
Shares and investments in capital	36,260	1,080	33,550	70,889
Total	38,250	9,598	87,368	135,222
Liabilities:				
Financial liabilities measured at fair value through profit or loss				
Other financial liabilities				
Derivatives	-	11,609	3,634	15,251
Total	-	11,609	3,634	15,251

Transfers between levels of the fair value hierarchy were recognized on the date the event or change in circumstances giving rise to the transfer occurred. No transfer was made between level 1, level 2 and level 3 of the fair value hierarchy in the previous and current fiscal years.

4) Information on fair value measurement of financial instruments categorized as level 3

Financial instruments categorized as level 3 mainly consist of unlisted shares, investments in capital and written call option liabilities for investments accounted for using equity method. Fair value of unlisted shares and investments in capital is measured primarily using the DCF method. Written call option liabilities for investments accounted for using equity method are calculated using the binomial model based on the fair value of the underlying share, time to maturity, volatility, and other inputs.

The fair value of financial instruments categorized as level 3 is measured in accordance with the group accounting policy and accounting guidelines using valuation techniques that appropriately reflect the nature, characteristics, and risk of the financial instruments, as well as using cash flows and other inputs. The valuation and the analysis of the valuation results are performed by the members in charge of the responsible department. The valuation results are reviewed and approved by the head of the responsible department.

For financial instruments categorized as level 3, no significant change in their fair value is expected if any of the unobservable inputs is changed to reflect reasonably possible alternative assumptions.

5) Reconciliation of financial instruments categorized as level 3

Changes in the balances of financial instruments categorized as level 3 from the beginning to the end of each fiscal year are as follows:

Previous fiscal year (From January 1, 2022 to December 31, 2022)

	Millions of yen		
	Financial assets measured at fair value through other comprehensive income	Financial assets measured at fair value through profit or loss	Financial liabilities measured at fair value through profit or loss
Beginning balance	3,712	3,250	-
Total gains and losses			
Profit or loss (Note 1)	-	120	-
Other comprehensive income (Note 2)	(241)	-	-
Purchase	169	1,696	-
Sale	-	(1,182)	-
Others	16	2,654	-
Ending balance	3,656	6,540	-

Current fiscal year (From January 1, 2023 to December 31, 2023)

	Millions of yen			Thousands of U.S. dollars		
	Financial assets measured at fair value through other comprehensive income	Financial assets measured at fair value through profit or loss	Financial liabilities measured at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income	Financial assets measured at fair value through profit or loss	Financial liabilities measured at fair value through profit or loss
Beginning balance	3,656	6,540	-	25,801	46,154	-
Total gains and losses						
Profit or loss (Note 1)	-	408	515	-	2,879	3,634
Other comprehensive income (Note 2)	111	-	-	783	-	-
Purchase	999	502	-	7,050	3,543	-
Sale	(28)	(14)	-	(198)	(99)	-
Others	14	190	-	99	1,341	-
Ending balance	4,754	7,626	515	33,550	53,818	3,634

Notes:

1. The amounts of profit or loss are included in “Finance income” and “Finance costs” in the consolidated statement of profit or loss. The amounts attributable to changes in unrealized gains or losses related to financial assets measured at fair value through profit or loss held as of as of the end of each fiscal year were ¥120 million and ¥408 million ($2,879 thousand) for the previous and the current fiscal year, respectively. The amount attributable to changes in unrealized gains or losses related to financial liabilities measured at fair value through profit or loss held as of the end of the current fiscal year is ¥515 million ($3,634 thousand).
2. The amounts of other comprehensive income are included in “Financial assets measured at fair value through other comprehensive income” in the consolidated statement of comprehensive income.

(4) Hedge accounting

1) Risk management policy

The Group enters into derivatives for the following purposes: (i) foreign exchange forward contracts and foreign currency options to hedge the risk of foreign exchange fluctuations of foreign currency-denominated receivables and payables, and foreign currency-denominated receivables and payables that are certainly expected to arise from forecast transactions; (ii) interest rate swap contracts to hedge the risk of interest rate fluctuations associated with borrowings; and (iii) interest rate and currency swap contracts to hedge the risk of foreign exchange fluctuations and the risk of interest rate fluctuations associated with foreign currency-denominated borrowings. Of these derivatives, the Group designates interest rate swap contracts that qualify for hedge accounting as cash flow hedges and applies hedge accounting.

In applying hedge accounting, the same notional amount, term (maturity), and underlying interest rates are set for the hedging instrument and the hedged item, in principle, to maintain the effectiveness of the hedging relationship throughout the hedge period. The Group sets an appropriate hedge ratio based on the relationship between the hedging instrument and the hedged item, which is generally one-to-one.

2) Information on items designated as hedging instruments

Amounts of items designated as hedging instruments are as follows:

Previous fiscal year (As of December 31, 2022)

	Millions of yen					
	Notional amount	Of which, due after one year	Carrying amount		Weighted average interest rate (fixed)	Line item in the consolidated statement of financial position
			Assets	Liabilities		
Interest rate risk						
Interest rate swap contracts	15,915	-	-	62	1.155%	Other financial liabilities (current)

Current fiscal year (As of December 31, 2023)

Not applicable.

3) Information on items designated as hedged items

For items designated as hedged items, the balance of cash flow hedge reserve for continuing hedges is as follows:

There was no cash flow hedge reserve arising from hedge relationships for which hedge accounting was discontinued. As the amount of the ineffective portion of hedges recognized in profit or loss was immaterial, the disclosure of changes in fair value is omitted for the hedging instruments and hedged items used as a basis for recognizing the ineffective portion.

	Millions of yen		Thousands of U.S. dollars
	As of December 31, 2022	As of December 31, 2023	As of December 31, 2023
Interest rate risk			
Interest rate swap contracts	(43)	-	-

4) Impact of the application of hedge accounting on the consolidated statement of profit or loss and the consolidated statement of comprehensive income

The impact of the application of hedge accounting on the consolidated statement of profit or loss and the other comprehensive income (before tax effect) is as follows:

Previous fiscal year (From January 1, 2022 to December 31, 2022)

	Hedging gains or losses recognized in other comprehensive income	Amount reclassified from cash flow hedge reserve to profit or loss	Line item in profit or loss affected by reclassification
	Millions of yen	Millions of yen	
Interest rate risk			
Interest rate swap contracts	(52)	191	Finance costs

Current fiscal year (From January 1, 2023 to December 31, 2023)

	Hedging gains or losses recognized in other comprehensive income		Amount reclassified from cash flow hedge reserve to profit or loss		Line item in profit or loss affected by reclassification
	Millions of yen	Thousands of U.S. dollars	Millions of yen	Thousands of U.S. dollars	
Interest rate risk					
Interest rate swap contracts	3	21	59	416	Finance costs

36. Major Subsidiaries

(1) Major subsidiaries

The information on major subsidiaries as of the end of the current fiscal year is as stated in “1. Overview of the Company 4. Information on subsidiaries and associates.”

Compared to the previous fiscal year, the number of subsidiaries increased by 3 and decreased by 8.

(2) Gains or losses associated with loss of control of subsidiaries

Previous fiscal year (From January 1, 2022 to December 31, 2022)

(Company split of the Professional Business, and share transfer and asset transfer to the successor company)

1) Overview of loss of control

Effective on July 1, 2022, the Professional Business (hereinafter “the Business”) was succeeded by Shiseido Professional Cp., Ltd. (hereinafter “SPI”) through a company split, followed by a transfer of 80% of SPI shares to Henkel Nederland B.V., a subsidiary of Henkel AG & Co. KGaA (hereinafter “Henkel”), and all of the outstanding shares of Shiseido Professional (Thailand) Co. Ltd. were transferred to Henkel Group companies. In addition, four of the Company’s subsidiaries, Shiseido (China) Co., Ltd., Shiseido Hong Kong Ltd., Shiseido Singapore Co. (Pte) Ltd. and Shiseido Korea Co., Ltd. transferred their assets of the Business to Henkel Group companies.

In addition to the above noted subsidiaries, two of the Company’s subsidiaries that operate the Business in Asia Pacific (FLELIS International Inc. and Shiseido Malaysia Sdn. Bhd.) transferred their assets of the Business effective on January 1, 2023 while received consideration for the transfer in December 2022.

As a result of the above transactions, after adjustment for net decrease in working capital, etc., the total amount of consideration for transfer of shares and assets was ¥11,884 million. Furthermore, this adjustment did not have any impact on gain on sale of businesses recorded for the previous fiscal year.

