



Notice of Convocation

The 123rd Ordinary General Meeting of Shareholders

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

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Notice of Convocation of the 123rd Ordinary General Meeting of Shareholders

Dear Shareholders:

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

We are pleased to announce the 123rd ordinary general meeting of shareholders of Shiseido Company, Limited (the “Company”), which will be held as described on page 5.

In convening this general meeting of shareholders, the Company provides the Reference Document Concerning the General Meeting of Shareholders and other information (matters to be provided electronically) in electronic form, and the Notice of Convocation of the 123rd Ordinary General Meeting of Shareholders is posted on our corporate information website and shareholders’ meeting material website below. Please access either of the following websites and check the information.

Our corporate information website

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

Shareholders’ meeting material website

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

(in Japanese only)

Yours truly,

Shiseido Company, Limited



Masahiko Uotani

Representative Director,
Chairman and CEO

Registered Head Office:

5-5, Ginza 7-chome, Chuo-ku, Tokyo

Principal Business Office:

6-2, Higashi-Shimbashi 1-chome,
Minato-ku, Tokyo

(VOTING PROCEDURE FOR REGISTERED SHAREHOLDERS IN JAPAN)¹

When you exercise your voting rights via the Internet, etc., please access to Proxy Voting Website (<https://www.web54.net>).

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

PARTICULARS

Date and Time of the Meeting:

Friday, March 24, 2023 at **10:00 a.m.**

Place of the Meeting:

Imperial Hotel, 2F, Kujoyaku Room (Main venue of the event)
1-1, Uchisaiwai-cho 1-chome, Chiyoda-ku, Tokyo, Japan

Matters to Be Dealt With at the Meeting:

Matters for Reporting:

Report on the business report, the consolidated financial statements and non-consolidated financial statements, and the results of the audits of consolidated financial statements by the accounting auditor and the Audit & Supervisory Board for the fiscal year ended December 31, 2022 (January 1, 2022 to December 31, 2022)

Matters for Resolution:

- First Item of Business: Dividends of Retained Earnings
Second Item of Business: Election of Ten (10) Directors
Third Item of Business: Election of Two (2) Audit & Supervisory Board Members
Fourth Item of Business: Determination of Long-Term Incentive-Type Remuneration (LTI) to Directors

Matters Related to Exercise of Voting Rights:

1. Requirement for exercise of voting rights through proxy

Shareholders may exercise voting rights through a proxy who shall be a shareholder with voting rights of the Company.

In this case, the shareholder or the proxy shall be required to submit a document certifying the power of representation to the Company at the general meeting of shareholders.

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

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

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

3. Handling of approval/disapproval on the voting form

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

4. Diverse exercise of votes

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

In the event any matters provided electronically are amended, the Company will announce the amendment and post the updated version on the corporate information website, etc.

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

Among the matters to be provided electronically, the following matters are not stated in documents to be delivered to shareholders who make a request for the delivery of hard copies, in accordance with the relevant laws and regulations and the provisions of Article 16 of the Articles of Incorporation of the Company. Such matters are posted on our corporate information website, etc. as “Items Not Included in the Documents Issued Based on Laws & Regulations and the Articles of Incorporation Accompanying the Notice of Convocation of the 123rd Ordinary General Meeting of Shareholders.”

- 1) Matters Concerning Stock Acquisition Rights of the Company
- 2) Internal control systems
- 3) Consolidated Statement of Changes in Equity
- 4) Notes to Consolidated Financial Statements
- 5) Non-Consolidated Statement of Changes in Net Assets
- 6) Notes to Non-Consolidated Financial Statements

The business report audited by the accounting auditor comprises the Notice of Convocation of the 123rd Ordinary General Meeting of Shareholders posted on our corporate information website and (1) and (2) above, and the consolidated financial statements and the non-consolidated financial statement that were audited by the accounting auditor and the Audit & Supervisory Board members consist likewise of the Notice of Convocation of the 123rd Ordinary General Meeting of Shareholders posted on our corporate information website and each of the documents stated in (3) to (6) above.

The Group has voluntarily adopted the International Financial Reporting Standards (IFRS) from the fiscal year ended December 31, 2022 and the figures for the fiscal year ended December 31, 2021 have also been reclassified from Japanese GAAP to IFRS for comparison.

Business Report

(Fiscal Year from January 1, 2022 to December 31, 2022)

1. Matters Concerning the Shiseido Group

1.1 Business Overview

(1) Progress and Results

1) Overview

■ Progress and Results in the Fiscal Year Ended December 2022

In the fiscal year ended December 31, 2022, the global economy as a whole experienced a normalization of economic activities in line with the relaxation of COVID-19-related restrictions. Conversely, uncertain conditions continued to persist due to intermittent lockdowns in China, the prolonged conflict in Ukraine, surging resource and energy costs, and the appreciation of the U.S. dollar.

Japan's domestic cosmetics market, while price increases in a wide range of areas weighed upon cosmetics purchases, achieved gradual recovery thanks to the relaxation of restrictions and increased opportunities to go out of home. In terms of overseas cosmetics markets, the market environment in China continued to be sluggish due to restrictions on retail operations and supply chain disruptions caused by lockdowns primarily in Shanghai and Hainan Island. Meanwhile, in the Europe and Americas regions, consumption continued to recover steadily as economic activities resumed, and the cosmetics market likewise showed strong growth across all categories.

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

In 2021, we launched our medium- to long-term strategy "WIN 2023 and Beyond" in response to challenges caused by the COVID-19 pandemic. Under this strategy, we have executed a global transformation reform with an emphasis on profitability and cash flow, through focusing on the skin beauty area, which is our competitive advantage, restructuring our business portfolio, and improving profitability particularly in the Americas and EMEA. We positioned 2022, our second year of the new strategy, as a "Back to Growth" year and have worked to promote the growth of our global brands and to accelerate digital transformation.

Net sales in the fiscal year 2022 increased 5.7% year on year to ¥1,067.4 billion on reported figures, down 3.9% year on year on an FX-neutral basis, or up 0.9% year on year on a like-for-like basis. Net sales on a like-for-like basis decreased year on year in the China Business where the market faced challenges. Net sales were on par with the previous year in Japan, where market recovery was slow. Meanwhile, we achieved strong growth in the Travel Retail, Asia Pacific, Americas, and EMEA Businesses where our key skin beauty brand *SHISEIDO* and core makeup brand *NARS* drove growth.

Core operating profit increased by ¥8.8 billion year on year to ¥51.3 billion, thanks to agile cost management and lower fixed costs that were achieved through structural reforms as well as the positive impact of foreign exchange rate translation, which outweighed lower margins resulting from weaker sales in China and the impact of the transfer of the personal care business.

Profit attributable to owners of parent dropped by ¥12.7 billion year on year to ¥34.2 billion, primarily due to impairment losses associated with the transfer of the manufacturing business of personal care products posted in the fiscal year 2022 while the gains on the transfer of personal care business were posted in the fiscal year 2021

The EBITDA margin was 9.6%.

■ Consolidated Results

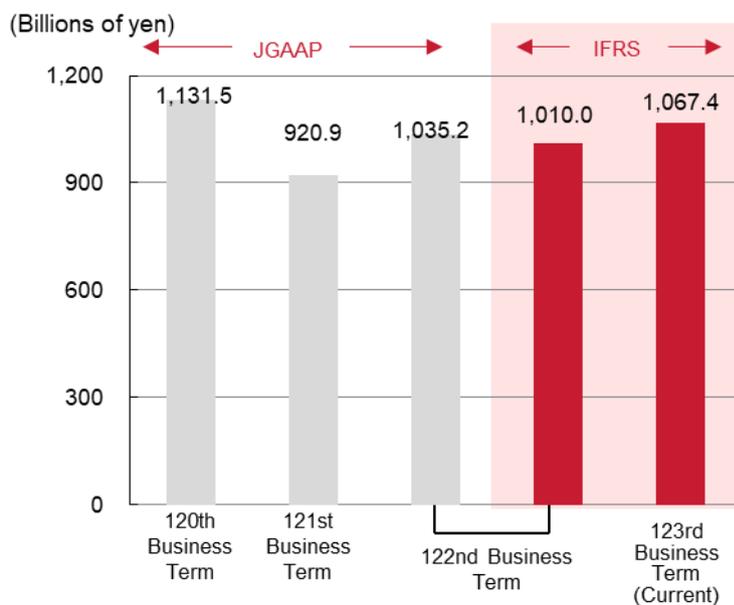
Net Sales

Fiscal 2022: **¥1,067.4 billion**

Year-on-year change: +5.7%

(FX-neutral basis: -3.9%)

Like for like: +0.9%



Operating Profit/Core Operating Profit

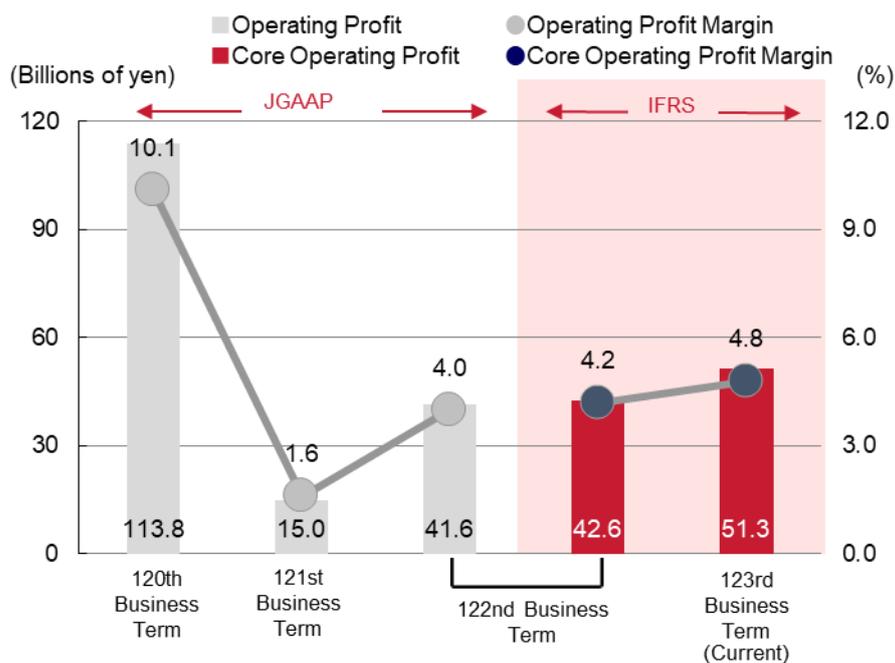
Fiscal 2022: **¥51.3 billion**

Year-on-year change: +¥8.8 billion

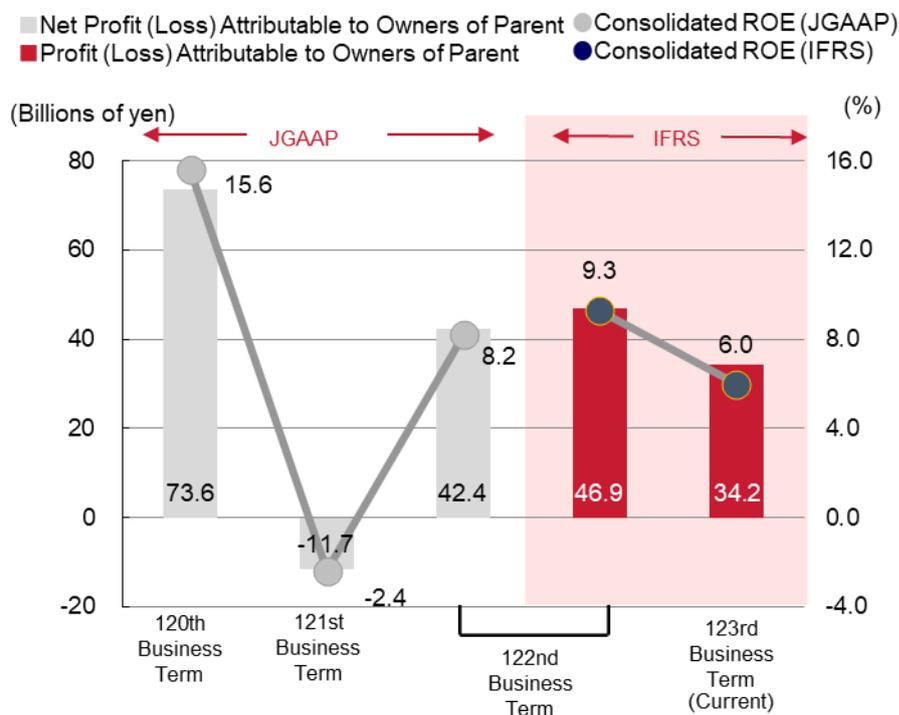
Operating Profit Margin/ Core Operating Profit Margin

Fiscal 2022: **4.8%**

Year-on-year change: +0.6 points



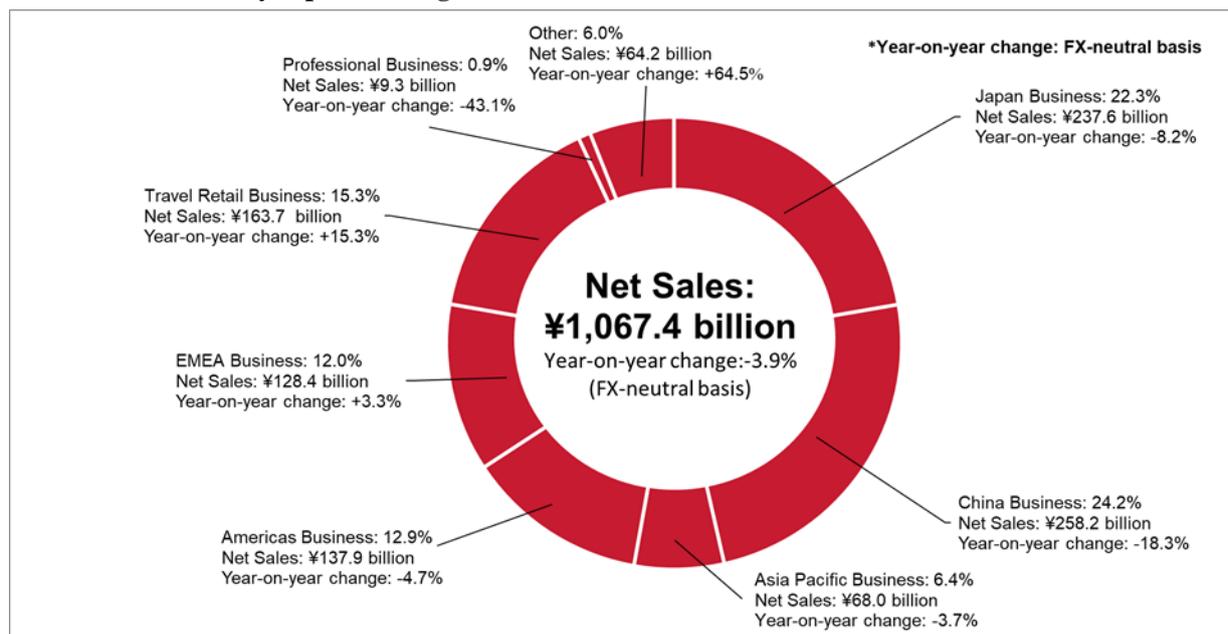
Net Profit (Loss) Attributable to Owners of Parent/ Profit (Loss) Attributable to Owners of Parent Fiscal 2022: ¥34.2 billion Year-on-year change: -¥12.7 billion	Consolidated ROE Fiscal 2022: 6.0%
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Notes:

1. The major foreign currency exchange rates applicable to income and expense accounting line items in the consolidated financial statements for the fiscal year 2022 are US\$1: ¥131.4, €1: ¥138.0, and CNY1: ¥19.5.
2. Core operating profit is calculated by excluding profit and loss caused by non-ordinary factors such as structural reform expenses and impairment losses, etc. from operating profit.

■ Net sales by reportable segment



■ Core operating profit (loss) by reportable segment

(Billions of yen)

	122nd Business Term	Core Operating Profit Margin (%)	123rd Business Term (Current)	Core Operating Profit Margin (%)	Increase/decrease
Japan Business	6.5	2.3	(13.1)	(5.4)	(19.6)
China Business	4.1	1.5	(3.9)	(1.5)	(8.0)
Asia Pacific Business	5.0	7.7	4.7	6.6	(0.3)
Americas Business	1.6	1.3	7.7	5.4	+6.0
EMEA Business	2.7	2.1	6.9	5.0	+4.2
Travel Retail Business	22.7	18.8	37.7	23.0	+14.9
Professional Business	0.7	4.5	0.8	7.7	+0.0
Other	14.1	5.2	6.1	2.0	(8.0)
Adjustments	(15.0)	-	4.6	-	+19.5
Total	42.6	4.2	51.3	4.8	+8.8

Notes:

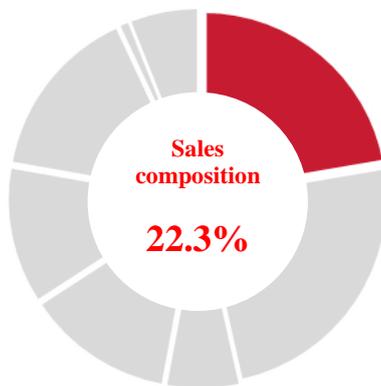
- The Group has revised its reportable segment classifications from the fiscal year 2022. The business results of Shiseido Beauty Salon Co., Ltd., previously included in the Other segment, are now included in the Japan Business. The business results related to the brand holder functions of the *NARS* and *Drunk Elephant* brands, previously included in the Americas Business, are now included in the Other segment. The segment information for the previous fiscal year has been restated in line with the reclassification.
- Net sales from regional sales subsidiaries related to the Personal Care business, previously recorded in the Japan, China, and Asia Pacific Businesses, are no longer recorded with some exceptions from July 1, 2021 due to the transfer of the said business and resulting changes in product distribution. Meanwhile, Personal Care products sales from the Company and its manufacturing subsidiaries to Fine Today Shiseido Co., Ltd. (company name changed to FineToday Co., Ltd. on January 1, 2023) and its affiliates are recorded in the Other segment effective from the same date.
- Net sales from regional sales subsidiaries previously recorded in the Professional Business is no longer recorded with some exceptions from July 1, 2022 due to the transfer of Professional Business.
- The Other segment includes head office administration departments, IPSA Co., Ltd., manufacturing operations, and the Restaurant business, etc.