The company split, share transfer and asset transfer were conducted pursuant to the Purchase Agreement between the Company and Henkel dated February 9, 2022.

The following section details the transfer of the business executed in 2022:

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	5,910
Non-current assets	1,155
Breakdown of liabilities at the time of loss of control	
Current liabilities	3,414
Non-current liabilities	1,057

3) Relationship between consideration received and proceeds and payments due to sale

	Millions of yen
Consideration received by cash	12,121
Cash and cash equivalents of assets at the time of loss of control	3,020
Proceeds from sale of business	9,101

4) Gains or losses associated with loss of control

Out of the gain on sale of businesses of ¥10,901 million, ¥2,060 million was caused by measuring retained investment in the former subsidiaries at fair value as of the date of loss of control. These amounts are included in “Other operating income” in the consolidated statement of profit or loss.

Current fiscal year (From January 1, 2023 to December 31, 2023)

(Company split of the manufacturing operations of personal care products, share transfer to the successor company, and equity interest transfer)

1) Overview of loss of control

Effective on April 1, 2023, the manufacturing operations of personal care products at Shiseido Kuki Factory was succeeded by Fine Today Industries Co., Ltd. (hereinafter "FTI") through an absorption-type company split, and all of the outstanding shares of FTI were transferred to FTH.

In addition, effective on December 1, 2023, the Company transferred all of the equity interests in Shiseido Vietnam Inc. (hereinafter "SVI"), which is a subsidiary of the Company operating the Shiseido Vietnamese Factory to FTH.

These company split and share transfer have been made pursuant to a transfer agreement entered into on August 1, 2022 between the Company and Asian Personal Care Holding, Inc. (currently, FTH).

The following section details the transfer of the business executed in 2023:

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

	Millions of yen	Thousands of U.S. dollars
Breakdown of assets at the time of loss of control		
Current assets	22,191	156,606
Non-current assets	465	3,282
Breakdown of liabilities at the time of loss of control		
Current liabilities	1,621	11,440
Non-current liabilities	692	4,884

3) Relationship between consideration received and proceeds and payments due to sale

	Millions of yen	Thousands of U.S. dollars
Consideration received by cash	10,554	74,481
Cash and cash equivalents of assets at the time of loss of control	10,681	75,378
Accounts receivable - other	(1,573)	(11,101)
Payments for the sale of the business	1,700	11,997

Note: The amounts are after adjustment for net decrease in working capital, etc. "Accounts receivable - other" represents the amount of consideration not yet received as of the end of the current fiscal year.

4) Gains or losses associated with loss of control

The loss recognized associated with the loss of control of the shares of FTI and the equity interests in SVI held by the Company during the current fiscal year amounted to ¥7,767 million ($54,813 thousand) 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 it was loss of control.

Share of profit of investments accounted for using equity method recorded in the current fiscal year includes ¥1,730 million ($12,209 thousand) 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.

37. Related Parties

(1) Related party transactions

Previous fiscal year (From January 1, 2022 to December 31, 2022)

Type of relationship	Name	Description of transaction	Transaction amount (Millions of yen)	Outstanding balance (Millions of yen)
Officer	Masahiko Uotani	Exercise of share acquisition rights (share options)	37	-

Current fiscal year (From January 1, 2023 to December 31, 2023)

Not applicable.

(2) Key management personnel compensation

Compensation paid to key management personnel is as follows:

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2023
Short-term employee benefits	1,996	2,217	15,646
Post-retirement benefits	51	48	339
Share-based payments	694	460	3,246
Others	20	75	529
Total	2,763	2,802	19,774

38. Commitments

Commitments related to expenditures after the current fiscal year end as follows:

	Millions of yen		Thousands of U.S. dollars
	As of December 31, 2022	As of December 31, 2023	As of December 31, 2023
Purchase of property, plant and equipment	1,133	716	5,053
Purchase of intangible assets (Note)	25,016	14,929	105,356
Total	26,149	15,645	110,409

In addition to the above, the amount of contracted lease transactions that had not commenced as of the end of previous fiscal year was ¥451 million. Since the lease term for this contract has not commenced, no right-of-use assets or lease liabilities have been recorded. The amount of contracted lease transactions that had not commenced as of the end of the current fiscal year is zero.

Note: The Group has concluded a blanket contract for system development, and operation and maintenance services, for which the total contract amount has already been determined, but since the amount of consideration for part of the contract has yet to be determined, the amounts shown above refer to the contract balance.

Accordingly, the above amounts include the amounts to be expensed in future periods.

39. Contingencies

(A dispute from a business partner regarding the agreement)

In February 2023, a claim was filed against an European subsidiary of the Company by a business partner regarding performance of the services stipulated in the agreement with the business partner. The Group assessed the alleged claim and submitted its arguments to the arbitration court. The Group is unable to reasonably estimate the amount of payment, and has not recorded any liability related to this claim.

40. 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 (hereinafter "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 Corp. (hereinafter "Shiseido America"). Shiseido America concluded the equity purchase agreement with the Acquiree and the shareholders of the Acquiree. On February 5, 2024, the Company completed the procedures for the acquisition of 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 Group 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 Group both in terms of growth and profitability, in addition to providing an opportunity to diversify its geographical footprint. Together, we are well positioned to leverage the Group'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

Acquisition of shares by cash consideration

(4) Date of acquisition

February 5, 2024

(5) Percentage of equity acquired

100%

* A company by the name of MPGC DDG II Blocker, LLC (hereinafter "Blocker") exists to temporarily hold a portion of equity (10%) to organize the equity owners of the Acquiree. Shiseido America 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 ($455,984 thousand)

For the payment on the date of acquisition, the Company took out the short-term borrowings of ¥48,000 million ($338,744 thousand) on February 2, 2024.

3. Transactions recognized separately from the business combination

The Group incurred acquisition-related costs of ¥914 million ($6,450 thousand) for the current fiscal year and it is included in "Selling, general and administrative expenses" and ¥232 million ($1,637 thousand) is estimated for the next fiscal year.

The total retention bonus of $6 million (¥864 million) and the total milestone bonus of $10 million (¥1,440 million) are recognized separately from the business combination and it will be expensed in "Selling, General and Administrative Expenses" from the next fiscal year for 3 years and 5 years, respectively.

4. Fair value of assets acquired and liabilities assumed at the acquisition date

It is under evaluation.

5. Amount of recognized goodwill and reason for recognition

It is under evaluation.

(Implementation of an early retirement incentive plan)

At the meeting of Board of Directors dated February 29, 2024, the Company resolved to implement the early retirement incentive plan as part of the business transformation of Shiseido Japan Co.,Ltd. (hereinafter “Shiseido Japan”), which oversees Japan Business.

1. Reason for implementing the early retirement incentive plan

Shiseido Japan is implementing a new business transformation plan called “Mirai Shift NIPPON 2025,” which consists of three pillars – “sustainable growth,” “building a profitable foundation,” and “human capital transformation.” As part of the “human capital transformation,” Shiseido Japan is implementing the “Mirai Career Plan” to support the career of each and every employee. This plan aims to establish people and organizations that continue to self-innovate at an early stage. As part of the Mirai Career Plan, the Company decided to offer the early retirement incentive plan to employees who are looking for a new challenge and wish to utilize the experience and skills they have developed at the Group in their careers outside the company and society.

2. Overview of the early retirement incentive plan

(1) Eligible employees: Employees currently with Shiseido Japan who meet certain age and length of employment requirements

(2) Estimated number of applicants: Approximately 1,500 persons

(3) Application period: April 17, 2024 to May 8, 2024

(4) Applicants’ date of retirement: September 30, 2024

(5) Support plan and benefits:

Special additional benefits based on the retirement age added to the regular retirement allowance

Reemployment support to those who wish to use it

3. Impact on the consolidated statement of profit or loss of the early retirement incentive plan

As for the impact of this matter on our business performance for the fiscal year ending December 31, 2024, we expect the total amount of expenses, including additional retirement benefits, to be approximately ¥19.0 billion ($134.1 million).