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 adjustments are mainly the elimination of transactions between segments.

2) Activities by Business Segment

Japan Business

Enhancing the base for further growth with the launches of ELIXIR Revolution and “Beauty Key”

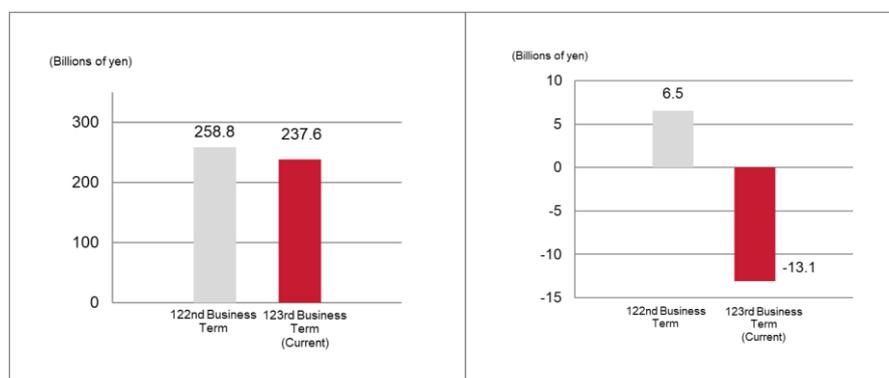


Launch of *ELIXIR* lotion and emulsion revamped with latest collagen technologies in September 2022

In the Japan Business, the mid price range market turned to a recovery trend in the second half of the year coming from a sluggish momentum in the first half of the year. We continued to strengthen strategic investments in skin beauty brands as well as the promotions commemorating the 150th anniversary of our founding throughout the year. In September, we launched *ELIXIR* lotion and emulsion revamped with latest collagen technologies. In the fourth quarter, we rolled out new and limited-edition products from *SHISEIDO* and *Clé de Peau Beauté* and enhanced the value communication of the brand and the products. In addition, we launched “Beauty Key,” a new membership service which consolidates the different membership services offered by different sales channels such as stores or e-commerce, or by brand. This allows for counseling services tailored to each customer’s needs. We also worked to strengthen digital communication.

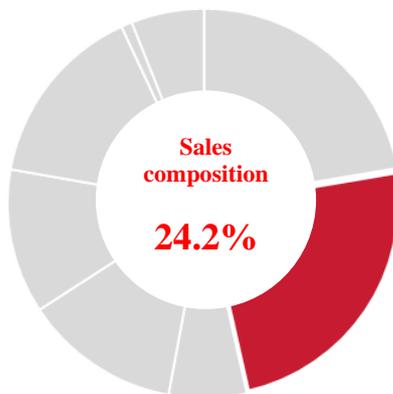
As a result, net sales were ¥237.6 billion, down by 8.2% year on year, essentially the same level year on year on a like-for-like basis excluding business transfer impacts. Core operating loss was ¥13.1 billion, lower by ¥19.6 billion year on year, primarily due to lower profit margins from the transfer of the personal care business which outweighed cost management efforts.

<p>Net Sales: ¥237.6 billion</p> <p>Year-on-year change: -8.2% (Like for like: Same level year on year)</p>	<p>Core Operating Profit (Loss): -¥13.1 billion</p> <p>Year-on-year change: -¥19.6 billion</p>
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China Business

Shift to a more sustainable growth model by enhancing value communication



SHISEIDO Future Solution selling well in China

In the China Business, we are shifting from a growth model driven primarily by large-scale promotions to a more sustainable growth model which focuses on value-based brand and product communication tailored to consumer needs. While the market faced a significant year-on-year decline during ‘Double 11,’ the largest e-commerce event in China, our annual e-commerce sales achieved growth, on the back of the expansion into major platforms and enhanced communication focusing on effect and efficacy. Meanwhile, on the offline front, despite our efforts to enhance the unique experience at brick-and-mortar stores and expand the loyal user base, sales decreased year on year due to market headwinds such as traffic decline from lockdowns.

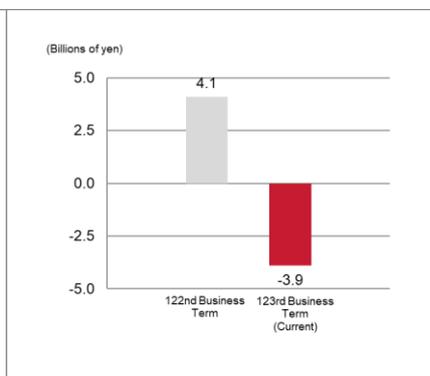
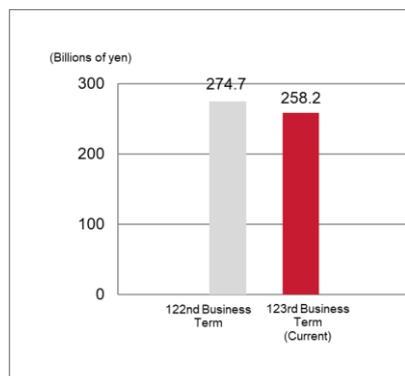
As a result, net sales were ¥258.2 billion, down 6.0 % year on year on a reported basis, down 18.3% year on year on an FX-neutral basis, or down 9.8% year on year on a like-for-like basis excluding foreign exchange and business transfer impacts. Core operating loss was ¥3.9 billion, lower by ¥8.0 billion year on year, primarily due to lower margins from a decline in sales.

Net Sales: ¥258.2 billion

Year-on-year change: -6.0%
(FX-neutral basis: -18.3%)
(Like for like: -9.8%)

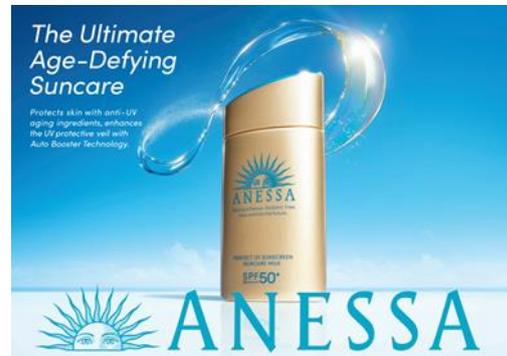
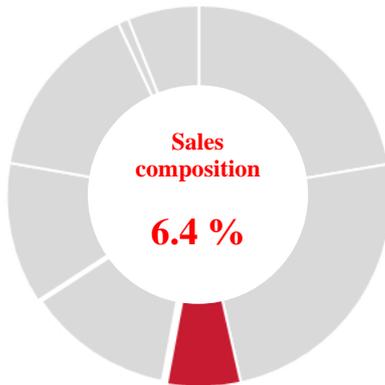
Core Operating Profit (Loss):
-¥3.9 billion

Year-on-year change: -¥8.0 billion



Asia Pacific Business

Continuously grow e-commerce sales by accelerating key e-commerce platforms entry



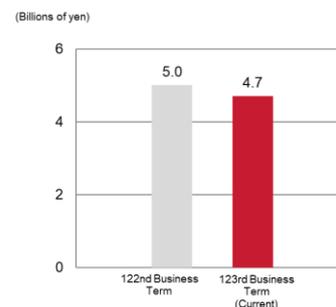
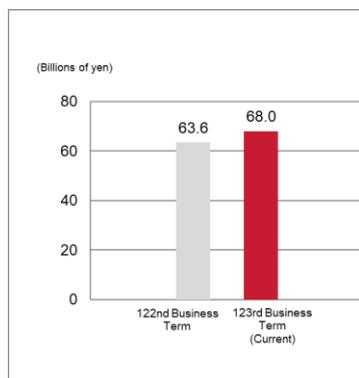
ANESSA sold well in Asia Pacific

In the countries and regions of the Asia Pacific Business, along with Taiwan's return to growth from the fourth quarter, strong growth continued in South Korea, Southeast Asia, and other regions. In addition, we continued to increase our sales in e-commerce across Asia by continuing to accelerate key e-commerce platforms entry and to expand touch points with customers through digital engagement.

As a result, net sales were ¥68.0 billion, up 7.0% year on year on a reported basis, down 3.7% year on year on an FX-neutral basis, or up 13.0% year on year on a like-for-like basis excluding foreign exchange and business transfer impacts. Core operating profit was down by ¥0.3 billion to ¥4.7 billion, primarily due to higher personnel and other expenses outweighing the increase in sales and profit.

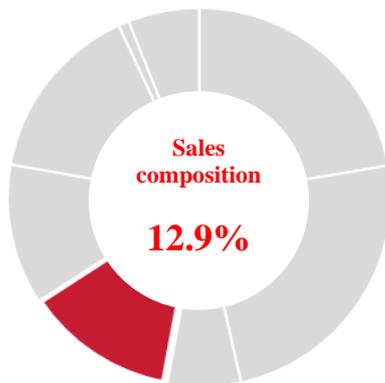
Net Sales: ¥68.0 billion
 Year-on-year change: +7.0%
 (FX-neutral basis: -3.7%)
 (Like for like: +13.0%)

Core Operating Profit: ¥4.7 billion
 Year-on-year change: -¥0.3 billion



Americas Business

Strong growth in e-commerce supported by digital marketing enhancements



NARS liquid foundation
LIGHT REFLECTING FOUNDATION

In the Americas Business, the cosmetics market continued to grow in all categories with the normalization of economic activities due to the relaxation of COVID-19 restrictions. *NARS* in particular saw share gains, driven by successful new product launches and growth in e-commerce supported by digital marketing enhancements. Sales of *SHISEIDO* remained steady on the back of strengthened promotions.

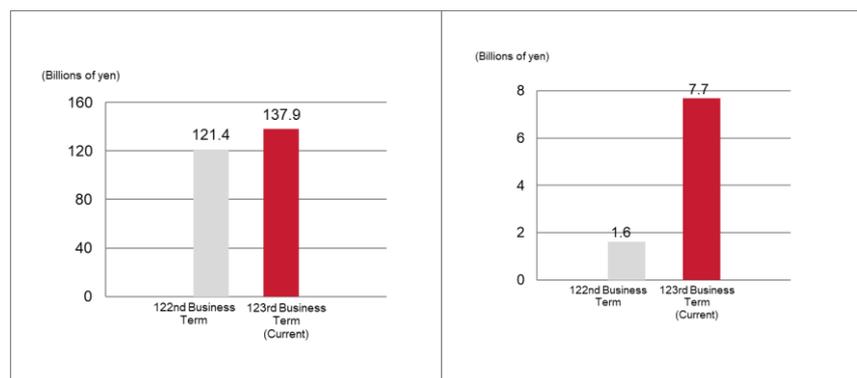
As a result, net sales were ¥137.9 billion, up 13.6% year on year on a reported basis, down 4.7% year on year on an FX-neutral basis, or up 8.8% year on year on a like-for-like basis excluding foreign exchange and business transfer impacts. Core operating profit improved by ¥6.0 billion year on year to ¥7.7 billion, primarily due to higher margins associated with an increase in sales and lower fixed costs as a result of structural reforms.

Net Sales: ¥137.9 billion

Year-on-year change: +13.6%
(FX-neutral basis: -4.7%)
(Like for like: +8.8%)

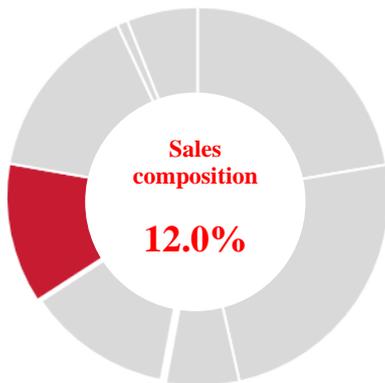
Core Operating Profit: ¥7.7 billion

Year-on-year change: +¥6.0 billion



EMEA Business

Strong growth in prestige brands



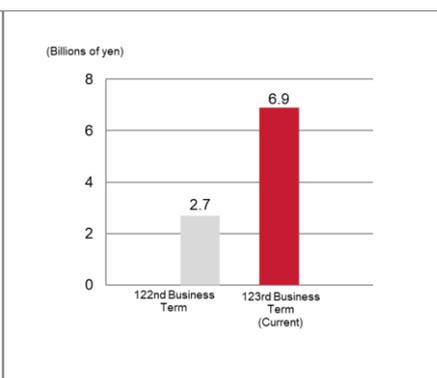
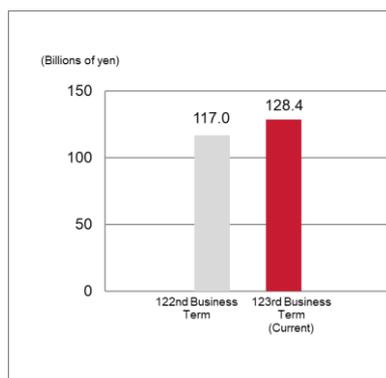
narciso rodriguez fragrance
MUSC NOIR ROSE

In the EMEA Business, the cosmetics market continued to prosper in all categories with the normalization of economic activities due to the relaxation COVID-19 restrictions. We held promotions capturing the recovery trend in consumer consumption, and *NARS* and *narciso rodriguez* achieved strong growth and increased shares. We also steadily increased the number of doors for *Drunk Elephant*, which contributed to the growth in sales.

As a result, net sales were ¥128.4 billion, up 9.8% year on year on a reported basis, up 3.3% year on year on an FX-neutral basis, or up 4.0% year on year on a like-for-like basis excluding foreign exchange and business transfer impacts. Core operating profit improved by ¥4.2 billion year on year to ¥6.9 billion, primarily due to higher margins associated with an increase in sales and lower fixed costs due to structural reforms, etc.

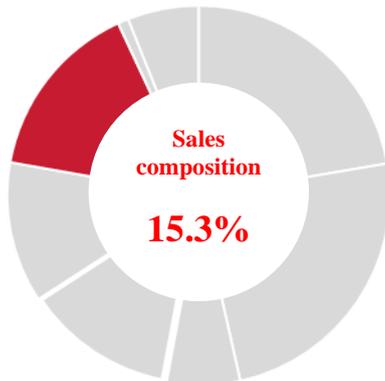
Net Sales: ¥128.4 billion
Year-on-year change: +9.8%
(FX-neutral basis: +3.3%)
(Like for like: +4.0%)

Core Operating Profit: ¥6.9 billion
Year-on-year change: +¥4.2 billion



Travel Retail Business

Growth in both online and offline sales accompanying the resumption of tourist traffic



Company store at the "Haikou International Duty Free Shopping Complex" opened on Hainan Island, China

In the Travel Retail Business (sales of cosmetics and fragrances primarily through airport and downtown duty-free stores), tourist traffic resumed with the relaxation of COVID-19 restrictions and we saw rapid recovery particularly in the Americas and Europe. In Hainan Island in China, although affected by the lockdowns, we achieved strong growth through new store openings in the world's biggest duty-free shopping mall in Haikou City as well as through the expansion of e-commerce.

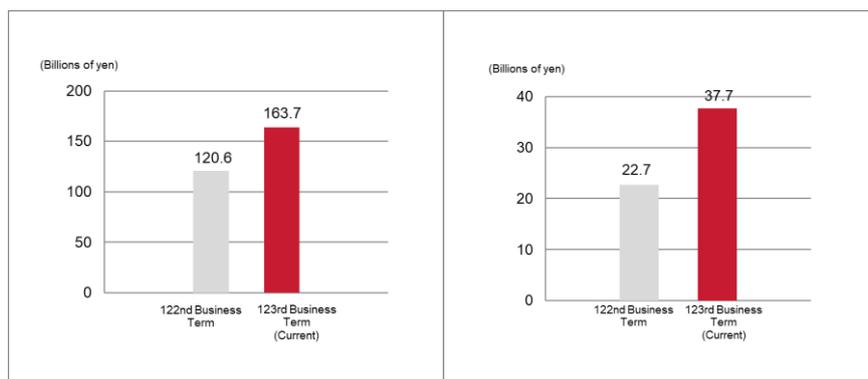
As a result, net sales were ¥163.7 billion, up 35.7% year on year on a reported basis, up 15.3% year on year on an FX-neutral basis, or up 14.2% year on year on a like-for-like basis excluding foreign exchange and business transfer impacts. Core operating profit increased by ¥14.9 billion year on year to ¥37.7 billion, mainly due to higher margins from increased sales.

Net Sales: ¥163.7 billion

Year-on-year change: +35.7%
(FX-neutral basis: +15.3%)
(Like for like: +14.2%)

Core Operating Profit: ¥37.7 billion

Year-on-year change: ¥14.9 billion



(2) Capital Expenditures

	Investment (Millions of yen)	Purpose of Investment
Property, Plant and Equipment	31,253	Renovation and renewal of production facilities Acquisition of Fukuoka Kurume Factory's machinery and equipment
Intangible Assets	28,583	Global expansion of core IT system
Total	59,837	

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

(3) Financing

In the fiscal year ended December 31, 2022, the Company issued ¥20.0 billion in our first sustainability-linked bonds and used the funds for the redemption of corporate bonds and for working capital.