(2) Others

(Quarterly information for the current fiscal year)

Millions of yen

(Cumulative period)	1st Quarter	2nd Quarter	3rd Quarter	Current Fiscal year
Net sales	240,009	494,189	722,417	973,038
Profit before tax	10,319	15,391	28,721	31,037
Profit attributable to owners of parent	8,680	11,753	20,517	21,749
Basic earnings per share (yen)	21.72	29.42	51.34	54.43

(Each quarter)	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Basic quarterly earnings per share (yen)	21.72	7.69	21.93	3.08

Thousands of U.S. dollars

(Cumulative period)	1st Quarter	2nd Quarter	3rd Quarter	Current Fiscal year
Net sales	1,693,783	3,487,572	5,098,215	6,866,888
Profit before tax	72,823	108,617	202,689	219,033
Profit attributable to owners of parent	61,256	82,943	144,792	153,486
Basic earnings per share (U.S. dollars)	0.15	0.21	0.36	0.38

(Each quarter)	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Basic quarterly earnings per share (U.S. dollars)	0.15	0.05	0.15	0.02

(Significant litigation)

Significant litigation and other matters are described in “39. Contingencies, (1) Consolidated Financial Statements, Notes to the Consolidated Financial Statements.”

2. Non-Consolidated Financial Statements

(1) Non-Consolidated Financial Statements

1) Non-Consolidated Balance Sheet

	Notes	Millions of yen		Thousands of U.S. dollars
		As of December 31, 2022	As of December 31, 2023	As of December 31, 2023
Assets				
Current assets:				
Cash and deposits		15,136	19,207	135,547
Accounts receivable	1	96,560	73,900	521,524
Merchandise and finished goods		13,995	10,811	76,295
Work in process		5,913	5,585	39,414
Raw materials and supplies		19,345	21,948	154,891
Prepaid expenses		4,817	6,143	43,352
Short-term loans receivable	1	527	-	-
Accounts receivable-other	1	20,876	22,453	158,454
Other	1	67,953	46,948	331,320
Allowance for doubtful accounts		(155)	(196)	(1,383)
Total current assets		244,971	206,801	1,459,428
Non-current assets:				
Property, plant and equipment:				
Buildings		115,146	107,813	760,854
Structures		4,076	3,850	27,170
Machinery and equipment		60,698	56,064	395,653
Vehicles		204	127	896
Tools, furniture and fixtures		11,574	10,483	73,980
Land		38,718	34,889	246,217
Leased assets		2,500	1,907	13,458
Construction in progress		2,136	1,158	8,172
Total property, plant and equipment		235,055	216,293	1,526,415
Intangible assets:				
Patent right		16	11	78
Telephone subscription right		118	95	670
Software		31,401	48,307	340,910
Software in progress		16,282	5,998	42,329
Leased assets		59	49	346
Other		764	643	4,538
Total intangible assets		48,642	55,105	388,885

	Notes	Millions of yen		Thousands of U.S. dollars
		As of December 31, 2022	As of December 31, 2023	As of December 31, 2023
Investments and other assets:				
Investment securities		2,782	3,058	21,581
Shares of subsidiaries and associates		315,357	315,257	2,224,820
Investments in other securities of subsidiaries and associates		17,631	27,150	191,602
Investments in capital		110	110	776
Investments in capital of subsidiaries and associates		11,816	12,565	88,673
Long-term loans receivable	1	734	1,278	9,019
Long-term prepaid expenses		516	480	3,387
Deferred tax assets		23,913	25,795	182,040
Other		4,120	5,695	40,191
Total investments and other assets		376,983	391,392	2,762,117
Total non-current assets		660,681	662,792	4,677,431
Total assets		905,652	869,593	6,136,860

	Notes		Millions of yen	Thousands of U.S. dollars
		As of December 31, 2022	As of December 31, 2023	As of December 31, 2023
Liabilities				
Current liabilities:				
Electronically recorded obligations-operating		33,056	33,650	237,474
Accounts payable - trade	1	11,849	10,593	74,757
Short-term borrowings		-	20,000	141,143
Current portion of long-term borrowings		-	30,000	211,715
Current portion of bonds payable		10,000	-	-
Lease liabilities		1,508	1,073	7,572
Accounts payable - other	1	39,286	28,187	198,920
Accrued expenses	1	1,578	1,097	7,742
Income taxes payable		-	173	1,221
Deposits received		650	1,243	8,772
Deposits received from subsidiaries and associates		94,635	100,115	706,528
Provision for bonuses		6,650	5,137	36,253
Provision for bonuses for directors (and other officers)		246	208	1,468
Provision for structural reform		2,040	687	4,848
Other	1	20,893	8,670	61,186
Total current liabilities		222,396	240,839	1,699,640
Non-current liabilities:				
Bonds payable		60,000	60,000	423,430
Long-term borrowing		80,000	50,000	352,858
Lease liabilities		1,104	928	6,549
Provision for retirement benefits		4,900	3,440	24,277
Provision for loss on guarantees		350	350	2,470
Asset retirement obligations		700	432	3,049
Other		2,822	2,094	14,778
Total non-current liabilities		149,877	117,245	827,417
Total liabilities		372,273	358,084	2,527,057

	Notes	Millions of yen		Thousands of U.S. dollars
		As of December 31, 2022	As of December 31, 2023	As of December 31, 2023
Net assets				
Shareholders' equity:				
Share capital		64,506	64,506	455,229
Capital surplus:				
Legal capital surplus		70,258	70,258	495,822
Other capital surplus		-	17	120
Total capital surplus		70,258	70,275	495,942
Retained earnings:				
Legal retained earnings		16,230	16,230	114,538
Other retained earnings:				
Reserve for tax purpose reduction entry of non-current assets		4,739	4,795	33,839
Retained earnings brought forward		378,798	356,134	2,513,296
Total retained earnings		399,768	377,160	2,661,680
Treasury shares		(2,089)	(1,591)	(11,228)
Total shareholders' equity		532,443	510,351	3,601,630
Valuation and translation adjustments:				
Valuation difference on available-for-sale securities		(23)	441	3,112
Total valuation and translation adjustments		(23)	441	3,112
Share acquisition rights		958	716	5,053
Total net assets		533,379	511,508	3,609,795
Total liabilities and net assets		905,652	869,593	6,136,860

2) Non-Consolidated Statement of Income

	Notes	Millions of yen		Thousands of U.S. dollars
		Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2023
Net sales	1	305,969	259,361	1,830,353
Cost of sales	1	187,048	153,161	1,080,882
Gross profit		118,920	106,200	749,471
Selling, general and administrative expenses	1, 2	104,135	109,931	775,801
Operating profit (loss)		14,785	(3,730)	(26,323)
Non-operating income				
Interest income	1	625	1,849	13,049
Dividend income	1	27,630	31,015	218,878
Foreign exchange gains		275	-	-
Gain on investments in investment partnerships	1	1,493	1,548	10,924
Royalty income	1	1,194	1,205	8,504
Other	1	3,601	2,257	15,928
Total non-operating income		34,820	37,876	267,297
Non-operating expenses				
Interest expenses	1	1,050	3,438	24,263
Interest expenses on bonds		75	133	939
Loss on investments in investment partnerships		162	314	2,216
Provision of allowance for doubtful accounts		19	41	289
Foreign exchange losses		-	527	3,719
Other		533	230	1,623
Total non-operating expenses		1,840	4,685	33,063
Ordinary profit		47,765	29,459	207,897
Extraordinary income				
Gain on sale of non-current assets	3	443	7,080	49,965
Gain on sale of investment securities		260	143	1,009
Gain on sale of shares of subsidiaries and associates		-	8,500	59,986
Gain on cancellation of leases		63	0	0
Gain on sale of businesses	4	5,868	-	-
Subsidy income		5	-	-
Total extraordinary income		6,642	15,724	110,967
Extraordinary losses				
Loss on disposal of non-current assets		706	1,049	7,403
Impairment losses	5	10,809	6,889	48,617
Structural reform expenses	1, 6	4,186	5,957	42,040
Loss on valuation of investment securities		-	1,368	9,654
Loss on sale of businesses	1,7	-	12,920	91,179
Loss on valuation of shares of subsidiaries and associates		2,943	-	-
Total extraordinary losses		18,644	28,185	198,906
Profit before income taxes		35,763	16,999	119,965
Income taxes - current		6,635	(256)	(1,807)
Income taxes - deferred		657	(2,091)	(14,757)
Total income taxes		7,293	(2,347)	(16,563)
Net profit		28,470	19,346	136,528

[Details of manufacturing cost]

Classification	Fiscal year ended December 31, 2022		Fiscal year ended December 31, 2023		
	Millions of yen	% of Total	Millions of yen	Thousands of U.S. dollars	% of Total
I Raw material costs (Note 1)	92,364	59.3	73,935	521,771	56.6
II Labor costs	22,187	14.3	19,989	141,066	15.3
III Other expenses (Note 2)	41,157	26.4	36,755	259,386	28.1
Total manufacturing expenses for the current period	155,709	100.0	130,680	922,230	100.0
Work in process inventory at the beginning of the period	5,454		5,913	41,729	
Decrease due to company split	-		466	3,289	
Total	161,164		136,127	960,670	
Work in process inventory at the end of the period	5,913		5,585	39,414	
Cost of products manufactured for the current period	155,250		130,541	921,249	

Notes:

1. Outsourced processing expenses included in raw material costs were ¥10,913 million for the previous fiscal year and ¥10,551 million ($74,460 thousand) for the current fiscal year.
2. A breakdown of other expenses is as follows:

	Millions of yen		Thousands of U.S. dollars
Items	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2023
Outsourced processing expenses	11,895	9,989	70,494
Depreciation	10,864	11,036	77,883
Repair expenses	2,402	2,146	15,145

(Method of Cost Accounting)

The Company has adopted the simple process cost accounting system based on standard cost, and the cost variance is allocated to the cost of sales, finished goods and work in process at year-end.

3) Non-Consolidated Statement of Changes in Equity

Previous fiscal year (From January 1, 2022 to December 31, 2022)

Millions of yen

	Shareholders' equity						
		Capital surplus		Retained earnings			
					Other retained earnings		
	Share capital	Legal capital surplus	Total capital surplus	Legal retained earnings	Reserve for tax purpose reduction entry of non-current assets	Retained earnings brought forward	Total retained earnings
Balance at beginning of period	64,506	70,258	70,258	16,230	4,545	372,574	393,350
Changes during period							
Dividends of surplus						(21,973)	(21,973)
Net profit						28,470	28,470
Provision of reserve for tax purpose reduction entry					193	(193)	-
Purchase of treasury shares							
Disposal of treasury shares						(78)	(78)
Net changes of items other than shareholders' equity							
Total changes during period	-	-	-	-	193	6,224	6,418
Balance at end of period	64,506	70,258	70,258	16,230	4,739	378,798	399,768

	Shareholders' equity		Valuation and translation adjustments		Share acquisition rights	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of period	(2,338)	525,777	651	651	1,067	527,496
Changes during period						
Dividends of surplus		(21,973)				(21,973)
Net profit		28,470				28,470
Provision of reserve for tax purpose reduction entry		-				-
Purchase of treasury shares	(9)	(9)				(9)
Disposal of treasury shares	257	179				179
Net changes of items other than shareholders' equity		-	(675)	(675)	(108)	(783)
Total changes during period	248	6,666	(675)	(675)	(108)	5,882
Balance at end of period	(2,089)	532,443	(23)	(23)	958	533,379

Current fiscal year (From January 1, 2023 to December 31, 2023)

Millions of yen

	Shareholders' equity							
		Capital surplus			Retained earnings			
						Other retained earnings		
	Share capital	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Reserve for tax purpose reduction entry of non-current assets	Retained earnings brought forward	Total retained earnings
Balance at beginning of period	64,506	70,258	-	70,258	16,230	4,739	378,798	399,768
Changes during period								
Dividends of surplus							(41,954)	(41,954)
Net profit							19,346	19,346
Provision of reserve for tax purpose reduction entry						55	(55)	-
Purchase of treasury shares								
Disposal of treasury shares			17	17				
Net changes of items other than shareholders' equity								
Total changes during period	-	-	17	17	-	55	(22,663)	(22,608)
Balance at end of period	64,506	70,258	17	70,275	16,230	4,795	356,134	377,160

	Shareholders' equity		Valuation and translation adjustments		Share acquisition rights	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustment		
Balance at beginning of period	(2,089)	532,443	(23)	(23)	958	533,379
Changes during period						
Dividends of surplus		(41,954)				(41,954)
Net profit		19,346				19,346
Provision of reserve for tax purpose reduction entry		-				-
Purchase of treasury shares	(8)	(8)				(8)
Disposal of treasury shares	506	524				524
Net changes of items other than shareholders' equity		-	464	464	(242)	222
Total changes during period	498	(22,092)	464	464	(242)	(21,870)
Balance at end of period	(1,591)	510,351	441	441	716	511,508

Thousands of U.S. dollars

	Shareholders' equity							
	Share capital	Capital surplus			Retained earnings			
		Legal capital surplus	Other capital surplus	Total capital surplus	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 beginning of period	455,229	495,822	-	495,822	114,538	33,444	2,673,239	2,821,228
Changes during period								
Dividends of surplus							(296,076)	(296,076)
Net profit							136,528	136,528
Provision of reserve for tax purpose reduction entry						388	(388)	-
Purchase of treasury shares								
Disposal of treasury shares			120	120				
Net changes of items other than shareholders' equity								
Total changes during period	-	-	120	120	-	388	(159,936)	(159,548)
Balance at end of period	455,229	495,822	120	495,942	114,538	33,839	2,513,296	2,661,680

	Shareholders' equity		Valuation and translation adjustments		Share acquisition rights	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments and others		
Balance at beginning of period	(14,742)	3,757,537	(162)	(162)	6,761	3,764,143
Changes during period						
Dividends of surplus		(296,076)				(296,076)
Net profit		136,528				136,528
Provision of reserve for tax purpose reduction entry		-				-
Purchase of treasury shares	(56)	(56)				(56)
Disposal of treasury shares	3,571	3,698				3,698
Net changes of items other than shareholders' equity		-	3,275	3,275	(1,708)	1,567
Total changes during period	3,514	(155,907)	3,275	3,275	(1,708)	(154,340)
Balance at end of period	(11,228)	3,601,630	3,112	3,112	5,053	3,609,795

Notes to Non-Consolidated Financial Statements

(Significant accounting policies)

1. Valuation standards and methods for securities

(1) Shares of subsidiaries and associates

Shares of subsidiaries and associates are valued at cost determined by the moving-average method.

(2) Available-for-sale securities

1) Other than non-marketable equity securities

Securities other than non-marketable equity securities are valued at market prices, etc. as of the end of the fiscal year based on market value method. Unrealized gains and losses are included directly in net assets, and the cost of securities sold is determined primarily by the moving-average method.

Securities that have the same characteristics as deposits are valued at cost determined by the moving-average method.

2) Non-marketable equity securities

Non-marketable equity securities are valued at cost determined by the moving-average method. However, investments in limited liability investment partnerships, etc. are recorded as securities at the amount equivalent to the Company's interest in the assets of the partnerships, etc., and the Company's interest in the profits or losses earned by the partnerships, etc. from operations is recognized in profit or loss.

2. Valuation standards and methods for inventories

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

3. 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:	2–50 years
Structures:	7–50 years
Machinery and equipment:	2–15 years
Vehicles:	3–7 years
Tools, furniture and fixtures:	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:	5–10 years

(3) Leased assets

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

(4) Long-term prepaid expenses

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

4. Provisions

(1) Allowance for doubtful accounts

The Company provides an allowance for doubtful accounts based on historical loss ratios as compared to the balance of total receivables for the general receivables and the estimate on an individual basis for the doubtful receivables.

(2) Provision for bonuses

The Company provides accrued bonuses for employees based on the estimated amounts to be paid for the fiscal year. This provision includes bonuses for Executive Officers who are not Directors, 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 Directors who concurrently serve as Executive Officers based on the estimated amounts to be paid for the fiscal year.

(4) Provision for structural reform

The Company provides accrued expenses (losses) related to structural reforms based on the amount of losses expected to be incurred in the future.

(5) Provision for retirement benefits

- The Company has an obligation to pay retirement benefits to the employees, therefore the Company provides accrued retirement benefits based on the estimated amount of projected benefit obligation and the fair value of plan assets at the end of the fiscal year.
- 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.
- Past service cost is amortized by the straight-line method over a fixed number of years (10 years) within the average remaining years of service of the eligible employees.
- Actuarial gain or loss is amortized from the following year on a straight-line basis over a fixed number of years (10 years) within the average remaining years of service of the eligible employees.

(6) Allowance for losses on guarantees

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

5. Methods of hedge accounting

Deferred hedge accounting is applied. With regard to interest and currency swaps that meet the requirements for special accounting treatment (“tokurei-shori,” exceptional accounting, and “furiate-shori”), special accounting treatment is employed.

6. 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, revenue is recognized at the time of transfer, etc. of the goods and services since the customer acquires control over them at the time they are transferred. Furthermore, revenue is measured at the amount of consideration promised in contracts with customers less discounts, rebates, returns, etc.

7. Other significant accounting policies for preparation of the non-consolidated financial statements

(1) Application of the group tax sharing system

The Company has applied the group tax sharing system.