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

(Millions of yen, unless otherwise noted)

	120th Business Term (1/1/2019 - 12/31/2019)	121st Business Term (1/1/2020 - 12/31/2020)	122nd Business Term (1/1/2021 - 12/31/2021)		123rd Business Term (Current term) (1/1/2022 - 12/31/2022)
	Japanese GAAP			IFRS	
Net Sales	1,131,547	920,888	1,035,165	1,009,966	1,067,355
Operating Profit/Core Operating Profit	113,831	14,963	41,586	42,553	51,340
Operating Profit Margin/Core Operating Profit Margin (%)	10.1	1.6	4.0	4.2	4.8
Net Profit (Loss) Attributable to Owners of Parent/Profit (Loss) Attributable to Owners of Parent	73,562	(11,660)	42,439	46,909	34,202
Comprehensive Income/Comprehensive income	72,653	10,431	81,222	90,198	89,061
Total Assets/Total Assets	1,218,795	1,204,229	1,179,360	1,300,979	1,307,661
Net Assets/Total Equity	517,857	506,593	567,433	562,179	625,754
Net Assets per Share/Equity Attributable to Owners of Parent per Share (Yen)	1,242.85	1,212.34	1,364.28	1,353.45	1,512.36
Cash Flows from Operating Activities	75,562	64,045	122,887	134,249	46,735
Cash Flows from Investing Activities	(202,823)	(70,084)	63,739	66,733	(41,308)
Cash Flows from Financing Activities	113,678	46,880	(176,222)	(190,575)	(52,418)
Cash and Cash Equivalents at End of Year/Period	97,466	136,347	156,503	156,503	119,036

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

(5) Capital Policy

1) Fundamental Approach to Capital Policy (As of December 31, 2022)

The Company endeavors to maintain its shareholders' equity at a certain level in order to invest promptly and decisively when considered necessary in order to ensure sustainable growth. In addition, the Company places importance on increasing the efficiency of working capital with an emphasis on free cash flow and days sales in inventory, and practices management focused on ensuring capital efficiency by reinforcing its management of cash flows and its balance sheet.

The Company arranges financing making timely use of optimal financing methods taking into account the market environment and other factors, and accordingly targets net debt-to-equity ratio of 0.2 and net debt-to-EBITDA ratio of 0.5 in order to maintain a single-A credit rating which enables it to obtain financing on favorable terms. However, upon considering the Company's future earnings ability and capability to generate cash flows, we will review these indices in conjunction with the shareholder return policy in order to develop an optimal capital structure that contributes to further heightening capital efficiency.

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

We focus on consolidated performance and free cash flow in determining dividends and have set a dividend on equity attributable to owners of the parent (DOE) of 2.5% or higher as one indicator that reflects our capital policy to ensure stable and consistent growth in shareholder returns over the long term. Our policy with respect to share buybacks is to remain flexible and make such decisions based on the market environment.

2) Profit Distribution

	120th Business Term (1/1/2019 - 12/31/2019)	121st Business Term (1/1/2020 - 12/31/2020)	122nd Business Term (1/1/2021 - 12/31/2021)		123rd Business Term (Current term) (1/1/2022 - 12/31/2022)	
	Japanese GAAP			IFRS		
Annual cash dividends per share (Yen)	60	40	50		100	(Plan)
Annual dividends (Millions of yen)	23,965	15,978	19,974		39,954	(Plan)
Consolidated payout ratio (%)	32.6	–	47.1	42.6	116.8	(Plan)
DOE (%)	5.1	3.3	3.9	4.0	7.0	(Plan)

Notes:

- Figures of each item for the 123rd Business Term (current term) are predicated on the approval of the First Item of Business (Dividends of Retained Earnings) as originally proposed at the ordinary general meeting of shareholders to be held on March 24, 2023.
- Consolidated payout ratio for the 121st Business Term is not shown because the amount of net profit (loss) attributable to owners of parent is negative.

(6) Issues to Address

1) Corporate Philosophy THE SHISEIDO PHILOSOPHY

Shiseido was founded in 1872, and we celebrated our 150th anniversary in 2022. Since the founding, we have strived to serve the interests of consumers and contribute to society through our expertise in beauty and health. In our quest to become the most trusted beauty company in the world and remain vital for the next 100 years and beyond, we articulated our corporate philosophy, THE SHISEIDO PHILOSOPHY in 2019. For each and every member of the global Shiseido family, THE SHISEIDO PHILOSOPHY is at the heart of everything we do as we strive to Be a Global Winner with Our Heritage.

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

1. OUR MISSION defines our purpose.
2. OUR DNA embodies our unique heritage of over 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 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.

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) Medium-Term Strategy “SHIFT 2025 and Beyond” - Shift for New Growth -

We have launched “SHIFT 2025 and Beyond,” a medium-term strategy centered on the three years from 2023 to 2025. With “SHIFT 2025 and Beyond,” the Company will take the next three years under a new management structure to shift itself from “Defense” to “Offense” and ensure further growth to “Be a Global Winner with Our Heritage.”

With the medium- to long-term strategy “WIN 2023 and Beyond” that we launched in 2021, we were able to deliver many results despite the severe impact of COVID-19. First, the Company implemented “selection and concentration” to increase profitability. We carried out structural reforms around the world that required extremely tough decisions, such as the divestiture of the Personal Care Business and makeup brands. In addition, we improved profitability in the Americas and EMEA businesses, which had been an ongoing challenge. We also steadily increased the sales ratio of Skin beauty products company-wide. Further, we also accelerated digital transformation (DX) to respond quickly to the ever-changing market environment, invested in FOCUS*¹, and built new factories and logistics systems equipped with cutting-edge technology to achieve high quality and productivity. By strongly implementing these various initiatives, we were able to establish a solid financial base with high profitability

As part of “SHIFT 2025 and Beyond,” we aim to first regain the growth of the Japan business, which is the remaining challenge of “WIN 2023 and Beyond.” We will achieve core operating profit exceeding ¥50 billion in the Japan business by 2025 through fundamental reforms over a three-year period from 2023. During the same period, the entire Company will implement reforms to improve sustainable sales growth and profitability, aspiring to become a Personal Skin Beauty & Wellness Company. As we aim for long-term growth, we are strengthening investment in the three priority areas of brand, innovation, and people, and plan to achieve our core operating margin of 12% by 2025 and 15% in the plan’s final year of 2027. We will continue to aspire to realize a sustainable world where everyone can enjoy a lifetime of happiness through the power of beauty through our corporate mission, “BEAUTY INNOVATIONS FOR A BETTER WORLD.”

Key Areas for Sustainable Growth

Enhance Brand Equity

In addition to global brands such as *SHISEIDO* and *Clé de Peau Beauté*, we will also focus on brands such as “ELIXIR” expanding in Asia, fragrance brands, men brands, and strategically developed new brands. We will invest an additional ¥100 billion*² over three years in marketing investment.

Continuously Invest in Innovation

We will further strengthen collaboration between research centers in each region by taking advantage of our global structure. We will evolve our R&D processes, such as expanding research areas and developing consumer benefits. In addition, we will combine our knowledge with technologies gained by external joint research, inter-company collaboration, and M&A to create new products and services. To further accelerate innovation, we will invest in R&D at 3% of sales.

Strengthen Global Talent and Leadership

Based on our management philosophy “PEOPLE FIRST,” we have been actively invested in talent development. We will continue this investment in our people, who are the drivers of our growth. This will include selective programs and voluntary career development support for future leadership candidates, acceleration of global talent allocation, and establishment of compensation structures. Furthermore, to commemorate the 150th anniversary of our founding, we will open “Shiseido Future University” to develop the next leaders. This is based in Ginza, Japan where our company was founded, and Masahiko Uotani, the Company’s CEO, will serve as the first president.

Core Initiatives by Region

Achieve continuous growth and shift to a highly profitable structure through active investment.

- Japan: Strengthen brands and organization. Rebuild earnings base by bringing back growth
- China: Expand brand portfolio and develop new areas
- Asia Pacific: Establish a business foundation in a promising market for the future
- Travel Retail: Create unique value for travelers
- Americas: Build a foundation for growth as the next growth pillar
- EMEA: Achieve profitable growth after past structural reforms

Financial Strategy

Targets

Leveraging the solid financial base, we have built through our structural reforms, we will accelerate strategic growth investments from 2023 onwards to achieve sustainable sales expansion, reduce costs, and strengthen profitability and cash generation. We aim to achieve a CAGR^{*3} in net sales of 8% over the three years from 2023 to 2025 (compared to 2022) and 6% over the two years from 2026 to 2027 (compared to 2025). We aim to achieve a core operating margin of 12% in 2025 and 15% in 2027 through both strong sales growth and cost reduction measures. The Company aims to achieve free cash flow of ¥100 billion in 2025, and EBITDA^{*4} margin of 18% in 2025 and 20% in 2027. For capital efficiency, we will achieve 12% in ROIC and 14% in ROE by 2025.

Cash Allocation

We will generate cash inflow of more than ¥400 billion over the next three years by investing in (1) Brand marketing, (2) Innovation and (3) People. To build a virtuous cycle for maximizing corporate value over the medium to long term, we will allocate this cash generated to IT and Digital Transformation (DX) initiatives such as FOCUS and capital investment such as the introduction of energy-saving equipment in factories, and growth investment in M&A.

Shareholder Returns

Our total shareholder return policy emphasizes maximizing returns to shareholders through direct means, in addition to generating medium- to long-term share price gains. Focusing on free cash flow, we will achieve long-term stable and continuous returns with a dividend on equity attributable to owners of the parent (DOE) of 2.5% or higher.

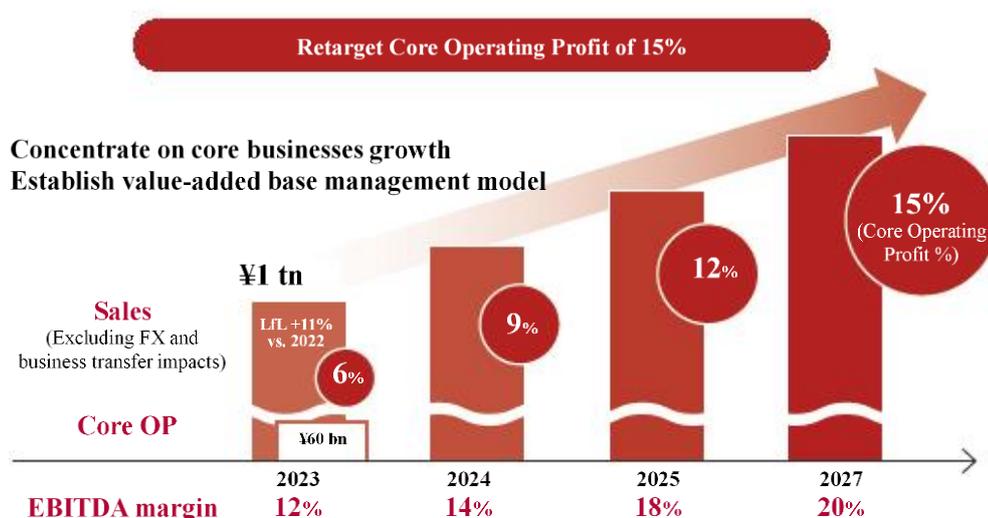
For details of “SHIFT 2025 and Beyond,” please refer to the FY2022 Presentation Materials, etc. listed under “Investors/IR Library/Consolidated Settlements of Accounts / Briefing Materials” (<https://corp.shiseido.com/en/ir/library/tanshin/>) on the Company’s Corporate website and “Message to shareholders”.

*1: An internal project that promotes the global standardization of business processes and the deployment of an integrated core systems to accelerate and improve productivity across our businesses.

*2: Cumulative total increase over 2023-2025 compared to 2022.

*3: Compound average growth rate excluding impact of foreign exchange translation and business transfers

*4: Core Operating Profit + Depreciation and Amortization (excluding amortization of right-of-use assets)



3) Initiatives to create social value

Sustainability initiatives

Shiseido aims for the creation of a sustainable world where everyone can enjoy happiness through the power of beauty, increasing everyone's happiness and sense of fulfillment through our business. We place sustainability in the center of our corporate strategy and promote the creation of social value and the resolution of social and environmental issues through our core business.

Promotion system

We are promoting sustainability across the Group through our brands and regional businesses. In 2022, the Sustainability Committee, which deliberates exclusively on sustainability issues, held meetings regularly in order to ensure timely decision-making and Group-wide implementation of sustainability-related operations. The committee makes decisions relating to Group-wide sustainability-related strategies and policies, specific activity plans such as disclosures based on TCFD recommendations and human rights actions, and monitors the progress of medium- and long-term goals. The committee consists of the Representative Directors and executive officers in charge of corporate strategy, R&D, supply network, public relations, and brand holders, and each member engages in lively discussions with the perspectives of their respective expert domains. Moreover, the Global Strategy Committee and the Board of Directors are consulted and involved in deliberations when approvals are required on particularly important matters related to business execution.

We annually publish a Sustainability Report for our global stakeholders, disclosing our medium- to long-term goals and progress of our sustainability actions through our core business.

[Medium-term goals]

Item	Target	Achievement period*1
CO ₂ emissions	Carbon-neutral*2	2026
Water	Water consumption reduced by 40%*3	2026
Waste	Zero landfill*4	We achieved zero landfill waste at all 12 factories worldwide in 2020 ahead of schedule
Packaging	100% sustainable packaging*5	2025
Palm oil	Sustainable palm oil (RSPO MB certified or higher) usage at 100%	2026
Paper	Sustainable paper (such as certified paper and recycled paper) usage at 100%*6	2023

*1: We plan to disclose our 2022 results in our Sustainability Report to be issued in 2023

- *2: At all our sites, Scope 1 and Scope 2
- *3: At all our sites, on usage intensity by net sales, compared to 2014
- *4: Limited to factories owned by Shiseido
- *5: For selling products with plastics packaging
- *6: In products

Response to climate change

Given the seriousness of the impact of climate change issues on our business growth and social sustainability, Shiseido discloses information in line with the task force on climate-related financial disclosures (TCFD) framework. We have disclosed the qualitative and quantitative analysis results and major response actions to be taken for 1.5/2°C and 4°C scenarios respectively, as to the long-term risks and opportunities generated by the transition to a decarbonized society and changes in natural environment due to climate change.

The Company is actively promoting reductions in CO₂ emissions as a response to climate change from the perspective of risk management and the current generation's responsibility to leave a better global environment for future generations. In 2022, we were accredited for our science-based targets for reducing CO₂*¹ emissions (Science Based Targets)*² across our entire value chain for 2030 and joined the RE100, which aims to switch electricity used in business activities to 100% renewable energy. Furthermore, we will strive to reduce CO₂ emissions and to create opportunities with innovations, with goal of achieving net zero emissions by 2050.

*1: CO₂: Ordinarily, greenhouse gases refer to CO₂, CH₄, N₂O, HFCs, PFCs, SF₆, NF₃. In this business report unless specified, such greenhouse gases are expressed as CO₂.

*2: Scope 1, Scope 2 and Scope 3

Promoting sustainable packaging and recycling model

Shiseido recognizes that climate change and marine plastic waste are an imminent environmental issue that require global solutions, and we are enhancing our efforts to address these issues such as by developing sustainable containers and packaging.

Through innovation based on our 5Rs (Respect, Reduce, Reuse, Recycle, Replace) policy on container and packaging development, we are advancing our efforts with our goal to achieve 100% sustainable packaging by 2025. We have promoted the reduction of plastic usage by using lighter containers and expanding refillable / replaceable containers, the acceleration of recycling by designing containers that are easy to separate and using a single material (mono material), as well as the reduction of impact to environment by using recycled materials (PCR).

In 2022, in collaboration with SEKISUI CHEMICAL CO., LTD. and SUMITOMO CHEMICAL CO., LTD., we commenced a joint initiative to establish a circular economy for plastic cosmetics containers, in which used cosmetics plastic containers are collected, converted to resources and materials without sorting, and recycled back into containers. The three companies will collaborate across corporate boundaries, encourage related industries and companies to join in the effort, and strive to create a circular economy.

Highest rating acquired for CDP climate change survey

Shiseido has been selected as an “A-List company,” the highest rating, in a study on climate change by CDP^{*1}, an international non-governmental organization that conducts environmental research and information disclosure. In 2022, a record number of approximately 18,700 companies participated in the study and 74 Japanese companies including Shiseido were selected as “A-List companies” for climate change. The Company upholds a target of achieving carbon neutrality by 2026^{*2}, as a target for greenhouse gas reduction related to climate change, and continues energy conservation efforts not only at our factories and offices, but actively works on the reduction of CO₂ emissions and the improvement of environmental footprint. In 2022, we acquired certification from the SBT Initiative (SBTi)^{*3} for our targets to reduce CO₂ emissions across our entire value chain, joined RE100^{*4} initiatives, disclosed risk and opportunity analysis and response measures in accordance with TCFD^{*5}, and actively introduced renewable energy at all of our factories and offices worldwide. We believe that we were highly valued for our specific stance on CO₂ reduction activities.

- *1: CDP runs the global environmental disclosure system for investors, companies, cities, states, and regions. Working with more than 680 investors with over US\$130 trillion in assets and 280 major purchasers with procurement expenditures of US\$6.4 trillion, CDP makes requests of companies to disclose their data on environmental impacts, risks, and opportunities, motivating them to introduce environmental measures.
- *2: At our sites
- *3: An international initiative to help companies to set emission reduction targets in line with climate science and Paris Agreement goals.
- *4: Stands for 100% Renewable Electricity, which is an international initiative bringing together companies committed to using 100% renewable energy for the electricity used in their businesses.
- *5: Stands for Task Force on Climate-related Financial Disclosures, a task force established in December 2015 by the Financial Stability Board (FSB), an international organization of central banks and financial regulatory authorities from major countries



Initiatives for social issues

Since our founding in 1872, Shiseido has proposed an enriched way of life, pioneering eras through the updating of various values and lifestyles. On the other hand, the current society is subject to unprecedented pace of change, and there is also major impact on established concepts and practices as well as ways of working. The challenge has become even more serious as COVID-19 has further exacerbated poor people’s situation in society. Based on our recognition that people are diverse by nature, we position diversity and inclusion (D&I) as an important theme in our management strategy to achieve a highly inclusive society in which each person can live his or her own life. Positioning “empowerment of women” and “empowerment through the power of beauty” as pillars of our strategy, we will promote and contribution to society leveraging our internal D&I initiatives and results of our business activities.

In 2023, Shiseido established an in-house research organization, the “Shiseido D&I Lab.” The “Shiseido D&I Lab” will verify past achievements and results related to the active participation of diverse human resources at Shiseido in order to develop effective actions that will accelerate internal D&I. The knowledge obtained by these types of research will be published not only within the Company but also for society to contribute to the promotion of Japan’s economic growth through the realization of D&I.

We believe that an inclusive society that respects each and every individual and allows everyone to demonstrate their potential will lead to everyone’s happiness, and will work to achieve our corporate mission of “BEAUTY INNOVATIONS FOR A BETTER WORLD.”