(2) Accounting treatment related to retirement benefits

The method of accounting for unrecognized actuarial gain or loss and unrecognized past service cost related to retirement benefits is different from the method adopted in the consolidated financial statements.

(3) Functional currency and presentation currency

Amounts in U.S. dollars are included solely for the convenience of the reader. The rate of ¥141.70 = US$1 prevailing on December 31, 2023 has been used in translating the non-consolidated financial statements expressed in Japanese yen into U.S. dollars. Such translations should not be construed as representations that the Japanese yen amounts could be readily converted, realized or settled in U.S. dollars at this rate. Fractions resulting from the translations are rounded.

(Significant accounting estimates)

(Valuation of shares of subsidiaries and associates in connection with Shiseido Americas Corp. (hereinafter "Shiseido America"))

(1) The amount recorded in the non-consolidated financial statements for the current fiscal year

		Millions of yen	Thousands of U.S. dollars
	FY2022	FY2023	FY2023
Shares of subsidiaries and associates in connection with Shiseido America	259,260	259,260	1,829,640
Loss on valuation of shares of subsidiaries and associates in connection with Shiseido America	-	-	-

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

A valuation loss shall be recognized for non-marketable equity securities, including investments in subsidiaries and associates, if the substantive value of the shares decline significantly due to a deterioration of the issuer's financial position, unless its recoverability is supported by sufficient evidence. For shares of subsidiaries and associates in connection with Shiseido America, the carrying amount in the non-consolidated balance sheet is based on the acquisition cost. Since the substantive 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 America was recorded. The substantive value of the investment in Shiseido America includes excess earnings potential of Shiseido America cash-generating unit. For details, please refer to "4. Significant Accounting Estimates and Judgments" under "1. Consolidated Financial Statements and Notes, (1) Consolidated Financial Statements, Notes to the Consolidated Financial Statements."

(Non-consolidated balance sheet)

1. Monetary receivables from and payables to subsidiaries and associates are as follows:

	Millions of yen		Thousands of U.S. dollars
	As of December 31, 2022	As of December 31, 2023	As of December 31, 2023
Short-term monetary receivables	155,933	128,238	904,996
Long-term monetary receivables	734	1,278	9,019
Short-term monetary payables	33,798	14,432	101,849

Note: Excluding the items that are separately disclosed on the non-consolidated balance sheet.

(Non-consolidated statement of income)

1. Transactions with subsidiaries and associates are included as follows:

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2023
Net sales	303,088	256,704	1,811,602
Purchases	18,211	14,572	102,837
Other operating transactions	19,790	25,610	180,734
Non-operating transactions	32,662	50,031	353,077

2. Major items and amounts of selling, general and administrative expenses and their approximate percentages are as follows:

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2023
Research and development expenses	24,591	26,050	183,839
Outsourcing expenses	14,365	16,245	114,644
Salaries and bonuses	12,589	11,711	82,646
Media expenses and media creative production expenses	12,328	13,757	97,085
Depreciation and amortization	10,055	11,019	77,763
Retirement benefit expenses	598	1,339	9,450
Approximate percentages			
Selling expenses	49.6%	56.1%	
General and administrative expenses	50.4%	43.9%	

3. Gain on sale of non-current assets

Previous fiscal year (From January 1, 2022 to December 31, 2022)

Income arising from the sale of real estate held by the Company was recognized as “Gain on sale of non-current assets” under “Extraordinary income.”

Current fiscal year (From January 1, 2023 to December 31, 2023)

Income arising from the sale of real estate held by the Company was recognized as “Gain on sale of non-current assets” under “Extraordinary income.”

4. Gain on sale of businesses

Previous fiscal year (From January 1, 2022 to December 31, 2022)

The Professional Business was transferred on July 1, 2022, and the corresponding amount of the profit or loss arising from the transfer is recognized as “Gain on sale of businesses.”

Current fiscal year (From January 1, 2023to December 31, 2023)

Not applicable.

5. Impairment losses

Previous fiscal year (From January 1, 2022 to December 31, 2022)

In connection with the conclusion of an agreement to transfer of the manufacturing operations of personal care products, impairment losses related to the non-current assets at the Kuki Factory, which were transferred in the current fiscal year, were recorded under “Extraordinary losses.”

Current fiscal year (From January 1, 2023 to December 31, 2023)

In connection with the conclusion of an agreement to transfer of the manufacturing operations of personal care products, impairment losses of ¥693 million ($4,891 thousand) related to the non-current assets at the Kuki Factory, which was transferred in the current fiscal year, were recorded under “Extraordinary losses.” Also, impairment loss of ¥6,196 million ($43,726 thousand) related to non-current assets associated with the integration of production at the Osaka Factory into the Osaka Ibaraki Factory was recorded under “Extraordinary losses.”

6. Structural reform expenses

Previous fiscal year (From January 1, 2022 to December 31, 2022)

Structural reform expenses recorded under extraordinary losses include a premium severance payment of ¥2,073 million related to the conclusion of an agreement to transfer of the manufacturing operations of personal care products, advisory expenses of ¥1,101 million related to the sale of businesses, and the difference between the waiver of a receivable from an associate to FT Shiseido Co., Ltd., allowance for doubtful accounts and provisions for loss on investments in subsidiaries and associates recorded in the previous fiscal year of ¥303 million.

Current fiscal year (From January 1, 2023 to December 31, 2023)

Structural reform expenses recorded under “Extraordinary losses” include expenses of ¥5,025 million ($35,462 thousand) associated with the conclusion of an agreement to transfer of the manufacturing operations of personal care products and expenses of ¥664 million ($4,686 thousand) in connection with the transfer of business of Shiseido Pharmaceutical Co., Ltd. to Shiseido Japan Co., Ltd.

7. Loss on sale of businesses

Previous fiscal year (From January 1, 2022 to December 31, 2022)

Not applicable.

Current fiscal year (From January 1, 2023 to December 31, 2023)

Effective on April 1, 2023, the manufacturing operations of personal care products at the Shiseido Kuki Factory was succeeded by Fine Today Industries Co., Ltd. (hereinafter “FTI”) through an absorption-type company split, and all of the outstanding shares of FTI were transferred to FineToday Holdings Co., Ltd (hereinafter “FTH”). In addition, effective on December 1, 2023, the Company transferred all of the equity interests in Shiseido Vietnam Inc., which operates a factory in Vietnam, to FTH. Losses arising from those transfers were recorded as “Loss on sale of businesses” under “Extraordinary losses.”

(Securities)

Previous fiscal year (As of December 31, 2022)

Shares of subsidiaries and associates

[Carrying amount]

Classification	Millions of yen
Shares of subsidiaries	314,590
Shares of associates	766

Market values of shares of subsidiaries and associates are not stated because they are non-marketable equity securities.

Current fiscal year (As of December 31, 2023)

Shares of subsidiaries and associates

[Carrying amount]

Classification	Millions of yen	Thousands of U.S. dollars
Shares of subsidiaries	314,490	2,219,407
Shares of associates	766	5,406

Market values of shares of subsidiaries and associates are not stated because they are non-marketable equity securities.

(Tax-effect accounting)

1. Major components of deferred tax assets and deferred tax liabilities

	Millions of yen		Thousands of U.S. dollars
	As of December 31, 2022	As of December 31, 2023	As of December 31, 2023
Deferred tax assets			
Shares of subsidiaries and associates	30,120	27,477	193,910
Depreciation and amortization	5,929	4,299	30,339
Inventories	4,551	3,669	25,893
Loss on valuation of financial assets	249	249	1,757
Provision for retirement benefits	1,519	1,066	7,523
Provision for bonuses	2,418	1,774	12,519
Tax losses carried forward	-	12,264	86,549
Refund liabilities	318	248	1,750
Allowance for doubtful accounts	48	60	423
Valuation difference on available-for-sale securities	70	-	-
Others	4,847	2,916	20,579
Subtotal of deferred tax assets	50,072	54,027	381,277
Valuation allowance for tax losses carried forward	-	(312)	(2,202)
Valuation allowance for total deductible temporary difference and other	(23,683)	(25,233)	(178,073)
Subtotal of valuation allowance	(23,683)	(25,545)	(180,275)
Total deferred tax assets	26,389	28,482	201,002
Deferred tax liabilities			
Valuation difference on non-current assets due to company split	(322)	(322)	(2,272)
Valuation difference on available-for-sale securities	-	(138)	(974)
Removal cost corresponding to asset retirement obligations	(24)	(71)	(501)
Reserve for tax purpose reduction entry	(2,129)	(2,154)	(15,201)
Total deferred tax liabilities	(2,476)	(2,686)	(18,956)
Net deferred tax assets	23,913	25,795	182,040

2. Breakdown by major items causing the difference between statutory effective tax rate and the effective tax rate after the application of tax effect accounting

		%
	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Statutory effective tax rate	31.0	31.0
(Adjustment)		
Permanently non-deductible expenses	11.5	1.2
Permanently non-taxable income	(22.9)	(54.0)
Tax credits	(4.5)	(1.6)
Valuation allowance	0.7	9.3
Withholding tax on dividends, etc. from overseas subsidiaries	5.0	0.8
Other	(0.4)	(0.5)
Effective tax rate after application of tax effect accounting	20.4	(13.8)

3. Income taxes and inhabitant tax or accounting treatment of tax effects relevant to these taxes

Effective from the current fiscal year, the Company shifted from the consolidated taxation system to the group tax sharing system. Accordingly, the accounting treatment and disclosure of income taxes, inhabitant tax and tax effect accounting are in accordance with "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (Practical Issues Task Force No.42, August 12, 2021, hereinafter "PITF No. 42."). In accordance with paragraph 32 (1) of PITF No.42, this change in accounting policy was not considered to have an impact on the financial statements.

(Business combinations)

Note is omitted because it is described in “36. Major subsidiaries” under “1. Consolidated Financial Statements and Notes, (1) Consolidated Financial Statements, Notes to the Consolidated Financial Statements.”

(Significant subsequent events)

Borrowing of significant amount of funds

Note is omitted because it is described in “40. Significant Subsequent Events (Business combination through acquisition)” under “1. Consolidated Financial Statements and Notes, (1) Consolidated Financial Statements, Notes to the Consolidated Financial Statements.”

4) Supplementary schedules

[Investment securities schedule]

Note is omitted based on Paragraph 3 of Article 121 of the Regulations for Financial Statements.

[Detailed schedule of property, plant and equipment and intangible assets]

Millions of yen

Type of assets	January 1, 2023	Increase	Decrease	Depreciation	December 31, 2023	Accumulated depreciation
Property, plant and equipment						
Buildings	115,146	3,317	4,690 [2,557]	5,960	107,813	49,330
Structures	4,076	456	304 [289]	377	3,850	3,497
Machinery and equipment	60,698	5,271	4,986 [3,001]	4,919	56,064	30,624
Vehicles	204	65	68 [65]	73	127	348
Tools, furniture and fixtures	11,574	1,830	342 [278]	2,579	10,483	20,690
Land	38,718	-	3,828	-	34,889	-
Leased assets	2,500	964	45	1,512	1,907	2,475
Construction in progress	2,136	10,027	11,005 [684]	-	1,158	-
Total property, plant and equipment	235,055	21,933	25,272 [6,876]	15,422	216,293	106,967

Thousands of U.S. dollars

Type of assets	January 1, 2023	Increase	Decrease	Depreciation	December 31, 2023	Accumulated depreciation
Property, plant and equipment						
Buildings	812,604	23,409	33,098 [18,045]	42,061	760,854	348,130
Structures	28,765	3,218	2,145 [2,040]	2,661	27,170	24,679
Machinery and equipment	428,356	37,198	35,187 [21,179]	34,714	395,653	216,119
Vehicles	1,440	459	480 [459]	515	896	2,456
Tools, furniture and fixtures	81,680	12,915	2,414 [1,962]	18,200	73,980	146,013
Land	273,239	-	27,015	-	246,217	-
Leased assets	17,643	6,803	318	10,670	13,458	17,466
Construction in progress	15,074	70,762	77,664 [4,827]	-	8,172	-
Total property, plant and equipment	1,658,821	154,785	178,349 [48,525]	108,836	1,526,415	754,884

Notes:

1. Amounts in [ ] under “Decrease” are decreases due to impairment losses.
2. The increase in “Construction in progress” is mainly due to purchase of machinery and equipment at the “Fukuoka Kurume Factory.”
3. The decrease in “Construction in progress” is mainly due to the reclassification to “Machinery and equipment” following the acquisition of machinery and equipment at the “Fukuoka Kurume Factory.”

Millions of yen

Type of assets	January 1, 2023	Increase	Decrease	Amortization	December 31, 2023
Intangible assets					
Patent right	16	0	0	4	11
Telephone subscription right	118	-	23	-	95
Software	31,401	26,411	17 [12]	9,487	48,307
Software in progress	16,282	18,082	28,366	-	5,998
Leased assets	59	12	-	23	49
Other	764	110	-	231	643
Total intangible assets	48,642	44,616	28,407 [12]	9,746	55,105

Thousands of U.S. dollars

Type of assets	January 1, 2023	Increase	Decrease	Amortization	December 31, 2023
Intangible assets					
Patent right	113	0	0	28	78
Telephone subscription right	833	-	162	-	670
Software	221,602	186,387	120 [85]	66,951	340,910
Software in progress	114,905	127,608	200,183	-	42,329
Leased assets	416	85	-	162	346
Other	5,392	776	-	1,630	4,538
Total intangible assets	343,275	314,862	200,473 [85]	68,779	388,885

Notes:

1. Amounts in [ ] under “Decrease” are decreases due to impairment losses.
2. The increases in “Software” and “Software in progress” are mainly due to the development of “Global Core System.”

[Detailed schedule of allowances]

Millions of yen

Classification	January 1, 2023	Increase	Decrease	December 31, 2023
Allowance for doubtful accounts	155	196	155	196
Provision for bonuses	6,650	5,137	6,650	5,137
Provision for bonuses for directors (and other officers)	246	208	246	208
Provision for structural reform	2,040	938	2,291	687
Provision for loss on guarantees	350	-	-	350

Thousands of U.S. dollars

Classification	January 1, 2023	Increase	Decrease	December 31, 2023
Allowance for doubtful accounts	1,094	1,383	1,094	1,383
Provision for bonuses	46,930	36,253	46,930	36,253
Provision for bonuses for directors (and other officers)	1,736	1,468	1,736	1,468
Provision for structural reform	14,397	6,620	16,168	4,848
Provision for loss on guarantees	2,470	-	-	2,470

(2) Details of major assets and liabilities

This information is omitted because the Company prepares consolidated financial statements.

(3) Others

There are no other matters to report.

6. Basic Information Related to Stock Administration

Fiscal Year	From January 1 to December 31
Ordinary General Meeting of Shareholders	March every year
Record Date	December 31
Record Dates for Dividend of Surplus	December 31 and June 30
Number of Shares Constituting One Unit	100 shares
Purchase/Additional Purchase of Less-Than-One-Unit	
Address Where Repurchases or Additional Purchases are Processed:	(Special Account) Sumitomo Mitsui Trust Bank, Limited, Stock Transfer Agency Department, 1-4-1 Marunouchi, Chiyoda-ku, Tokyo
Administrator of Shareholder Registry:	(Special Account) Sumitomo Mitsui Trust Bank, Limited, 1-4-1, Marunouchi, Chiyoda-ku, Tokyo
Offices Available for Repurchases or Additional Purchases:	-
Commissions for Repurchases or Additional Purchases:	Free
Method of Giving Public Notices	The method of giving public notices of the Company shall be electronic notification. In the event that the Company cannot give a public notice in electronic form due to any accident or any other unavoidable cause, such public notice shall be inserted in the Nihon Keizai Shimbun. The website address where the Company's public notices is posted is as follows: https://corp.shiseido.com/en/ir/issue/legal/
Special Benefits to Shareholders	Shareholder benefits 1. Eligible shareholders (1) Shareholders who own at least 100 but less than 1,000 shares of the Company at the end of December of the previous year and the current year (2) Shareholders who own 1,000 or more of the Company shares as of the end of December of the previous year and the current year 2. Contents of benefits Different options are available for (1) and (2). Shareholders can select either Shiseido Group products or a donation to a social contribution organization.

Notes:

1. Any shareholder who holds less-than-one-unit shares of the Company cannot exercise any right other than those listed below, in respect of their less- than-one-unit shares:
   (1) The rights as provided for in the items of Article 189, paragraph 2 of the Companies Act;
   (2) The rights that can be requested pursuant to Article 166, paragraph 1 of the Companies Act;
   (3) The rights to the allocation of shares and stock acquisition rights offered to shareholders, in proportion to the numbers of their respective shares; and
   (4) The right to make requests for additional purchase of less-than-one-unit shares.
2. The above benefit plan has been in effect since it was initially applied to shareholders who were listed or recorded in the shareholder registry as of the end of December 2018.