The eighth Tsubaki-kai exhibition “This New World” at the Shiseido Gallery

One element of Shiseido’s heritage in the 150 years since our founding is our initiatives in art. The Shiseido Gallery, which is said to be the oldest existing art gallery in Japan, has been committed to “discovering and creating new beauty,” since its opening in 1919, and has contributed to the promotion of Japanese art and culture. The “Tsubaki-kai,” one of the representative exhibitions of the Shiseido Gallery, is a group exhibition launched in 1947 when the Shiseido Gallery resumed its activities after a temporary suspension due to the World War II. Based on the belief that art offers hope and courage to people, Tsubaki-kai exhibitions have been held with a hope of revival even at times of stagnation due to war, restriction, disaster and recession. Exhibitions have continued for over 70 years since its birth, and a total of 86 artists have participated.

Members of the 8th Tsubaki-kai, which started in 2021, are Hiroshi Sugito, Ryuji Nakamura, Nerhol, Futoshi Miyagi, Aiko Miyanaga, and [mé]. They are artists representing our time, who work across genres, collaborate and work in teams. Together with other artists of the same era, they are thinking about the “new world” after COVID-19. In 2022, the second year of the 8th Tsubaki-kai, they attempted to create a space to think about “abundance.” The exhibition, which was held for more than 3 months from August 27 to December 18, attracted a total of 12,000 visitors.

Now the world in which we live in is at a point of major change. In such uncertain times art provides hints to know about the future and courage. Shiseido aims to enrich the minds of people and contribute to society through art.



“8th Tsubaki-kai This New World 2nd SEASON “QUEST” view of the venue
Photo: Ken Kato

Shiseido establishes “Shiseido Future University” as a people resource development facility for leaders of the next generation

The Company has decided to establish “Shiseido Future University,” a facility to develop leaders of the next generation in Ginza (Chuo-ku, Tokyo), the Company’s place of foundation, as part of the initiatives to commemorate the 150th anniversary of founding. The facility is scheduled to open in the autumn of 2023. Masahiko Uotani, the CEO of the Company has always strongly believed that people are the greatest asset and that investment in people increases corporate value, so has upheld the management philosophy of “PEOPLE FIRST.” We will further strengthen our investment in people capital through “Shiseido Future University.” Specifically, we will work on people development through the original curriculum which combines the state-of-the-art, global level business school education with the learning from Shiseido’s heritage which has pursued a sense of beauty and richness of spirit since its founding. We will nurture global leaders suitable to

lead a global beauty company, who have acquired strategic thinking, leadership and sensitivity, and contribute to the realization of a better society through generating innovations and growing business.



Workshop space

Through above activities, the Company will continue our efforts to become a “Global Winner with Our Heritage” and a company which will continue shining for over the next 100 years. We would like to ask for the continued support of our shareholders.

1.2 Outline of the Shiseido Group (As 1.2 Outline of the Shiseido Group (As of December 31,2022)

(1) Principal Businesses of the Shiseido Group

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

Note: The Company transferred its Professional Business with the exception of a certain portion in July 2022.

(2) Major Business Hubs

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

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

Factories:

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

Laboratories:

Name	Location
Shiseido Global Innovation Center	Nishi-ku, Yokohama-shi, Kanagawa Pref.
Shiseido China Research Center Co., Ltd. (China Innovation Center)	Beijing, China
Shiseido China Research Center Co., Ltd., Shanghai Branch	Shanghai, China
Shiseido China Innovation Center Shanghai Fengxian Branch	Shanghai, China
Shiseido Asia Pacific Innovation Center	Singapore
Shiseido Americas Innovation Center	East Windsor, New Jersey, U.S.A.
Shiseido Europe Innovation Center	Ormes, Loiret, France

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

Company Name	Location	Paid-in Capital	Ownership Percentage of Voting Rights	Principal Business
Shiseido Japan Co., Ltd.	Chuo-ku, Tokyo	(million JPY) 100	% 100.0	Sale of cosmetics, etc.
Shiseido Pharmaceutical Co., Ltd.	Chuo-ku, Tokyo	(million JPY) 100	100.0	Sale of over-the-counter drugs, etc.
Shiseido International Inc.	Chuo-ku, Tokyo	(million JPY) 30	100.0	Sale of cosmetics, etc.
Shiseido FITIT Co., Ltd.	Chuo-ku, Tokyo	(million JPY) 10	100.0	Sale of cosmetics, etc.
Shiseido China Co., Ltd.	Shanghai, China	(thousand CNY) 565,093	100.0	Holding company and sale of cosmetics, etc. in China
Shiseido Hong Kong Ltd.	Hong Kong, China	(thousand HKD) 123,000	100.0	Sale of cosmetics, etc.
Shiseido Liyuan Cosmetics Co., Ltd.	Beijing, China	(thousand CNY) 94,300	32.0 (65.0)	Production and sale of cosmetics, etc.
Taiwan Shiseido Co., Ltd.	Taoyuan, Taiwan	(thousand TWD) 1,154,588	51.0	Holding company and production and sale of cosmetics, etc. in Taiwan
Shiseido Asia Pacific Pte. Ltd.	Singapore	(thousand SGD) 49,713	100.0	Holding company and sale of cosmetics, etc. in Asia Pacific region
Shiseido Americas Corporation	Delaware, U.S.A.	(thousand USD) 403,070	100.0	Holding company and sale of cosmetics, etc. in Americas
Shiseido America, Inc.	New York, U.S.A.	(thousand USD) 28,000	— (100.0)	Production of cosmetics, etc.
Beauté Prestige International S.A.	Paris, France	(thousand EUR) 32,937	— (100.0)	Sale of cosmetics, etc.
Shiseido Italy S.p.A.	Milan, Italy	(thousand EUR) 5,036	— (100.0)	Sale of cosmetics, etc.
Shiseido Germany GmbH	Düsseldorf, Germany	(thousand EUR) 8,700	— (100.0)	Sale of cosmetics, etc.
Shiseido (RUS), LLC.	Moscow, Russia	(thousand RUB) 106,200	— (100.0)	Sale of cosmetics, etc.

Company Name	Location	Paid-in Capital	Ownership Percentage of Voting Rights	Principal Business
Shiseido International France S.A.S.	Paris, France	(thousand EUR) 36,295	— (100.0)	Production of cosmetics, etc.
Shiseido Europe S.A.	Paris, France	(thousand EUR) 257,032	100.0	Holding company in Europe
Shiseido Travel Retail Asia Pacific Pte. Ltd.	Singapore	(thousand USD) 48	— (100.0)	Sale of cosmetics, etc.
Shiseido Beauty Salon Co., Ltd.	Chuo-ku, Tokyo	(million JPY) 100	100.0	Operation of beauty salons
IPSA Co., Ltd.	Minato-ku, Tokyo	(million JPY) 100	100.0	Sale of cosmetics, etc.
Shiseido Parlour Co., Ltd.	Chuo-ku, Tokyo	(million JPY) 100	99.3	Operation of restaurants, etc.
The Ginza Co., Ltd.	Chuo-ku, Tokyo	(million JPY) 100	98.1	Sale of cosmetics, etc.
Shiseido Cosmetics Manufacturing Co., Ltd.,	Shanghai, China	(thousand CNY) 418,271	26.2 (92.6)	Production of cosmetics, etc.
Shiseido Vietnam Inc.	Dong Nai Province, Vietnam	(million VND) 1,061,993	100.0	Production of cosmetics, etc.
Selan Anonymous Association	Chiyoda-ku, Tokyo	(million JPY) 11,600	— [100.0]	Management of real estate, etc.

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

(4) Matters Concerning Employees of the Group

Business Segment	Number of Employees		Comparison with the Corresponding Period of the Previous Fiscal Year	
Japan Business	11,185	[3,098]	-569	[-664]
China Business	7,480	[97]	-336	[+3]
Asia Pacific Business	2,813	[276]	-248	[-27]
Americas Business	1,824	[23]	-275	[-5]
EMEA Business	2,761	[279]	+42	[-28]
Travel Retail Business	548	[11]	+4	[-2]
Professional Business	53	[9]	-543	[-14]
Corporate staff	6,750	[2,040]	+21	[-44]
Total	33,414	[5,833]	-1,904	[-781]

Notes:

1. The number of employees shown is the number of full-time employees. The annual average number of temporary employees is shown in []. Temporary employees refer to contract employees and part-time workers and excludes dispatched employees.
2. As a revision of the reportable segment classification method was carried out, and partial changes to the aggregation method were made, the numbers of employees after these changes are shown above for the fiscal year ended December 31, 2022, and corresponding period of the previous fiscal year.
3. The Company transferred its Professional Business with the exception of a certain portion in July 2022. The number of employees of this business is the number of employees belonging to the subsidiary which is in the midst of the transfer process.
4. The ratio of female employees in the Shiseido Group worldwide is 82.0%, while in Japan the ratio is 80.8%.

(5) Main Suppliers of Loans to the Group

Lender	Outstanding Balance
Mizuho Bank, Ltd.	56,936 million JPY

2. Matters Concerning Shares Issued by the Company (As of December 31,2022)

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

1,200,000,000 shares

(2) Number of Shares Issued and Outstanding:

400,000,000 shares (including 452,452 shares of treasury stock)

(3) Number of Shareholders:

67,756

(4) Principal Shareholders:

Shareholders	Investment in the Company	
	Number of Shares Held	Percentage of Shareholding
The Master Trust Bank of Japan, Ltd. (Trust Account)	(thousand shares) 79,995	% 20.02 <19.99>
Custody Bank of Japan, Ltd. (Trust Account)	26,988	6.75 <6.74>
THE BANK OF NEW YORK MELLON AS DEPOSITARY BANK FOR DEPOSITARY RECEIPT HOLDERS	7,617	1.90 <1.90>
Mizuho Trust & Banking Co., Ltd. re-trusted to Custody Bank of Japan, Ltd. Employees Pension Trust for Mizuho Bank	7,000	1.75 <1.75>
THE BANK OF NEW YORK 134104	6,633	1.66 <1.65>
SSBTC CLIENT OMNIBUS ACCOUNT	6,616	1.65 <1.65>
STATE STREET BANK WEST CLIENT-TREATY 505234	6,592	1.65 <1.64>
BNYM TREATY DTT 15	6,106	1.52 <1.52>
Nippon Life Insurance Company	5,615	1.40 <1.40>
JP MORGAN CHASE BANK 385781	5,228	1.30 <1.30>

Notes:

- Calculations of percentage of shareholding, including below Notes are based on the total number of issued and outstanding shares excluding treasury stock. Calculations of percentage of shareholding indicated in < > are based on the total number of issued and outstanding shares including treasury stock.
- All shares held by The Master Trust Bank of Japan, Ltd. (Trust Account) and Custody Bank of Japan, Ltd. (Trust Account) are in connection with the respective bank's trust business.
- A report of amendment to large shareholdings from BlackRock Japan Co., Ltd. has been filed with the Director-General of the Kanto Finance Bureau. The report said that on November 21, 2018 it held 24,051 thousand shares through joint holdings (percentage of shareholding: 6.01%), of which 8,130 thousand shares (2.03%) were held by BlackRock Japan Co., Ltd., 5,962 thousand shares (1.49%) were held by BlackRock Fund Advisers and 5,791 thousand shares (1.44%) 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.
- A report of amendment to large shareholdings from Mizuho Bank, Ltd., that on April 22, 2022, it held 23,201 thousand shares through joint holdings (Percentage of shareholding: 5.80%), of which 13,634 thousand shares (3.41%) are held by Asset Management One Co., Ltd., has been filed with the Director-General of the Kanto Finance Bureau.
However, Mizuho Bank, Ltd., has been excluded from the above principal shareholders, as the actual number of shares held by said company had not been confirmed by the Company as of the end of the fiscal year.
- A report of amendment to large shareholdings from Mitsubishi UFJ Financial Group, Inc. that on June 20, 2022, it held 25,226 thousand shares through joint holdings (Percentage of shareholding: 6.31%), of which 13,389 thousand shares (3.35%) and 6,170 thousand shares (1.54%) are held by Mitsubishi UFJ Trust and Banking Corporation and Mitsubishi UFJ Kokusai Asset Management Co., Ltd., respectively, has been filed with the Director-General of the Kanto Finance Bureau.

However, Mitsubishi UFJ Financial Group, Inc. has been excluded from the above principal shareholders, as the actual number of shares held by the 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 Securities Co., Ltd., that on October 21, 2022, it held 23,861 thousand shares (Percentage of shareholding: 5.97%) has been filed with the Director-General of the Kanto Finance Bureau.

However, Nomura Securities 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 Baillie Gifford & Co 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 are held by Baillie Gifford & Co and 19,400 thousand shares (4.85%) are held by Baillie Gifford Overseas Limited, has been filed with the Director-General of the Kanto Finance Bureau.

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.

8. A report of amendment to large shareholdings from Sumitomo Mitsui Trust Bank, Limited, that on November 21, 2022, it held 27,365 thousand shares through joint holdings (Percentage of shareholding: 6.84%), of which 16,401 thousand shares (4.10%) and 10,964 thousand shares (2.74%) are held by Sumitomo Mitsui Trust Asset Management Co., Ltd. and Nikko Asset Management Co., Ltd., respectively, has been filed with the Director-General of the Kanto Finance Bureau.

However, Sumitomo Mitsui Trust Bank, Limited has been excluded from the above principal shareholders, as the actual number of shares held by the above two companies had not been confirmed by the Company as of the end of the fiscal year.

(5) Shares Issued to Directors and Audit & Supervisory Board Members of the Company in Consideration of Execution of Duties in the Fiscal Year Ended December 31, 2022:

Shares issued to directors and Audit & Supervisory Board members of the Company in consideration of duties executed in the fiscal year ended December 31, 2022 are as follows.

	Number of Shares	Number of Eligible Persons
Directors (excluding External Directors)	3,000	1
Other (retired directors)	1,000	2

Shares delivered to directors during the fiscal year ended December 31, 2022 based on the exercise of stock option rights issued as long-term incentive-type remuneration to directors in the fiscal year ended December 31, 2021 are as follows.

	Number of Shares	Number of Eligible Persons
Directors (excluding External Directors)	14,900	1

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

3. Matters Concerning Shares Held by the Company (As of December 31, 2022)

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

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

- The Company holds the minimum amount of shareholdings necessary, only when it determines that such shareholdings would contribute to its sustainable growth and medium- to long-term improvement of corporate value.
- The Company periodically checks its individual shareholdings to see whether or not such shares are being held for the intended purpose and whether or not benefits associated with their ownership are commensurate with the associated cost of capital. The Board of Directors then verifies the appropriateness of maintaining ownership of such holdings and discloses circumstances attributable to any reduction of holdings.

- If the Company receives a request for sale from a company that holds the Company's shares as strategic shareholdings, the Company should neither prevent the sale nor imply that it would reduce transactions with the holding company.

During fiscal 2022, of listed companies' shares of strategic shareholdings, the Company sold all of its holdings in one stock and part of its holdings in one stock while investing in a top beauty tech company listed on the U.S. Nasdaq, consequently holding three stocks as of December 31, 2022. Unlisted companies' shares of strategic shareholdings include those of investee companies of Shiseido Venture Partners, a specialized in-house organization that makes investments in new ventures that develop and operate innovative businesses that are expected to create new value through innovation with our company, and those held under investment projects in response to societal and cultural demand.

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

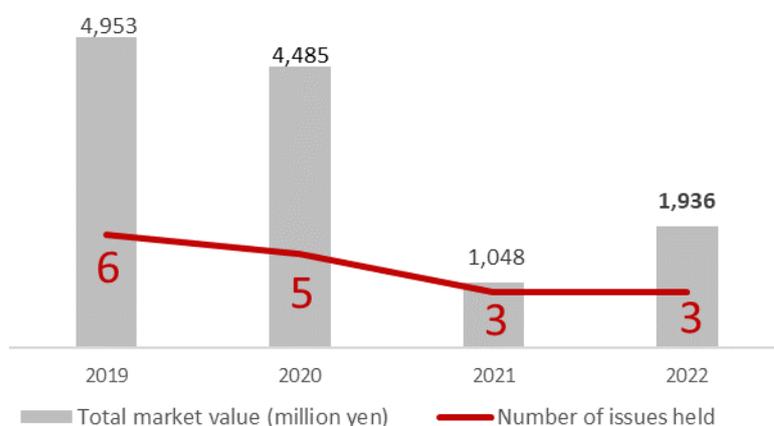
When exercising its voting rights with regard to shares of strategic shareholdings, the Company confirms whether the proposed item of business would lead to impairment of shareholder value. It then considers the situation of an investee company and other factors to determine its approval or disapproval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

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

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

Number of Issues	Amount on Balance Sheet
27 (of which 3 are listed issues)	¥2,470 million (of which ¥1,936 million accounts for listed issues)

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



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

Company	FY2022		FY2021		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)	Amount on Balance Sheet (million yen)	Number of Shares (thousand shares)	Amount on Balance Sheet (million yen)																					
Perfect Corp.	1,300		-		The Company pursues collaboration, etc. in the digital business with this company. In order to further strengthen the relationship with this company, the Company newly acquired 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																			
	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	565		550		PLANET, INC.	120		300		The Company makes use, etc. of product distribution systems that this company provides. In order to maintain and strengthen the favorable business relationship with this company, the Company holds its shares in accordance with "The Company's Policy with Regard to Reduction of Strategic Shareholdings." While quantitative holding effects are not stated from the viewpoint of business information management and other related factors, the Company determines as at the end of the fiscal year that there is reasonability of holdings based on the policy and verification as described above.	No	147
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																			
	565		550				PLANET, INC.	120		300		The Company makes use, etc. of product distribution systems that this company provides. In order to maintain and strengthen the favorable business relationship with this company, the Company holds its shares in accordance with "The Company's Policy with Regard to Reduction of Strategic Shareholdings." While quantitative holding effects are not stated from the viewpoint of business information management and other related factors, the Company determines as at the end of the fiscal year that there is reasonability of holdings based on the policy and verification as described above.	No	147		438									
PLANET, INC.	120		300		The Company makes use, etc. of product distribution systems that this company provides. In order to maintain and strengthen the favorable business relationship with this company, the Company holds its shares in accordance with "The Company's Policy with Regard to Reduction of Strategic Shareholdings." While quantitative holding effects are not stated from the viewpoint of business information management and other related factors, the Company determines as at the end of the fiscal year that there is reasonability of holdings based on the policy and verification as described above.	No																			
	147		438																						

Notes:

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

4. Matters Concerning Stock Acquisition Rights (As of December 31,2022)

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

Total number of shares that are the object of all stock acquisition rights issued as of December 31, 2022 and the percentage thereof to the total number of shares issued and outstanding as of the same date, excluding treasury stock are as follows:

Total Number of Shares that are the Object of Stock Acquisition Rights	Percentage of Total Number of Shares Issued and Outstanding (Excluding Treasury Stock)
Shares	%
274,400	0.07

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

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

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

The status of stock acquisition rights issued in the past fiscal years is posted as “matters not included in the documents delivered to shareholders who make a request for the delivery of hard copies in accordance with the relevant laws and regulations and the Articles of Incorporation of the Company in regard to the Notice of Convocation for the 123rd Ordinary General Meeting of Shareholders” on our corporate information website: INVESTORS / General Meeting of Shareholders (<https://corp.shiseido.com/jp/ir/shareholders/>).