7. Reference Information on the Company

1. Information on the parent company of the Company

The Company has no parent company, etc. as set forth in Article 24-7, Paragraph 1 of the Financial Instruments Exchange Act.

2. Other reference information

The Company filed the following documents between the commencement date of the fiscal year under review and the filing date of the annual securities report:

(1) Annual securities report accompanying documents and confirmation note

The annual securities report for the 123rd period (from January 1, 2022 to December 31, 2022) was submitted to the Director of the Kanto Local Finance Bureau on March 24, 2023.

(2) Internal control report and its attached documents

Submitted to the Director of the Kanto Local Finance Bureau on March 24, 2023.

(3) Quarterly reports and confirmation notes

The 1st quarterly report of the 124th period (from January 1, 2023 to March 31, 2023) was submitted to the Director of the Kanto Economic Bureau on May 12, 2023.

The 2nd quarterly report of the 124th period (from April 1, 2023 to June 30, 2023) was submitted to the Director of the Kanto Financial Bureau on August 8, 2023.

The 3rd quarterly report of the 124th period (from July 1, 2023 to September 30, 2023) was submitted to the Director of the Kanto Local Finance Bureau on November 10, 2023.

(4) Extraordinary reports

An extraordinary report based on Article 24-5, Paragraph 4 of the Financial Instruments and Exchange Law and Article 19, Paragraph 2, Item 7 of the Cabinet Office Ordinance on Disclosures of Corporate Information, etc. was submitted to the Director of the Kanto Local Finance Bureau on March 27, 2023.

(5) Annual securities report correction report and confirmation

The 122nd version (from January 1, 2021 to December 31, 2021) was submitted to the Director of the Kanto Local Finance Bureau on March 24, 2023.

(6) Shelf registration statement and accompanying documents

Securities registration statement for Disposal of treasury stock associated with performance share unit plan was submitted to the Director of the Kanto Local Finance Bureau on May 12, 2023.

(7) Amended shelf registration statement (common bonds)

Submitted to the Director of the Kanto Local Finance Bureau on March 24, 2023.
Submitted to the Director of the Kanto Local Finance Bureau on March 27, 2023.
Submitted to the Director of the Kanto Local Finance Bureau on April 28, 2023.

Part II Information on Guarantors for the Company

Not applicable.

Independent Auditor's Report

To the Board of Directors of Shiseido Company, Limited:

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Shiseido Company, Limited ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group") , which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting 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.

Emphasis of Matter

As described in Note 40. "Significant Subsequent Events" to the consolidated financial statements, the Group resolved to implement the early retirement incentive plan at the meeting of Board of Directors dated February 29, 2024.

Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Appropriateness of the Group's judgment on the valuation of goodwill allocated to the Shiseido Americas Corporation cash-generating unit	
The key audit matter	**How the matter was addressed in our audit**
As described in Note 14. "Goodwill and Intangible	In order to assess the appropriateness of the

Assets” to the consolidated financial statements, goodwill of ¥62,143 million recognized in the consolidated statement of financial position included goodwill of ¥29,439 million allocated to the Shiseido Americas Corporation (hereinafter, “Shiseido America”) cash-generating unit, which accounted for approximately 2.3% of total assets. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, and if the recoverable amount of a cash-generating unit is less than its carrying amount, the carrying amount is reduced to the recoverable amount. The resulting decrease in the carrying amount is recognized as an impairment loss. The recoverable amount of a cash-generating unit is the higher of its fair value less costs of disposal and its value in use. As a result of the annual impairment test, the Group determined that the recognition of a goodwill impairment loss was not necessary as the recoverable amount of the Shiseido America cash-generating unit exceeded its carrying amount. The recoverable amount of the Shiseido America cash-generating unit was based on the fair value less costs of disposal. The fair value less costs of disposal was calculated by discounting the future cash flows, estimated based on the future business plan (hereinafter, the “Business Plan”), which incorporated the premises of U.S. long-term market growth rate and the sales expansion plan, among others, to the present value. Management assumed a long-term market growth rate of 4%, and a discount rate of 12.5% consisting of the U.S. Risk Free Rate and a risk premium specific to Shiseido America. The sales expansion plan used for the impairment testing has been revised upward from the previous fiscal year, reflecting a significant growth in sales of the “Drunk Elephant” as well as the increases in sales of “SHISEIDO” and “NARS” in the Americas business. The long-term market growth rate and the discount rate have remained consistent with the previous fiscal year’s. The factors such as increases in sales and profit margin ratio based on the sales expansion plan and the long-term market growth rate, that formed the basis for measuring the fair value less costs of disposal, involved a high degree of uncertainty, and management’s judgment thereon had a significant effect on the estimate of the fair value less costs of disposal. In addition, selecting appropriate models	Group’s judgment on the valuation of goodwill allocated to the Shiseido America cash-generating unit, we requested the component auditor of Shiseido America to perform an audit. Then we evaluated the results of the following audit procedures, among others, reported from them to conclude on whether sufficient and appropriate audit evidence was obtained: (1) Internal control testing Tested the design and implementation of certain of Shiseido America’s internal controls relevant to estimating the fair value less costs of disposal for the goodwill impairment testing, with particular focus on the review performed by the senior vice president of finance on the reasonableness of the long-term market growth rate and discount rate, including supporting data, and of the future cash flows. (2) Assessment of the reasonableness of the estimated fair value less costs of disposal Assessed the appropriateness of key assumptions adopted in preparing the Business Plan, which was used as the basis for estimating the fair value less costs of disposal, by inquiring of management of Shiseido America about the rationale supporting each of those assumptions. In addition: ・ retrospectively assessed the status of achievement of the Business Plan used for the impairment testing in the previous fiscal year by comparing it with the actual results for the current fiscal year; ・ compared the Business Plans used for the impairment testing in the previous fiscal year and the current fiscal year, and discussed with management to assess the nature and reasonableness of changes between years; and ・ assessed the effect, if any, on the Group’s judgment that the recognition of an impairment loss was not necessary, when specific uncertainties considering the past actual results were incorporated into respective elements, such as net sales, cost of sales, and selling, general and administrative expenses, for the subsequent fiscal years, underlying the sales expansion plan. In addition, the following procedures, among others, were performed with the engagement of enterprise valuation specialists within the network firms of the component auditor of Shiseido

and input data for estimating the discount rate used to estimate the fair value less costs of disposal required a high degree of expertise in valuation. We, therefore, determined that our assessment of the appropriateness of the Group's judgment on the valuation of goodwill allocated to the Shiseido America cash-generating unit was of most significance in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.	America: ・ assessment of the appropriateness of the model adopted by management to estimate the discount rate in light of the requirements of the accounting standards; ・ assessment of the appropriateness of the input data used to calculate the discount rate by comparing them with the estimates independently developed by the enterprise valuation specialists based on external data; and ・ assessment of the appropriateness of the long-term market growth rate by comparing it with U.S. economic growth rate.

Other Information

The other information comprises the information included in the Annual Securities Report, but does not include the consolidated financial statements, the financial statements, and our auditor's reports thereon. 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting 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 IFRS Accounting 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 risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- 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 IFRS Accounting 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.

From the matters communicated with the Audit & Supervisory Board members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended December 31, 2023 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

Report on the Audit of the Internal Control Report

Opinion

We also have audited the accompanying internal control report of Shiseido Company, Limited ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group") as at December 31, 2023.

In our opinion, the accompanying internal control report, which states that the internal control over financial reporting was effective as at December 31, 2023, presents fairly, in all material respects, the results of the assessments of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan**.**

Basis for Opinion

We conducted our audit of the internal control report in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Internal Control Report* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the internal control report 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.

Responsibilities of Management and the Audit & Supervisory Board members and the Audit & Supervisory Board for the Internal Control Report

Management is responsible for the design and operation of internal control over financial reporting and the preparation and fair presentation of the internal control report in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

The Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing and examining the design and operation of internal control over financial reporting.

Internal control over financial reporting may not completely prevent or detect financial statement misstatements.

Auditor's Responsibilities for the Audit of the Internal Control Report

Our objectives are to obtain reasonable assurance about whether the internal control report is free from material misstatement based on our audit of the internal control report and to issue an auditor's report that includes our opinion.

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

- Perform procedures to obtain audit evidence about the results of the assessments of internal control over financial reporting in the internal control report. The procedures for the audit of the internal control report are selected and performed, depending on the auditor’s judgment, based on significance of effect on the reliability of financial reporting.
- Evaluate the overall presentation of the internal control report, including the appropriateness of the scope, procedures and results of the assessments that management presents.
- Obtain sufficient appropriate audit evidence about the results of the assessments of internal control over financial reporting in the internal control report. We are responsible for the direction, supervision and performance of the audit of the internal control report. 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 our audit of the internal control report, the results thereof, material weaknesses in internal control identified during our audit of internal control report, and those that were remediated.

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.

Fee-related Information

Fees paid or payable to our firm and to other firms within the same network as our firm for audit and non-audit services provided to the Company and its subsidiaries are described in “Corporate governance (3) Status of Audits” of “Corporate Information on the Company.”

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.

Masakazu Hattori
Designated Engagement Partner
Certified Public Accountant

Kentaro Hayashi
Designated Engagement Partner
Certified Public Accountant

Unshil Kang
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Tokyo Office, Japan
April 5, 2024

<u>**Independent Auditor's Report**</u>

To the Board of Directors of Shiseido Company, Limited:

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Shiseido Company, Limited ("the Company"), which comprise the non-consolidated balance sheet as at December 31, 2023, and the non-consolidated statements of income and changes in equity for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023, and its financial performance for the year then ended 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* 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Appropriateness of the Company's judgment on the valuation of shares of subsidiaries and associates (related to the investment in Shiseido America Corporation)	
The key audit matter	**How the matter was addressed in our audit**
As described in the Note "Significant accounting estimates" to the non-consolidated financial statements, shares of subsidiaries and associates of ¥315,257 million recognized in the non-consolidated balance sheet included shares of Shiseido Americas Corporation (hereinafter, "Shiseido America"), a consolidated subsidiary of the Company, of ¥259,260 million, which accounted for approximately 29.8% of total assets. A valuation loss shall be recognized for non-marketable equity securities, including investments in subsidiaries and associates, if the substantive value of the shares decline significantly due to a deterioration of the issuer's	We assessed the appropriateness of the Company's judgment on the valuation of shares of subsidiaries and associates (related to the investment in Shiseido America), by confirming whether there was a significant decline in the substantive value of the investment calculated reflecting the excess earnings potential of the Shiseido America cash-generating unit. In addition, we performed the audit procedures to assess the appropriateness of the Group's judgment on the valuation of goodwill allocated to the Shiseido America cash-generating unit, which had a significant effect on the calculation of the substantive value of the investment. Our audit

financial position, unless its recoverability is supported by sufficient evidence. The substantive value of the investment in Shiseido America includes the excess earnings potential of the Shiseido America cash-generating unit. Similar to the goodwill allocated to the Shiseido America cash generating unit recognized in the consolidated statement of financial position, management's judgment on uncertainty over the future business plan, which incorporated the premises of U.S. long-term market growth rate and the sales expansion plan, among others, had a significant effect on the valuation of such excess earnings potential of Shiseido America. We, therefore, determined that our assessment of the appropriateness of the Company's judgment on the valuation of shares of subsidiaries and associates (related to the investment in Shiseido America) was of most significance in our audit of the non-consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.	responses are described as part of the key audit matter "Appropriateness of the Group's judgment on the valuation of goodwill allocated to the Shiseido Americas Corporation cash-generating unit" within our audit report for the consolidated financial statements.

Other Information

The other information comprises the information included in the Annual Securities Report, but does not include the financial statements and our auditor's report thereon. 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 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, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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

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

In preparing the financial statements, 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

Our objectives are to obtain reasonable assurance about whether the 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 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 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 risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- 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 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 are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements 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.

From the matters communicated with the Audit & Supervisory Board members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Fee-related Information

Fee-related information is described in the auditor’s report on the consolidated financial statements.

Convenience Translation

The U.S. dollar amounts in the accompanying financial statements with respect to the year ended December 31, 2023 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in 7. (3) “Functional currency and presentation currency” under “Significant accounting policies,” in notes to the non-consolidated financial statements.

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.

Masakazu Hattori
Designated Engagement Partner
Certified Public Accountant

Kentaro Hayashi
Designated Engagement Partner
Certified Public Accountant

Unshil Kang
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Tokyo Office, Japan
April 5, 2024

[Cover Page]

[Document Title]	Internal Control Report
[Company Name]	Shiseido Company, Limited
[Title and Name of Representative]	Masahiko Uotani, Representative Corporate Executive Officer, Chairman and CEO
[Title and Name of Chief Financial Officer]	Takayuki Yokota, Corporate Executive Officer, CFO (Chief Financial Officer)
[Address of Head Office]	5-5 Ginza 7-chome, Chuo-ku, Tokyo, Japan

1 [Matters Relating to the Basic Framework for Internal Control Over Financial Reporting]

Masahiko Uotani, Representative Corporate Executive Officer, Chairman and CEO, and Takayuki Yokota, Corporate Executive Officer and CFO (Chief Financial Officer) are responsible for the design and operation of internal control over the financial reporting of Shiseido Company, Limited ("the Company") and have designed and operated internal control over financial reporting in accordance with the basic framework for internal control set forth in "On the Revision of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)" published by the Business Accounting Council.

Internal control is designed to achieve its objectives to the extent reasonable through the effective function and combination of its basic elements. Therefore, there is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

2 [Matters Relating to the Scope of Assessment, the Basis Date of Assessment and the Assessment Procedures]

The report on internal control over financial reporting of the consolidated financial statements of the Company ("Internal Control Report") is prepared on the basis of generally accepted assessment standards of internal control over financial reporting in Japan (the "Assessment Standards") and is compiled from Internal Control Report prepared by the Company as required by the Financial Instruments and Exchange Act of Japan ("the Act").

The Assessment Standards require management to assess the internal control over financial reporting, which consists of the internal control over the consolidated financial statements included in the Annual Securities Report filed under the Act and the internal control over disclosure information and others included in the Annual Securities Report that materially affects the reliability of the consolidated financial statements.

The assessment of internal control over financial reporting was performed as of December 31, 2023, which is the end of the current fiscal year. The assessment was performed in accordance with the Assessment Standards.

In conducting this assessment, we evaluated internal controls which may have a material effect on the Company's entire financial reporting on a consolidation basis ("company-level controls") and based on the results of this assessment, we selected business processes to be tested.

We analyzed these selected business processes, identified key controls that may have a material impact on the reliability of the Company's financial reporting, and assessed the design and operation of these key controls. These procedures have allowed us to evaluate the effectiveness of internal controls of the Company.

We determined the necessary scope of assessment of internal control over financial reporting for the Company, as well as its consolidated subsidiaries and equity-method associates from the perspective of the materiality that may affect the reliability of their financial reporting. The materiality that may affect the reliability of the financial reporting is determined taking into account the materiality of quantitative and qualitative impacts on financial reporting, and we reasonably determined the scope of assessment of internal controls over business processes based on the results of an assessment of company-level controls conducted for the Company, its consolidated subsidiaries and equity-method associates. We did not include those consolidated subsidiaries and equity-method associates which do not have any quantitatively or qualitatively material impact on the consolidated financial statements in the scope of assessment of company-level controls.

Regarding the scope of assessment of internal control over business processes, we accumulated business units in descending order of net sales (after the elimination of intercompany transactions) for the fiscal year, and those business units whose combined net sales amount reached two-thirds of the consolidated net sales, as well as locations that were deemed to have a material impact on the reliability of financial reporting from perspectives other than net sales were selected as "significant business units".

We included in the scope of assessment, at the selected significant business units, the business processes related to net sales, accounts receivable, and inventories as accounts that may have a material impact on the business objectives of the Company. Furthermore, not only at the selected significant business units, but also at other business units, we added to the scope of assessment, as business processes having a greater materiality considering their impact on the financial reporting, business processes related to (1) significant accounts that have a greater likelihood of material misstatements and significant account involving estimates and forecasts, and (2) a businesses or operations dealing with high-risk transactions.

The Annual Securities Report is translated into English from the Annual Securities Report filed under the Act. In addition, amounts in U.S. dollar for the most recent fiscal year and the related notes have also been added to the Annual Securities Report ("the convenience translation"). The translation from Japanese to English and the convenience translation are for the convenience of readers outside Japan. Management includes the translation process and the addition of the convenience translation in its assessment of internal control over financial reporting. The translation process and the addition of the convenience translation are outside the scope of the Assessment Standards.

3 [Matters Relating to the Results of the Assessment]

As a result of the assessment described above, we concluded that the Company's internal control over financial reporting was effectively maintained as of the end of the current fiscal year.

4 [Supplementary Information]

Not applicable.

5 [Special Notes]

Not applicable.