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

■ **Stock Acquisition Rights Issued as a Consideration for the Execution of Duties as of December 31, 2022**

Issue Date of Stock Acquisition Rights	Grantees of Stock Acquisition Rights	Amount Paid for Stock Acquisition Rights	Amount Contributed upon Exercise of Stock Acquisition Rights	Exercise Period of Stock Acquisition Rights	As of December 31, 2022	
					Holding Condition and Number of the Stock Acquisition Rights	Class and Number of Shares to Be Issued Upon Exercise of Stock Acquisition Rights
August 30, 2011	Directors and corporate officers of the Company 17 persons	1,294 yen	1 yen per share	From August 1, 2014 to July 31, 2026	Others 2 persons 51 rights	Common stock of the Company 5,100 shares
August 30, 2012	Directors and corporate officers of the Company 19 persons	1,001 yen	1 yen per share	From August 1, 2015 to July 31, 2027	Others 5 persons 280 rights	Common stock of the Company 28,000 shares
August 29, 2013	Directors and corporate officers of the Company 16 persons	1,434 yen	1 yen per share	From August 1, 2016 to July 31, 2028	Others 7 persons 303 rights	Common stock of the Company 30,300 shares
August 28, 2014	Directors, corporate officers, etc. of the Company 18 persons	1,898.5 yen	1 yen per share	From August 1, 2017 to July 31, 2029	Others 6 persons 321 rights	Common stock of the Company 32,100 shares
March 30, 2016	Directors, corporate officers, etc. of the Company 18 persons	2,515.5 yen	1 yen per share	From September 1, 2018 to February 28, 2031	Others 6 persons 178 rights	Common stock of the Company 17,800 shares

Issue Date of Stock Acquisition Rights	Grantees of Stock Acquisition Rights	Amount Paid for Stock Acquisition Rights	Amount Contributed upon Exercise of Stock Acquisition Rights	Exercise Period of Stock Acquisition Rights	As of December 31, 2022	
					Holding Condition and Number of the Stock Acquisition Rights	Class and Number of Shares to Be Issued Upon Exercise of Stock Acquisition Rights
March 30, 2017	Directors, corporate officers, etc. of the Company 24 persons	2,990 yen	1 yen per share	From September 1, 2019 to February 29, 2032	Directors of the Company (excluding external directors) 1 person 260 rights	Common stock of the Company 26,000 shares
					Executive officers who do not serve as director of the Company 2 persons 53 rights	Common stock of the Company 5,300 shares
					Others 16 persons 542 rights	Common stock of the Company 54,200 shares
March 28, 2018	Directors, corporate officers, etc. of the Company 21 persons	6,615 yen	1 yen per share	From September 1, 2020 to February 28, 2033	Directors of the Company (excluding external directors) 2 persons 303 rights	Common stock of the Company 30,300 shares
					Executive officers who do not serve as director of the Company 2 persons 33 rights	Common stock of the Company 3,300 shares
					Others 14 persons 266 rights	Common stock of the Company 26,600 shares
March 27, 2019	Directors, corporate officers, etc. of the Company 18 persons	7,864 yen	1 yen per share	From September 1, 2021 to February 28, 2034	Directors of the Company (excluding external directors) 2 persons 73 rights	Common stock of the Company 7,300 shares
					Executive officers who do not serve as director of the Company 3 persons 16 rights	Common stock of the Company 1,600 shares
					Others 10 persons 65 rights	Common stock of the Company 6,500 shares

Note: The number of allotted stock acquisition rights and allotted persons in the past fiscal years and class and number of shares to be issued upon exercise of the stock acquisition rights are shown under “Holding Condition and Number of the Stock Acquisition Rights” and “Class and Number of Shares to Be Issued Upon Exercise of Stock Acquisition Rights” as of December 31, 2022.

There were no stock acquisition rights issued during fiscal 2022.

5. Matters Concerning Status of Corporate Governance and Directors, Audit & Supervisory Board Members and Executive Officers of the Company (As of December 31, 2022)

(1) Corporate Governance Policy

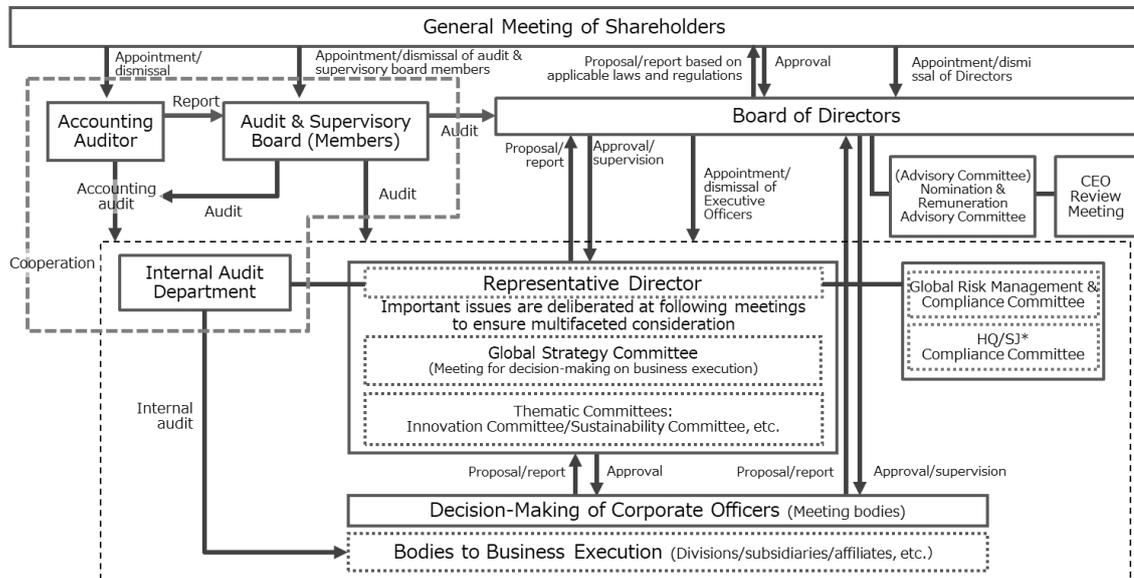
The Shiseido Group including the Company has established “BEAUTY INNOVATIONS FOR A BETTER WORLD” as OUR MISSION in its Corporate Philosophy, THE SHISEIDO PHILOSOPHY, and defines the corporate governance as our “platform to realize sustainable growth through fulfilling OUR MISSION.”

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

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

1) Corporate Governance Framework of the Company

Corporate governance framework of the Company as of December 31, 2022 is as follows.



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

Board of Directors:

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

The Board of Directors meets approximately once a month to discuss all significant matters. In fiscal 2022, 13 meetings were held with an average participation rate of 100% by both internal and external directors.

Nomination & Remuneration Advisory Committee:

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

Four external directors (one of whom is chair) and the CEO are members.

In fiscal 2022, 10 meetings were held. The committee discussed annual incentive for directors and executive officers for fiscal 2021, as well as the remuneration policy for directors and executive officers, and remuneration for said individuals for fiscal 2022, and discussed and reported the selection of candidates for directors and Audit & Supervisory Board members, appointments of executive officers, etc.

CEO Review Meeting:

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

In fiscal 2022, one meeting was held.

Audit & Supervisory Board:

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

In fiscal 2022, 12 Audit & Supervisory Board meetings were held, with the attendance rate of Audit & Supervisory Board members reaching 100%.

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

Of eight directors who are currently in office as of December 31, 2022, four directors (50.0%) are highly independent external directors who meet the "Criteria for Independence of External Directors and Audit & Supervisory Board Members" of the Company. The other four directors who serve concurrently as executive officers include one with career background in management outside the Shiseido Group, one with career background in head of finance outside the Shiseido Group, and two with career background in the Shiseido Group. The directors include three females (37.5%).

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

Of the total 13 directors and Audit & Supervisory Board members, seven members (53.8%) are highly independent external directors or external Audit & Supervisory Board members, and six members are female (46.1%).

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

(3) Systems for Internal Control

The Company resolved to establish “Basic Policy regarding Internal Control Systems” at the Board of Directors meeting on May 12, 2006 in order to build a highly effective internal control system and operates the internal control system prepared in accordance with the policy, making revisions as necessary. In fiscal 2022, amendments were required due to the shift from the corporate executive officer system to the executive officer system, the Company implemented and monitored the internal control system based on the basic policy revised by the resolution of the Board of Directors held on December 26, 2019, reflecting the corporate philosophy “THE SHISEIDO PHILOSOPHY” and others.

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

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

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

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

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

The Company has defined THE SHISEIDO PHILOSOPHY, shared across the Group and built upon three elements: OUR MISSION, which determines our purpose, OUR DNA, which embodies our unique heritage of over 140 years, and OUR PRINCIPLES (TRUST 8), which is a mindset to be shared by each and every Shiseido Group employee in their work. THE SHISEIDO PHILOSOPHY, together with the Shiseido Group Standards of Business Conduct and Ethics, which set out action standards for business conduct with the highest ethical principles, promote corporate activities that are both legitimate and fair. (*)

The Company shall establish a basic policy and rules in line with the Shiseido Group Standards of Business Conduct and Ethics, with which the whole Shiseido Group is required to comply. Every Group company and business site shall be fully aware of this policy and rules, along with THE SHISEIDO PHILOSOPHY and the Shiseido Group Standards of Business Conduct and Ethics, so that environments for the formulation of detailed internal regulations of the Company will be created at every Group company and business site.

The Committee that oversees compliance and risk management has been set up in the Company, and while coordinating with organizations that have been set up to fulfill the compliance and risk management functions in the respective regional headquarters located in the major regions across the globe, this committee shall be responsible for corporate quality improvement by enhancing legitimate and fair corporate activities of the Group and risk management. The Committee shall propose and report important matters and the status of their progress to the Board of Directors through the Representative Director, President and CEO as necessary.

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

For the purpose of detection and remediation of types of conduct within the Group that are in violation of laws, the Articles of Incorporation, and internal regulations of the Shiseido Group, the Company shall set up, as a contact for whistle-blowing, a hotline in each Group company as well as a hotline where employees can directly report and consult with the officer in charge of risk management. In the Japan region, the Company shall establish one hotline as an in-house-counselor staffed internal point of contact, and one outside-counselor-staffed external point of contact.

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

The results of audit shall be reported to directors and Audit & Supervisory Board members.

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

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

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

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

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

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

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

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

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

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

Important information regarding the execution of duties by directors and employees of all Group companies shall be reported in a timely manner to the Company by all Group companies in accordance with the internal regulations of the Company that stipulate matters such as reporting to the Company.

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

Organizations for the purpose of fulfilling the compliance and risk management functions are set up in the respective regional headquarters located in the major regions across the globe, which will be responsible for overseeing risks related to corporate activities through Group-wide cross-sectional communication. The Committee that oversees compliance and risk management recognizes and evaluates risks associated with management strategy and business execution, and takes necessary measures, or assists the regional headquarters located in the major regions across the globe to prepare their own contingency responses to deal with emergency situations.

In the case of emergency, countermeasure headquarters shall be set up by the regional headquarters of the region where the emergency occurred, the Company, or both, pursuant to the situation, the seriousness of the impact on the Group and other factors, and that headquarters shall take the countermeasures.

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

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

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

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

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

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

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

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

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

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

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

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

The Company continues improving and operating the internal control system in accordance with the abovementioned Basic Policy and operated the system in fiscal 2022 as described below. Overall status of maintenance and operation of the internal control system at the Company and its subsidiaries are included in the scope of the audit by the Audit & Supervisory Board (members) and monitored by the internal audit division.

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

- In March 2022, the Company checked the status of training in various regions around the world during 2021 regarding the “Compliance Rules Regarding Prevention of Bribery” (revised in May 2022) and the “Compliance Rules Regarding Prevention of Cartels” (established in April 2011), which are detailed rules of the corporate standards of business conduct and ethics. The Company plans to collect responses on the status of training during 2022 by March 31, 2023 with a request in January 2023.
- In fiscal 2022, the Company revised the standards of business conduct and ethics to strengthen its ethical foundation into one that is apt for a truly global beauty wellness company. By preparing the document in 16 languages and enhancing its visuals, the Company sought to make it easy to understand and reference for its employees, and released a revised version for Group employees in April 2022.
- The Global Risk Management & Compliance Committee met in November and discussed material risks for the Shiseido Group and the response as well as compliance related topics. Matters such as response to major incidents were reported to the Board of Directors (matters for the first half: already reported in August; matters for the second half: scheduled to be reported in January 2023).
- In Japan, the HQ/SJ Compliance Committee was convened in May and December to discuss issues and actions mainly on disciplinary cases and the Shiseido Consultation Office cases in the Japan region. We rolled out the “Shiseido Code of Conduct and Ethics” for training new employees and mid-career employees, and training all global employees. In addition, whistleblowing reports were accepted at the Global Hotline directly managed by the headquarters (HQ) and hotline systems managed by each region. The hotline in the Japan region has three contact points, the Compliance Committee Hotline, the Shiseido Consultation Office, the Shiseido External Hotline, and the Business Partner Hotline to establish the function of a whistleblower contact point.
- In accordance with the “Audit Division Operation Manual (including the “Regulations for Internal Audits”),” the Company verified the status of establishment and operation of internal control in the overall Shiseido Group, from the perspectives of effectiveness and efficiency of business operations, reliability of financial reports and compliance with relevant laws, regulations, and internal rules, as well as safeguarding company assets. 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 monthly to the Representative Director, President and CEO, the Chief Financial Officer, and full-time Audit & Supervisory Board members, and biannually to the Board of Directors.

<Measures for exclusion of anti-social forces>

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

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

- In an aim to clarify the allocation of responsibilities within management and to expedite the decision-making through delegation of authority, the Company adopted a corporate executive officer system in 2001. Under the medium-term business plan WIN 2023 and Beyond, which was commenced in 2021, the Company introduced a new management system of executive officers that allows delegating full business execution responsibility, in order to accelerate the structural transformation and reforms of the global business with the aim of further enhancing profitability. The corporate executive officer system was abolished with complete shift 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 President and CEO, who is the top executive of the Company, can make decisions after deliberations at the Global Strategy Committee and other meeting bodies.
- Executive officers have each established their decision-making process within their respective area in charge, and they periodically reported on the annual plans and the status of progress thereof to the Board of Directors and other meeting bodies.
- To further strengthen the management system and for smooth succession of the CEO from January 2023, the Board of Directors decided in November 2022 on a new management structure of Chairman and CEO Uotani and President and COO Fujiwara.

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

- The minutes of the Board of Directors meetings are prepared by the Legal and Governance Department and retained permanently, longer than the statutory retention period of 10 years. To make allowance for requests to view the minutes as part of the execution of shareholders' rights, the minutes are stored by the IR Department (the department responsible for dealing with shareholders). Minutes of important meetings related to the execution of the Global Strategy Committee, etc. are prepared by the Corporate Strategy Department and the department retains the minutes for 10 years or permanently depending on the meeting body. With regard to protection of information assets, the Company has developed and implemented the "Information System Usage Regulation," "Information Asset Handling Regulation," "Confidential Information Controlling Regulation," "Privacy Rules," "Personal Information Protection Regulation" under "the Shiseido Group Information Security Management Policy." Furthermore, with regard to information disclosure, the Company has developed and implemented the "Internal Regulation on Internal Information Management and Regulations on Transactions of Internal Personnel (for Directors, Audit & Supervisory Board members, Executive Officers, and Employees)." In addition, the Company has created and implemented a "System for the Process for Disclosing Facts of Decisions Made and Financial Results" and a "System for the Process for Disclosing Facts of Actual Events." With regard to important reports from every group company, the Company has arranged for executive officers in charge of respective group company to report to CEO or at the Global Strategy Committee or the Board of Directors in compliance with the Regulation on the Board of Directors, as well as the Regulation on the Executive Officers and the like.
- Due to change in the executive structure as of January 1, 2023, the structure was changed for executive officers in charge of each relevant domain to report to the CEO or report to the COO.

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

- To minimize the risk for loss, the HQ taskforce established in fiscal 2020 and 2021 continued to address the pressing issue of COVID-19 pandemic in coordination with each region. Ordinary meetings were held once every two weeks, sharing the latest situation and making decisions on responses (held 24 times between January and December 2022 for a total of 121 meetings since its establishment). Newsletters were distributed on an ongoing basis (two editions published in fiscal 2022) to provide helpful information to RMO and risk managers across the world. In May, we conducted a presentation meeting for 16 newly appointed managers of the risk managers (57 sections) appointed for the purpose of reinforcing support in our response when an incident occurs in Japanese territory. We conducted training for an HQ Emergency Task Force in March in anticipation of an earthquake directly under Tokyo, and conducting training for an Osaka Emergency Task Force (set up as an alternative to the HQ Emergency Task Force) in July, with about 70 participants combined. Furthermore, to deal with product recalls, we held a presentation for the recall response manual for persons in charge of quality management at six factories in Japan in October (29 participants), e-learning for managers in 45 recall-related sections in October, and recall response training in December (111 participants).

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

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

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

- In addition to legally mandated attendance at Board of Directors meetings, the Company ensures that the full-time Audit & Supervisory Board members are offered opportunities to attend other important meetings for business execution, such as the meetings of the 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 other Audit & Supervisory Board members. In addition, upon request from Audit & Supervisory Board members, these committees provide materials and information.
- In Japan, the Company worked to ensure all employees are familiar with the Audit & Supervisory Board Member Hotline by providing information as part of the training for new graduate hires and mid-career hires 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 an email address for reporting to Audit & Supervisory Board members in the standards of business conduct and ethics released in April 2022, so that employees in all regions will be fully aware of the system.

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

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

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

- The representative directors and Audit & Supervisory Board members hold opinion exchange meetings as needed, and the external directors and Audit & Supervisory Board members also hold information sharing meetings as needed. In addition, the accounting auditor and Audit & Supervisory Board members hold opinion exchange meetings as needed, and also hold meetings on reporting accounting auditor's audit results on a quarterly basis. Of these quarterly meetings, the external directors also attended the meetings twice a year, at the end of the first half and at the end of the fiscal year, to promote sharing of information. Full-time Audit & Supervisory Board members receive reports monthly on the internal audits conducted by the Internal Audit Department, and receive audit result reports of each domain regularly from the Quality Management Department, the Information Security Department, the Risk Management Department, which are functional departments, and the Audit Group of the Business Management Department of Shiseido Japan Co., Ltd. In addition, "three-party audit liaison meetings" are held on a quarterly basis to enable 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 deliberation.

3) Framework for Confirmation of Transactions with Related Parties

The Company investigates and specifies related parties that carry the possibility of having an impact on the Company's financial position and operating results, confirms the existence of transactions with the said related parties and the importance of the said transactions, and, if there are transactions to be disclosed, carries out disclosure accordingly.

The existence of related parties, the existence of transactions with related parties, the contents of transactions and other such information, are reported to the Board of Directors in advance of disclosure, and a review is conducted by the Board of Directors from the perspective of quantitative importance as well as qualitative importance including the terms and conditions and rationale for the transaction. Certain criteria are prescribed for quantitative importance.

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

(As of December 31, 2022)

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

(As of January 1, 2023)

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

Notes:

1. There are eight directors and five Audit & Supervisory Board members, totaling 13 officers who are directors or Audit & Supervisory Board members, as of December 31, 2022, of which seven are male and six are female.
2. Ms. Kanoko Oishi, Mr. Shinsaku Iwahara, Mr. Charles D. Lake II and Ms. Mariko Tokuno are external directors as provided in Article 2, item (xv) of the Companies Act of Japan.
3. Mr. Hiroshi Ozu, Ms. Yasuko Gotoh and Ms. Ritsuko Nonomiya are external Audit & Supervisory Board members as provided in Article 2, item (xvi) of the Companies Act of Japan.
4. The Company has designated Ms. Kanoko Oishi, Mr. Shinsaku Iwahara, Mr. Charles D. Lake II, Ms. Mariko Tokuno, Mr. Hiroshi Ozu, Ms. Yasuko Gotoh and Ms. Ritsuko Nonomiya as independent directors/Audit & Supervisory Board members as prescribed in Article 436-2 of the Securities Listing Regulations of the Tokyo Stock Exchange. All of these external directors and Audit & Supervisory Board members (collectively the “External Directors and Audit & Supervisory Board Members”) meet the Company’s “Criteria for Independence of External Directors and Audit & Supervisory Board Members” (Please refer to “Criteria for Independence of External Directors and Audit & Supervisory Board Members,” posted on our corporate information website: INVESTORS / Corporate Governance / Corporate Governance System (<https://corp.shiseido.com/en/ir/governance/system.html>) and have sufficient independency.
5. External Directors Mr. Charles D. Lake II and Ms. Mariko Tokuno were newly elected at the 122nd ordinary general meeting of shareholders of the Company held on March 25, 2022 and assumed office on the same date.
6. Full-time Audit & Supervisory Board member Mr. Takeshi Yoshida has had experience as the director of the Internal Audit Department of the Company and has respectable knowledge in finance and accounting. Ms. Yasuko Gotoh, an external Audit & Supervisory Board member, has experience as Director, Audit and Supervisory Committee Member after leading the Finance & Accounting Department as the Managing Director and CFO of Kyushu Railway Company, and has knowledge in finance and accounting. In addition, Ms. Ritsuko Nonomiya, external Audit & Supervisory Board member, has accumulated business experience in accounting offices of the KPMG Group and other places in the U.S. and Japan, and has engaged in M&A and business development in the UBS Group and the GE Group. Thus, she has expert knowledge in finance and accounting.

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

Position	Name	Important Positions at Other Organizations Concurrently Assumed
External Director	Kanoko Oishi	CEO of MEDIVA Inc. CEO of Seeds 1 Co., Ltd. Outside Director of Ezaki Glico Co., Ltd. Outside Director of Santen Pharmaceutical Co., Ltd.
External Director	Shinsaku Iwahara	Professor, Faculty of Law, Waseda University
External Director	Charles D. Lake II	Director, President of Aflac International Incorporated External Director of Japan Post Holdings Co., Ltd. Representative Director, Chairman of Aflac Life Insurance Japan Ltd.
External Director	Mariko Tokuno	External director of HAPPINET CORPORATION External Director of Mitsubishi Materials Corporation External Director of Yamato Holdings Co., Ltd.
Audit & Supervisory Board Member (Full-time)	Akiko Uno	External Director of Hokuriku Electric Power Company
External Audit & Supervisory Board Member	Hiroshi Ozu	Attorney External Audit & Supervisory Board Member of MITSUI & CO., LTD. Outside Audit & Supervisory Board Member of TOYOTA MOTOR CORPORATION Representative Director of Shimizu Scholarship Foundation (general incorporated foundation) President of Criminal Justice Welfare Forum Oasis (general incorporated association)
External Audit & Supervisory Board Member	Yasuko Gotoh	Outside Auditor & Supervisory Board Member of DENSO CORPORATION
External Audit & Supervisory Board Member	Ritsuko Nonomiya	CEO, Representative Director of Houlihan Lokey Corporation Outside Director of NAGASE & CO., LTD.

Note: The Company has established “Criteria for Important Concurrent Positions.” The above information is provided in accordance with the criteria. The criteria are posted on our corporate information website: INVESTORS / Corporate Governance/Corporate Governance System (<https://corp.shiseido.com/en/ir/governance/system.html>).

(6) Outline of Execution of Liability Limitation Agreements

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

Pursuant to these provisions the Company concluded such an agreement with all seven of the external directors and Audit & Supervisory Board members under which his/her liability for compensation of damages shall be restricted to the minimum limited liability amount provided in the laws and regulations.

At present, the Company has no specific need to conclude liability limitation agreements with non-executive directors other than external directors, or Audit & Supervisory Board members other than external Audit & Supervisory Board members. Therefore, the Company has not amended the Articles of Incorporation to change the scope of those with whom it may conclude liability limitation agreements.

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

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

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

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

	Concurrent Positions at Other Organizations	Relationships Between Such Organizations and the Company					Value for Comparison
		Transaction Matter, etc.	Vendor, Recipient of Supporting Money, etc.	Purchaser, Provider of Supporting Money, etc.	Percentage of Transaction Value		
External Director Kanoko Oishi	CEO of MEDIVA Inc.	The Company has no special relationships of interest with MEDIVA Inc.					
	CEO of Seeds 1 Co., Ltd.	The Company has no special relationships of interest with Seeds 1 Co., Ltd.					
	Outside Director of Ezaki Glico Co., Ltd.	Snacks, etc. (mail order)	Ezaki Glico Group	Shiseido Group	Less than 1%	Total amount of cost of sales and selling, general and administrative expenses of the Company on a consolidated basis for the fiscal year ended December 31, 2022	
					Less than 1%	Consolidated net sales of Ezaki Glico Co., Ltd. for the fiscal year ended December 31, 2022	
	Outside Director of Santen Pharmaceutical Co., Ltd.	The Company has no special relationships of interest with Santen Pharmaceutical Co., Ltd.					
External Director Shinsaku Iwahara	Professor of Faculty of Law, Waseda University	The Company is engaged in joint studies, etc. on beauty and health with Waseda University. Mr. Shinsaku Iwahara is not involved in these joint studies.					
External Director Charles D. Lake II	Director, President of Aflac International Incorporated	The Company has no special relationships of interest with Aflac International Incorporated.					
	External Director of Japan Post Holdings Co., Ltd.	Outsourcing business, etc.	Japan Post Group	Shiseido Group	Less than 1%	Total amount of cost of sales and selling, general and administrative expenses of the Company on a consolidated basis for the fiscal year ended December 31, 2022	
					Less than 1%	Consolidated ordinary income of Japan Post Holdings Co., Ltd. for the fiscal year ended March 31, 2022	
	Representative Director, Chairman of Aflac Life Insurance Japan Ltd.	The Company has no special relationships of interest with Aflac Life Insurance Japan Ltd.					

	Concurrent Positions at Other Organizations	Relationships Between Such Organizations and the Company				Value for Comparison
		Transaction Matter, etc.	Vendor, Recipient of Supporting Money, etc.	Purchaser, Provider of Supporting Money, etc.	Percentage of Transaction Value	
External Director Mariko Tokuno	External director of HAPPINET CORPORATION	The Company has no special relationships of interest with HAPPINET CORPORATION.				
	External Director of Mitsubishi Materials Corporation	Outsourcing business, etc.	Mitsubishi Materials Group	Shiseido Group	Less than 1%	Total amount of cost of sales and selling, general and administrative expenses of the Company on a consolidated basis for the fiscal year ended December 31, 2022
					Less than 1%	Consolidated net sales of Mitsubishi Materials Corporation for the fiscal year ended March 31, 2022
	External Director of Yamato Holdings Co., Ltd.	Outsourcing business, etc.	Yamato Group	Shiseido Group	Less than 1%	Total amount of cost of sales and selling, general and administrative expenses of the Company on a consolidated basis for the fiscal year ended December 31, 2022
					Less than 1%	Consolidated operating revenue of Yamato Holdings Co., Ltd. for the fiscal year ended March 31, 2022
	External Audit & Supervisory Board Member Hiroshi Ozu	Attorney	There are no special relationships of interest.			
External Audit & Supervisory Board Member of MITSUI & CO., LTD.		Outsourcing business, etc.	MITSUI & CO. Group	Shiseido Group	Less than 1%	Total amount of cost of sales and selling, general and administrative expenses of the Company on a consolidated basis for the fiscal year ended December 31, 2022
					Less than 1%	Consolidated revenue of MITSUI & CO., LTD. for the fiscal year ended March 31, 2022
Outside Audit & Supervisory Board Member of TOYOTA MOTOR CORPORATION		Outsourcing business, etc.	TOYOTA MOTOR Group	Shiseido Group	Less than 1%	Total amount of cost of sales and selling, general and administrative expenses of the Company on a consolidated basis for the fiscal year ended December 31, 2022
					Less than 1%	Sales revenues of TOYOTA MOTOR CORPORATION on a consolidated basis for the fiscal year ended March 31, 2022
Representative Director of Shimizu Scholarship Foundation (general incorporated foundation)		The Company has no special relationships of interest with Shimizu Scholarship Foundation (general incorporated foundation).				
President of Criminal Justice Welfare Forum Oasis (general incorporated association)		The Company has no special relationships of interest with Criminal Justice Welfare Forum Oasis (general incorporated association).				
External Audit & Supervisory Board Member Yasuko Gotoh	Outside Auditor & Supervisory Board Member of DENSO CORPORATION	Outsourcing business, etc.	DENSO Group	Shiseido Group	Less than 1%	Total amount of cost of sales and selling, general and administrative expenses of the Company on a consolidated basis for the fiscal year ended December 31, 2022
					Less than 1%	Consolidated net revenue of DENSO CORPORATION for the fiscal year ended March 31, 2022
External Audit & Supervisory Board Member Ritsuko Nonomiya	CEO, Representative Director of Houlihan Lokey Corporation	The Company has no special relationships of interest with Houlihan Lokey Corporation.				
	Outside Director of NAGASE & CO., LTD.	Raw materials, etc.	NAGASE & CO. Group	Shiseido Group	Less than 1%	Total amount of cost of sales and selling, general and administrative expenses of the Company on a consolidated basis for the fiscal year ended December 31, 2022
Less than 1%					Consolidated net sales of NAGASE & CO., LTD. for the fiscal year ended March 31, 2022	

Notes:

1. This table indicates important positions at other organizations concurrently assumed by external directors and external Audit & Supervisory Board members and the existence of relationships with the Company. Where transactions exist between such organizations and the Company, the table is intended to indicate that the transactions are minimal in terms of scale, and where transactions exist that are in competition with organizations in which positions are concurrently assumed, the table is intended to indicate that the transactions have no negative impact on the interests of shareholders.
2. In the table, the name of the company group at which the external director and Audit & Supervisory Board member holds a concurrent position includes that company itself, as well as parent companies, consolidated subsidiaries, equity-method affiliates, etc. whose names are listed under the “Information on Affiliates” in “1. Overview of the Company” of “Part I. Information on the Company” in the Securities Report submitted by that company in the immediately preceding business year; similarly, “the Shiseido Group” includes Shiseido Co., Ltd, as well as parent companies, consolidated subsidiaries, and equity-method affiliates whose names are listed under the “Information on Affiliates” in “1. Overview of the Company” of “Part I. Information on the Company” in the Securities Report submitted in the immediately preceding business year.
3. The Company has established “Criteria for stating the relationship between the Company and the organizations in which the Company’s External Director holds “Important Concurrent Positions.” The above information is provided in accordance with the criteria. The criteria are posted as items voluntarily disclosed relating to business report on our corporate information website: INVESTORS / Corporate Governance/Corporate Governance System (<https://corp.shiseido.com/en/ir/governance/system.html>)

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

Position	Name	Attendance, Remarks, and Outline of Duties Performed in Relation to the Expected Roles as External Director
External Director	Kanoko Oishi	Ms. Oishi attended 13 out of 13 Board of Directors meetings (Attendance rate: 100%). Based on her experience and knowledge gained through her career in business management inside and outside Japan as well as from a standpoint of an active manager who is pushing forward with a patient-centered transformation of the medical industry, she raised questions and made remarks on management strategy and the direction the Company should aim for concerning agenda items on the whole and fulfilled a supervisory function in regard to the management. Also, as a member of the Nomination & Remuneration Advisory Committee, she attended 9 out of 10 committee meetings and made comments based on her experience and knowledge.
External Director	Shinsaku Iwahara	Mr. Iwahara attended 13 out of 13 Board of Directors meetings (Attendance rate: 100%). Based on his knowledge in the area of the capital market, finance industry and corporate governance, in addition to his legal knowledge as a university professor specializing in legal studies, he raised questions and made remarks concerning internal control, corporate governance and risks associated with individual agenda items, and fulfilled a supervisory function in regard to the management. He also served as Chair of the Nomination & Remuneration Advisory Committee, attended 10 out of 10 committee meetings and made comments based on his experience and knowledge, while leading the discussions at committee meetings as Chair.
External Director	Charles D. Lake II	After his appointment in March 2022, Mr. Lake attended 10 out of 10 Board of Directors meetings (Attendance rate: 100%). Based on his abundant knowledge and track record in business management in companies operating in both Japan and the U.S. in addition to his experiences in vital posts in the U.S. government and as a lawyer, he raised questions and made comments on management strategy, company-wide risks and corporate governance, and fulfilled a supervisory function in regard to the management. In addition, as a member of the Nomination & Remuneration Advisory Committee, he attended 7 out of 8 meetings of the Committee and expressed opinions based on his experience and knowledge.

Position	Name	Attendance, Remarks, and Outline of Duties Performed in Relation to the Expected Roles as External Director
External Director	Mariko Tokuno	<p>After her appointment in March 2022, Ms. Tokuno attended 10 out of 10 Board of Directors meetings (Attendance rate: 100%). Based on her abundant experience and track record in business management at companies having global prestigious brands, she raised questions and made comments concerning the Company's business from the perspectives of management, marketing and corporate governance and fulfilled a supervisory function in regard to the management.</p> <p>In addition, as a member of the Nomination & Remuneration Advisory Committee, she attended 8 out of 8 meetings of the Committee and expressed opinions based on her experience and knowledge.</p>
External Audit & Supervisory Board Member	Hiroshi Ozu	<p>Mr. Ozu attended 13 out of 13 Board of Directors meetings (Attendance rate: 100%) and 12 out of 12 Audit & Supervisory Board meetings (Attendance rate: 100%). Based on his experience and knowledge mainly in the area of legal affairs, he made remarks as necessary and fulfilled an auditing function.</p>
External Audit & Supervisory Board Member	Yasuko Gotoh	<p>Ms. Gotoh attended 13 out of 13 Board of Directors meetings (Attendance rate: 100%) and 12 out of 12 Audit & Supervisory Board meetings (Attendance rate: 100%). Based on her experiences as a public employee inside and outside Japan and her experiences and knowledge gained through participation in management of a listed business company, she made remarks as necessary and fulfilled an auditing function.</p>
External Audit & Supervisory Board Member	Ritsuko Nonomiya	<p>Ms. Nonomiya attended 13 out of 13 Board of Directors meetings (Attendance rate: 100%) and 12 out of 12 Audit & Supervisory Board meetings (Attendance rate: 100%). Based on her experience as an expert in finance and accounting as well as M&A and experience and knowledge gained in international business, she made remarks as necessary and fulfilled an auditing function.</p>

Notes:

1. The average attendance rate of four external directors, that of four directors excluding external directors, and that of all eight directors at the Board of Directors meetings, are all 100%. In addition, the average attendance rate of the three external Audit & Supervisory Board members, that of the two full-time Audit & Supervisory Board members, and that of all five Audit & Supervisory Board members at the Board of Directors meetings are all 100%. The average attendance rate of all directors and Audit & Supervisory Board members at the Board of Directors meetings is 100%.
2. In addition to the number of Board of Directors meetings attended shown above, there were three deemed resolutions where the resolution of the Board of Directors was deemed to have been made pursuant to the provisions of Article 370 of the Companies Act and Article 25 of the Articles of Incorporation of the Company.

(10) Name, Position and Responsibilities for Executive Officers Who Do Not Serve as Director

Position	Name	Responsibilities	
		As of December 31, 2022	As of January 1, 2023
Executive Officer Senior Executive Officer	Kentaro Fujiwara	CEO, China Region Chair and President, Shiseido China Co., Ltd. Member of Global Risk Management & Compliance Committee	President and COO Member of Global Risk Management & Compliance Committee
Executive Officer Senior Executive Officer	Yoshiaki Okabe	Chief Brand Innovation Officer Chief Technology Officer Member of Global Risk Management & Compliance Committee	Chief Innovation Officer Chief Brand Innovation Officer Member of Global Risk Management & Compliance Committee
Executive Officer	Maria Chiclana	Chief Legal Officer Global General Counsel Member of Global Risk Management & Compliance Committee	Chief Legal Officer Global General Counsel Member of Global Risk Management & Compliance Committee
Executive Officer	Mizuki Hashimoto	Chief Brand Officer <i>Clé de Peau Beauté</i>	Chief Brand Officer <i>Clé de Peau Beauté</i> Member of Global Risk Management & Compliance Committee
Executive Officer	Angelica Munson	Chief Digital Officer Member of Global Risk Management & Compliance Committee	Chief Digital Officer Member of Global Risk Management & Compliance Committee
Executive Officer	Koichi Noda	Chief People Officer	Chief People Officer Member of Global Risk Management & Compliance Committee
Executive Officer	Kenichi Saito	Chief Quality Officer Member of Global Risk Management & Compliance Committee	Chief Quality Officer Member of Global Risk Management & Compliance Committee
Executive Officer	Antonios Spiliotopoulos	Chief Supply Network Officer Member of Global Risk Management & Compliance Committee	Chief Supply Network Officer Member of Global Risk Management & Compliance Committee
Executive Officer	Atsunori Takano	Chief Information Technology Officer Member of Global Risk Management & Compliance Committee	Chief Information Technology Officer Member of Global Risk Management & Compliance Committee
Executive Officer	Toshinobu Umetsu	Chief Strategy Officer Member of Global Risk Management & Compliance Committee	China Region CEO Member of Global Risk Management & Compliance Committee
Executive Officer	Naomi Yamamoto	Chief Creative Officer	Chief Creative Officer
Executive Officer	Ryota Yukisada	Chief Brand Officer, brand <i>SHISEIDO</i>	Chief Brand Officer, brand <i>SHISEIDO</i>

Notes:

1. Executive officers who retired during the fiscal year ended December 31, 2022 and on December 31, 2022 are as follows:

Position	Name	Date of Retirement
Executive Officer	Hiromi Anno	December 31, 2022

2. Executive officers who were newly appointed on January 1, 2023 are as follows:

Position	Name	Responsibilities
Executive Officer	Tomoko Tagami	Chief Corporate Communication Officer Member of Global Risk Management & Compliance Committee
Executive Officer	Yosuke Tojo	Chief Technology Officer

(11) Remuneration, etc. to Directors and Audit & Supervisory Board Members**1) Basic Philosophy of the Remuneration to Directors and Executive Officers of the Company**

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

■ Basic philosophy and policy of the remuneration to directors and executive officers

The remuneration policy to directors and executive officers shall:

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

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

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

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

■ Overall picture

The remuneration of the directors and executive officers of the Company comprises "basic remuneration" as fixed remuneration as well as "annual incentive" and "long-term incentive-type remuneration (non-monetary remuneration)" as performance-linked remuneration, and the Company sets remuneration levels by benchmarking peer companies in the same business industry or in the similar business size inside or outside Japan and overseas and by taking the Company's financial condition into consideration. Matters including remuneration, etc. of individual directors are determined at the Board of Directors meetings after deliberations by the Nomination & Remuneration Advisory Committee. Matters including remuneration, etc. of individual directors for the fiscal year ended December 31, 2022 were deliberated on by the Nomination & Remuneration Advisory Committee, while taking into account the social conditions and economic situation surrounding the Company, according to the specific remuneration framework and indicators designed based on the policy on decisions regarding matters including remuneration, etc. of individual directors. They were then reported to the Board of Directors, and the Board of Directors made decisions on matters including remuneration in deference to the said report. The Company therefore determines that matters including remuneration, etc. are in line with the aforementioned policy on decisions.

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

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

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

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

Notes:

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

■ **Basic remuneration**

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

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

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

■ **Performance-linked remuneration**

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

■ Annual incentive

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

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

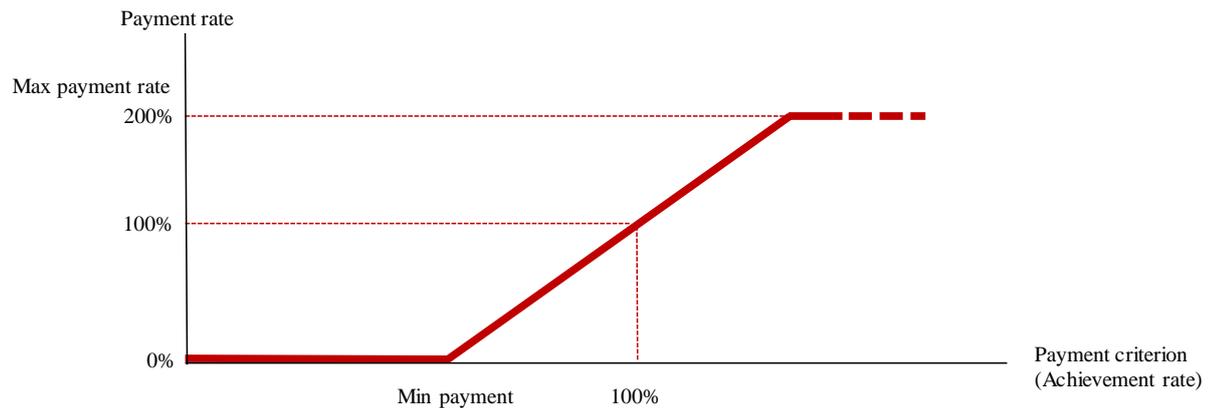
Annual incentive is paid once a year.

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

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

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

■ Model of annual incentive payment rate



■ Long-term incentive-type remuneration

From fiscal 2019, the Company has introduced performance share units, a type of performance-linked stock compensation, and has incentivized the creation of corporate value over the medium to long term through annual payments. As performance indicators to evaluate the enhancement of economic value amid the current COVID-19 pandemic, a mix of quantitative targets to be aimed for with a long-term perspective has been set under the medium- to long-term strategy “WIN 2023 and Beyond.” In addition, as benchmarks on creation of social value, the Company has set multiple internal and external indicators pertaining to the environment, society and governance (ESG). Accordingly, the remuneration is designed for the purpose of creating corporate value from both aspects of economic and social values, as well as establishing a sense of common interests with shareholders.

■ Purposes of introducing the LTI

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

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

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

The performance indicators for the 2022 long-term incentive-type remuneration have been determined by setting the following benchmarks to measure economic value: the compound

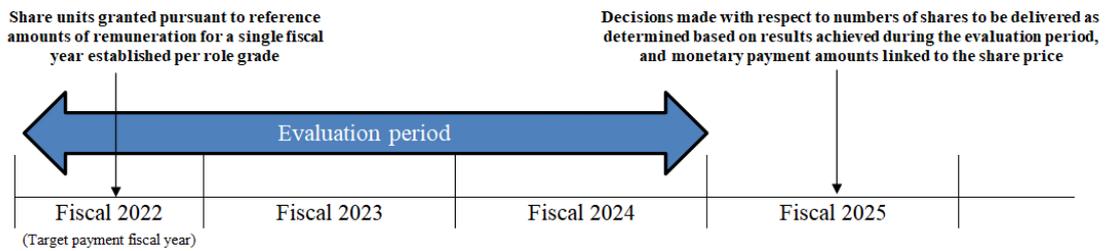
average growth rate (CAGR) of consolidated net sales calculated based on performance in fiscal 2019 before the Company was impacted by COVID-19 minus the net sales of sold businesses and brands, through fiscal 2024, and the consolidated operating profit margin designated as a target in the medium- to long-term strategy “WIN 2023 and Beyond.” In addition, as benchmarks pertaining to social value, the Company has adopted multiple internal and external indicators pertaining to the environment, society and governance (ESG). The composition of these performance indicators pushes forward the enhancement of corporate value from both aspects of economic and social values. Moreover, the performance indicators also include consolidated ROE which acts as an important benchmark for measuring corporate value from the perspective of sharing common interests with our shareholders.

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

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

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

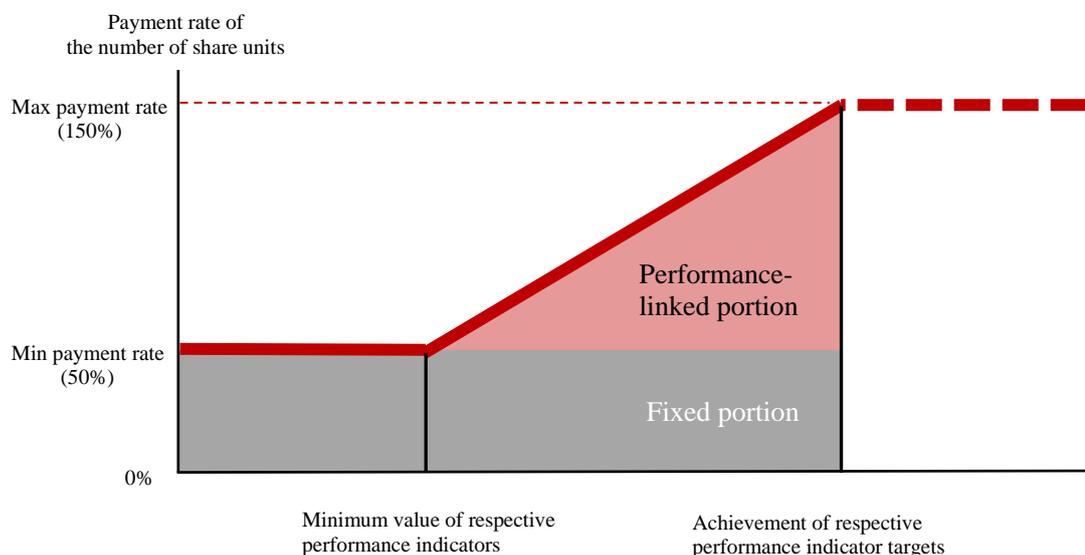
■ LTI schedule



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

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

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



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

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

To this end, the Company conducts overall business evaluation including the performance evaluation for CEO in CEO Review Meeting. The CEO Review Meeting also deliberates and

reviews reappointment, etc. of CEO, playing an extensive role concerning appropriate appointment of the CEO and determining incentives. The CEO Review Meeting comprises only external directors and external Audit & Supervisory Board members, as importance is placed on the independence from the CEO as well as business execution structure led by the CEO.

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

3) Amount of Remuneration, etc. to Directors and Audit & Supervisory Board Members for the Fiscal Year Ended December 31, 2022

	Basic Remuneration	Annual Incentive	Total of the left* (a)	Long-Term Incentive (Stock Compensation) (b)	Total [(a)+(b)]
Directors (9 persons)	361	225	587	308	895
External Directors Among Directors (5 persons)	56	—	56	—	56
Audit & Supervisory Board Members (5 persons)	104	—	104	—	104
External Audit & Supervisory Board Members Among Audit & Supervisory Board Members (3 persons)	39	—	39	—	39
Total	465	225	691	308	999

*Total remuneration in cash that has been confirmed by March 2022

Notes:

- The total amount of the basic remuneration and annual incentive for directors has a ceiling of ¥2.0 billion annually (including a total of ¥0.2 billion or less for external directors) as per the resolution of the 118th ordinary general meeting of shareholders held on March 27, 2018. The number of directors at the conclusion of the said general meeting of shareholders was six (three of whom were external directors). Furthermore, it was resolved at the 122nd ordinary general meeting of shareholders (March 25, 2022) that, separate from the monetary remuneration, up to 86,000 shares would be provided as performance-linked stock compensation (performance share units) (of which, with a maximum of 43,000 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 eight (four of whom were external directors). Basic remuneration for Audit & Supervisory Board members has a ceiling of ¥10 million per month as per the resolution of the 105th ordinary general meeting of shareholders held on June 29, 2005. The number of Audit & Supervisory Board members at the conclusion of the said general meeting of shareholders was five.
- The annual incentive of directors for fiscal 2022 indicated above represent the amounts that will be paid upon the resolution of the Board of Directors based on the resolution of the 118th ordinary general meeting of shareholders, as stated in note 1. Regarding the calculation of those amounts, please refer to the following 5) Performance-linked targets, actual performance and payment percentage, etc. of annual incentives paid to directors excluding external directors. The Company has received a proposal from Representative Director Masahiko Uotani to decline 5% of the annual incentive proposed by the Nomination & Remuneration Advisory Committee, taking into account the status of bonuses paid to employees of Group companies in Japan. The Board of Directors has resolved the said proposal (continuing from fiscal 2020 and fiscal 2021, Masahiko Uotani has declined part of his annual incentive). The above amounts of annual incentive have been already adjusted based on the reduced amounts.
- The amount of long-term incentive-type remuneration (stock compensation) indicated above represents the total amount of the expenses recognized and measured in accordance with IFRS 2 “Share-based Payment” for the fiscal year ended December 31, 2022, 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 ¥2 million in adjustment to the expenses recognized based on the achievement rate of performance indicator of the delivered long-term incentive-type remuneration (stock compensation).

4. In addition, an adjustment of ¥0.2 million was recorded to the expenses recognized for the fiscal year ended December 31, 2021, on the performance-linked stock compensation (performance share units) delivered to three directors of the Company, at the time the directors served as corporate officers or employee not holding the office of directors.
5. None of the directors or the Audit & Supervisory Board members was paid remuneration other than described above (including that described in notes 1. through 4.).

4) Amounts of Remuneration, etc. to Representative Directors and Directors Whose Total Amount of Remuneration, etc. Exceeded ¥100 Million for the Fiscal Year Ended December 31, 2022

	Basic Remuneration	Annual Incentive	Total of the left* (a)	Long-Term Incentive (Stock Compensation) (b)	Total [(a)+(b)]
Masahiko Uotani, President and CEO	169	160	329	201	531
Norio Tadakawa Senior Executive Officer	55	23	79	44	124

* Total remuneration in cash that has been confirmed by March 2023.

Notes:

1. The annual incentive of directors for fiscal 2022 indicated above represent the amounts that will be paid upon the resolution of the Board of Directors based on the resolution of the 118th ordinary general meeting of shareholders, as stated in note 1. of 3) Amount of Remuneration, etc. to Directors and Audit & Supervisory Board Members for the Fiscal Year Ended December 31, 2022. The Company has received a proposal from Representative Director Masahiko Uotani to decline 5% of the annual incentive proposed by the Nomination & Remuneration Advisory Committee, taking into account the status of bonuses paid to employees of Group companies in Japan. The Board of Directors has resolved the said proposal (continuing from fiscal 2020 and fiscal 2021, Masahiko Uotani has declined part of his annual incentive). The above amount of annual incentive has been already adjusted based on the reduced amount.
2. The amount of long-term incentive-type remuneration (stock compensation) indicated above represents the total amount of the expenses recognized for the fiscal year ended December 31, 2022, 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 2 million to the expenses recognized based on the achievement rate of performance indicator of the delivered long-term incentive-type remuneration (stock compensation).
3. No director above was paid remuneration other than described above (including that described in notes 1. through 2.).

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

(Billions of yen)

Performance Evaluation Indicators	Fluctuation Range of Payment Percentage	Targets for Payment Factor at 100%	Actual Performance	Achievement Rate	Payment Factor Calculated Based on the Target Achievement Rate
Consolidated Net Sales	0%–200%	1,075.0	1,067.4	99.3%	0%
Core Operating Profit		62.0	51.3	82.8%	0%
Profit Attributable to Owners of Parent	–	(Note 4.)	34.2	–	Not subject to lowering of the payment amount percentage by thresholds
Performance of Business in Charge		(Note 1.)			
Personal Performance Evaluation	0%–200%	(Note 2.)	–	–	(Note 2.) 80.0% (Average)

Total payment rate	(Note 3.) 87.8%
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Notes:

- 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.
- 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. In the fiscal year ended December 31, 2022, although there was intermittent impact in China and Japan from the prolonged conflict in Ukraine, which began at the beginning of the year, and the COVID-19 pandemic, we received a proposal from the Nomination & Remuneration Advisory Committee to make a partial adjustment of the payment percentage based on the assessment at the personal performance evaluation in response to a significant decrease in the overall payment percentage due to a certain amount of impact on the Company, and the Board of Directors sufficiently deliberated on the matter. In this deliberation, the Company received a proposal from Representative Director Masahiko Uotani to decline 5% of the annual incentive proposed by the Nomination & Remuneration Advisory Committee, taking into account the status of bonuses paid to employees of Group companies in Japan. The Board of Directors has resolved the said proposal (continuing from fiscal 2020 and fiscal 2021, Masahiko Uotani has declined part of his annual incentive). The above payment factors, etc. have been already adjusted based on the reduced amount.
- The total payment rate is the ratio of the actual amount paid to the target amount of annual incentive for directors.
- Net profit attributable to owners of parent is set as a benchmark for the Nomination & Remuneration Advisory Committee to discuss the notion of lowering the payment percentage in the event that profit attributable to owners of parent falls below certain thresholds set.

6) Performance-linked targets, actual performance and payment percentage, etc. of long term incentive-type remuneration granted for fiscal 2019 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%	0.7%	0.0%	0.0%	
	Compound average growth rate (CAGR) of consolidated operating profit		45.0%	Compound average growth rate (CAGR) from 2017: 15.8%	-15.2%	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	36%	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 as 2nd place in 2021	100.0%	1.0%
			Dow Jones Sustainability Indices (DJSI)	5.0%	Difference between top rated companies of DJSI World and DJSI Asia Pacific in the final fiscal year of the three-year period: Average 90 to 100 percentiles	97%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	6.8%	Achieved	-	

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

- The period of evaluation for the performance-linked stock remuneration (performance share units) granted for fiscal 2019 is from January 1, 2019 to December 31, 2021.
- As for performance indicators, from the perspective of creating corporate value from both aspects of economic and social values, the Company has adopted the compound average growth rate (CAGR) of consolidated net sales and the compound average growth rate (CAGR) of corporate operating profit as indicators related to economic value among corporate value, and the multiple internal and external indicators pertaining to the environment, society and corporate governance (ESG) as benchmarks on creation of social value.
- 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.

(12) Matters Concerning Accounting Auditor

1) Name of Accounting Auditor

KPMG AZSA LLC

Notes:

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

2) Remuneration, etc. to the Accounting Auditor

(Millions of yen)

Category	Amount
Remuneration paid for services rendered as the accounting auditor for the fiscal year ended December 31, 2022	234
Total cash and other remuneration to be paid by the Company and its subsidiaries to the accounting auditor	291

Note: In the audit contract between the Company and its accounting auditor, remuneration paid for audits under the Companies Act and remuneration paid for audits under the Financial Instruments and Exchange Act are not clearly distinguished and cannot be practically separated. Therefore, the total payment for both is shown in “Remuneration paid for services rendered as the accounting auditor for the fiscal year ended December 31, 2022” above.

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

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

4) Details of Services Other Than Audit

The Company entrusted the accounting auditor with the “advisory services on the adoption of IFRS” and the “preparation of ‘document from the accounting auditor to the managing underwriting firm’ concerning bond issuance” which are services other than services under Article 2, paragraph (1) of the Certified Public Accountants Act (services other than audit). The amount of remuneration, etc. is ¥12 million that is included in the “Total cash and other remuneration to be paid by the Company and its subsidiaries to the accounting auditor” under the “(2) Remuneration, etc. to the Accounting Auditor” above.

5) Policy Relating to Determination of Dismissal of or Not to Reappoint Accounting Auditor

In the event that the Company determines that keeping an accounting auditor as its accounting auditor causes material trouble to the Company for the reasons, among others, that the accounting auditor has violated its duties, negated its duties or behaved in a manner inappropriate as an accounting auditor, the Audit & Supervisory Board shall dismiss the accounting auditor pursuant to Article 340 of the Companies Act.

Furthermore, in the event that it is deemed that the accounting auditor is unable to carry out its duties duly or change of the accounting auditor to another audit firm is reasonably required to enhance the appropriateness of accounting audit, the Board of Directors shall submit a proposal to the general meeting of shareholders for the dismissal of the accounting auditor or not to reappoint the accounting auditor in accordance with the resolution of the Audit & Supervisory Board on the proposal resolved in consideration of the opinion of the executive agency.

Notes:

1. Amounts in this business report given in billions of JPY have been rounded to the nearest 0.1 billion, and other amounts have been rounded down to the nearest million JPY, thousand USD, thousand EUR, thousand CNY, thousand TWD, thousand SGD, or million VND. In the notation of 1,000 shares, shares of less than one unit have been omitted.
2. In regard to the calculation of percentages, the ownership percentage of shares, the composition percentage of directors and Audit & Supervisory Board members and the attendance rate of the respective meetings are rounded down to one decimal place. In general, other amounts are rounded to one decimal place.
3. Figures in parentheses () or “-” in graphs and tables denote negative value such as loss or decrease.
4. “Shain (employee)” in this business report is not “shain (shareholder/interest holder) as defined by the Companies Act, but has the same meaning as “employee.”

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

Consolidated Statement of Financial Position

(As of December 31, 2022)

(Millions of yen)

	December 31, 2022	December 31, 2021 (Reference)		December 31, 2022	December 31, 2021 (Reference)
ASSETS			LIABILITIES		
Current Assets:	524,229	512,922	Current Liabilities:	389,562	413,561
Cash and Cash Equivalents	119,036	156,503	Trade and Other Payables	203,770	203,718
Trade and Other Receivables	182,069	158,791	Bonds and Borrowings	25,990	15,730
Inventories	130,942	134,147	Lease Liabilities	23,757	25,283
Other Financial Assets	18,498	16,429	Other Financial Liabilities	4,744	4,914
Other Current Assets	54,753	45,117	Income Taxes Payable	5,442	45,600
Subtotal	505,299	510,989	Provisions	8,136	10,843
Assets Held for Sale	18,929	1,933	Other Current Liabilities	116,180	107,470
Non-Current Assets:	783,432	788,056	Subtotal	388,021	413,561
Property, Plant and Equipment	318,339	340,037	Liabilities Directly Associated with Assets Held for Sale	1,541	—
Goodwill	57,879	50,429	Non-Current Liabilities:	292,344	325,237
Intangible Assets	123,217	101,814	Bonds and Borrowings	140,000	145,915
Right-of-Use Assets	114,276	127,832	Lease Liabilities	107,441	118,909
Investments Accounted for Using Equity Method	15,535	21,691	Other Financial Liabilities	4,950	5,646
Other Financial Assets	84,701	73,777	Retirement Benefit Liability	25,346	42,159
Deferred Tax Assets	63,382	67,433	Provisions	1,328	1,753
Other Non-Current Assets	6,098	5,040	Deferred Tax Liabilities	2,174	1,605
			Other Non-Current Liabilities	11,103	9,248
			Total Liabilities	681,907	738,799
			EQUITY		
			Share Capital	64,506	64,506
			Capital Surplus	73,560	73,035
			Treasury Shares	(2,089)	(2,338)
			Retained Earnings	394,877	372,202
			Other Components of Equity	73,404	33,288
			Total Equity Attributable to Owners of Parent	604,259	540,695
			Non-Controlling Interests	21,494	21,484
TOTAL ASSETS	1,307,661	1,300,979	Total Equity	625,754	562,179
			TOTAL LIABILITIES AND EQUITY	1,307,661	1,300,979

Consolidated Statement of Profit and Loss
(Fiscal Year from January 1, 2022 to December 31, 2022)

(Millions of yen)

	Fiscal Year 2022	Fiscal Year 2021 (Reference)
Net Sales	1,067,355	1,009,966
Cost of Sales	323,191	271,808
Gross Profit	744,164	738,158
Selling, General and Administrative Expenses	721,722	767,007
Other Operating Income	27,573	140,999
Other Operating Expenses	3,442	11,579
Operating Profit	46,572	100,571
Finance Income	5,877	4,079
Finance Costs	3,627	3,829
Share of Profit (Loss) of Investment Accounted for Using Equity Method	1,607	(1,709)
Profit Before Tax	50,428	99,111
Income Tax Expense	12,845	49,661
Profit	37,583	49,450
Profit Attributable to		
Owners of Parent	34,202	46,909
Non-Controlling Interests	3,381	2,540
Profit	37,583	49,450

Reference: Consolidated Statement of Comprehensive Income

(Fiscal Year from January 1, 2022 to December 31, 2022)

(Millions of yen)

	Fiscal Year 2022	Fiscal Year 2021 (Reference)
Profit	37,583	49,450
Other Comprehensive Income:		
Items That Will Not Be Reclassified to Profit or Loss		
Financial Assets Measured at Fair Value Through Other Comprehensive Income	(675)	110
Remeasurements of Defined Benefit Plans	11,134	4,961
Share of Other Comprehensive Income of Investments Accounted for Using Equity Method	24	0
Total of Items That Will Not Be Reclassified to Profit or Loss	10,483	5,072
Items That May Be Reclassified to Profit or Loss		
Exchange Differences on Translation of Foreign Operations	40,024	35,062
Cash Flow Hedges	96	98
Share of Other Comprehensive Income of Investments Accounted for Using Equity Method	873	515
Total of Items That May Be Reclassified to Profit or Loss	40,994	35,676
Other Comprehensive Income, Net of Tax	51,477	40,748
Comprehensive Income	89,061	90,198
Comprehensive Income Attributable to		
Owners of Parent	84,722	85,469
Non-Controlling Interests	4,338	4,729
Comprehensive Income	89,061	90,198

Consolidated Statement of Changes in Equity
(Fiscal Year from January 1, 2022 to December 31, 2022)

(Millions of yen)

	Equity Attributable to Owners of Parent					
	Share Capital	Capital Surplus	Treasury Shares	Retained Earnings	Other Components of Equity	
					Exchange Differences on Transition of Foreign Operations	Financial Assets Measured at Fair Value Through Other Comprehensive Income
Balance as of January 1, 2022	64,506	73,035	(2,338)	372,202	33,427	—
Comprehensive Income						
Profit				34,202		
Other Comprehensive Income					40,019	(614)
Total Comprehensive Income	—	—	—	34,202	40,019	(614)
Transactions with Owners						
Purchase of Treasury Shares			(9)			
Disposal of Treasury Shares			257	35		
Dividends				(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	—

(Millions of yen)

	Equity Attributable to Owners of Parent				Non-Controlling Interests	Total
	Other Components of Equity			Total		
	Cash Flow Hedges	Remeasurements of Defined Benefit Plans	Total			
Balance as of January 1, 2022	(139)	—	33,288	540,695	21,484	562,179
Comprehensive Income						
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
Transactions with Owners						
Purchase of Treasury Shares			—	(9)		(9)
Disposal of Treasury Shares			—	293		293
Dividends			—	(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

Notes to Consolidated Financial Statements

Basis of Presenting Consolidated Financial Statements

1. Standards for the Preparation of Consolidated Financial Statements

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

2. Scope of Consolidation

Number of consolidated subsidiaries: 71

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

[Addition: 5 companies]

Shiseido Zlyue (Shanghai) Management Consulting Co., Ltd. , Shiseido Beauty Innovations Fund and Fine Today Industries Co., Ltd. have been included in the scope of consolidation effective from the fiscal year following their establishment.

Gallinée Ltd., together with one of its group companies, has been included in the scope of consolidation effective from the fiscal year following the acquisitions of Gallinée Ltd. shares.

[Exclusion: 3 companies]

Shiseido Professional Inc. and Shiseido Professional (Thailand) Co., Ltd. were excluded from the scope of consolidation effective from the fiscal year following the transfer of shares held.

Davlyn Industries, Inc. was excluded from the scope of consolidation effective from the fiscal year as its liquidation was completed.

3. Application of the Equity Method

Affiliates accounted for under the equity method: 15

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

4. Notes on 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 an entity and has the ability to influence such returns through its power over the entity.

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

Partial disposals of interests in subsidiaries are accounted for as equity transactions if control continues. The difference between the non-controlling interest adjustment 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) Affiliates

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

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

Where affiliates have adopted different accounting policies to those adopted by the Group, adjustments are made to the affiliates' 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, in the case of an acquisition in phases, the fair value of the acquirer's previously held equity interest in the acquiree at the acquisition date exceeds the fair value of the identifiable assets and liabilities assumed at the acquisition date, the excess amount is recognized as goodwill in the consolidated statement of financial position. On the other hand, if the total consideration is less than the fair value of the identifiable assets and liabilities assumed, it is recognized immediately in the consolidated statement of income as profit or loss.

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

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

(3) Foreign currency translation

1) Foreign currency denominated transactions

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

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

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 year-end exchange rate, and revenues and expenses are translated into Japanese yen at the average exchange rate unless the exchange rate fluctuates significantly. Translation differences arising from the translation of financial statements of foreign operations are recognized in other comprehensive income, the accumulated amount of which is recognized as a component of other equity. Upon disposal of a subsidiary resulting in loss of control, the entire accumulated translation differences related to the foreign operating entity are transferred to profit or loss.

(4) Financial instruments

1) Non-derivative financial assets

(i) Initial recognition and measurement

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

Financial assets are classified at initial recognition as follows.

(a) Financial assets measured at amortized cost

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

- Financial assets held within a business model whose objective is to hold financial assets to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

The Group has elected to present subsequent changes in the fair value of investments to all equity instruments, which are not held for sale, 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 into debt financial assets measured at fair value through other comprehensive income.

- Financial assets held in a business model whose objective is achieved by both the collection and sale of contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

In principle, financial assets are measured at fair value plus transaction costs directly attributable to the financial assets. However, for financial assets measured at fair value through profit or loss, transaction costs are recognized 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, an allowance for doubtful accounts is deducted from the gross carrying amount to which the effective interest method is applied.

(b) Financial assets measured at fair value

For equity financial assets measured at fair value through other comprehensive income, changes in 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 current period as part of financial income, unless such dividends clearly represent a recovery of the cost of the investment.

Changes in the fair value of financial assets measured at fair value, other than those above, are recognized 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 loss in allowance for doubtful accounts.

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

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

In assessing whether there has been a significant increase in credit risk, the Group considers information that is reasonably available and supportable (internal and external credit ratings, etc.) in addition to information on the past due credits.

Expected credit loss is measured based on the present value of the difference between all contractual cash flows payable to a company, and all contractual cash flows expected to be received by a company.

Any issuer or debtor is deemed to be in default when the recovery of all or a portion of financial assets to such an issuer or debtor is judged to be very difficult due to such as its significant financial difficulty or breach of contract including past due status.

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

The provision for allowance for doubtful accounts on financial assets is recognized in profit or loss. When an event that reduces the 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 by deducting transaction costs directly attributable to the issuance of the financial liability from the fair value. In addition, after initial recognition, they are measured at amortized cost based on the effective interest method.

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

3) Derivatives and hedge accounting

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

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

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

(i) Cash flow hedges

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

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

(ii) Derivatives not designated as hedges

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

(5) Cash and cash equivalents

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

(6) Inventories

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

(7) Property, plant and equipment

Property, plant and equipment are 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:	mainly 2–50 years
Machinery, equipment and vehicles:	mainly 2–15 years
Tools, furniture and fixtures:	mainly 2–15 years

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

(8) Goodwill

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

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

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

(9) Intangible assets

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

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

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

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

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

Trademark rights:	mainly 9–10 years (except for those with indefinite useful lives)
Software:	mainly 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.

(i) Lessee

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

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

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

(ii) Lessor

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

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

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

(11) Impairment of non-financial assets

For carrying amounts of non-financial assets of the Group excluding inventories and deferred tax assets, it is judged at the end of each period whether there is any indication of impairment. If there is an indication of impairment, the recoverable amount of the relevant asset is estimated. For goodwill and intangible assets with indefinite useful lives or 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 larger of value in use and fair value less disposal costs. In the calculation of value in use, estimated future cash flows are discounted to the present value using a pre-tax discount rate that reflects time value of money and risks inherent in the asset. Assets that are not tested individually in impairment tests are aggregated to the smallest cash-generating unit which generates cash inflows from continuing use that are largely independent of cash inflows from other assets or asset groups. When goodwill is tested for

impairment, cash-generating units to which the goodwill is allocated are aggregated so that the level at which impairment is tested reflects the lowest level to which the goodwill relates. Goodwill acquired through business combinations is allocated to the cash-generating unit expected to benefit from synergies of the combination.

Impairment losses are recognized as profit or loss if the carrying amount of assets or cash-generating units exceeds the estimated recoverable amount. Impairment losses recognized in relation to a cash-generating unit are first allocated to reduce the carrying amount of the goodwill allocated to the unit, and then to reduce the carrying amount of other assets in the cash-generating unit on a pro rata basis.

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

(12) Employee benefits

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

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

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

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

Remeasurements of defined benefit pension plans are collectively recognized 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 amortized as profit or loss for the period when it is incurred.

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

(13) Share-based payments

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

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

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

(14) Provisions

Provisions are recognized when the Group has present legal or constructive obligations as a result of past events, it is probable that an outflow of economic resources will be required to settle the obligations, and the amount of the obligations can be estimated reliably. When time value of money is material, estimated future cash flows are discounted to the present value using a pre-tax interest rate that reflects time value of money and risks inherent in the liabilities. Unwinding of the discount over time is recognized as financial expenses.

(15) Revenue

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

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

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

(16) Governmental subsidies

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

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

(17) Income taxes

Income tax expense consist of current taxes and deferred taxes. They are recognized as profit or loss, unless they arise from items recognized directly 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 that are differences between tax base of assets and liabilities and their carrying amount for accounting purposes 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), except for business combination transactions
- As for deductible temporary differences related to investments in subsidiaries and affiliates, cases where it is probable that the temporary difference will not be reversed in the foreseeable future, or where it is less likely that taxable income against which the temporary difference will be used will be earned
- As for taxable temporary differences related to investments in subsidiaries and affiliates, cases where the period when the temporary difference will be reversed can be controlled and it is probable that the temporary difference will not be reversed in the foreseeable future

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

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

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

(18) Earnings per share

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

(19) Non-current assets held for sale

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

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

(20) Equity and other equity items

(i) Common stock

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

(ii) Treasury shares

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

(iii) Dividends

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

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

(i) Application of consolidated taxation system

The Company and certain domestic consolidated subsidiaries applied a consolidation taxation system with the Company as the taxable parent company. From the next fiscal year, the Company and certain domestic consolidated subsidiaries will make a transition from the consolidation taxation system to the group tax sharing system.

Notes to Accounting Estimates

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

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

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

1. Valuation of Goodwill related to Shiseido Americas Corporation ("SAC") cash-generating unit

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

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

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

Cash-generating unit	Amounts (Millions of yen)
SAC	27,399
Drunk Elephant (China Business)	6,020
Drunk Elephant (EMEA Business)	6,620
Drunk Elephant (Travel Retail Business)	7,296
Other	10,542
Total	57,879

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

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

For the fiscal year ended December 31, 2022, because the recoverable amount for the SAC cash-generating unit exceeded the carrying amount based on the results of the annual test for impairment, an impairment loss on goodwill is not recognized. Future cash flow used to calculate the fair value less disposal costs is estimated based on the future business plan of SAC cash-generating unit and long-term market growth rate of 4%, and incorporates the long-term market growth rate of the cosmetics market in the United States and an improvement in sales, operating margin, and other fronts through sales expansion plan as primary assumptions. In addition, discount rate of 12.5% which considers the company-specific risk premium and risk-free rate in the United States is used. Management determined that the estimates for the fair value less disposal costs on this test is reasonable, but it is possible that the recoverable amount declines and impairment loss occurs due to unexpectable changes in the future business assumptions.

Notes to Consolidated Statement of Financial Position

(1) Inventories

Merchandise and products	¥81,843 million
Work in process	¥6,348 million
Raw materials and supplies	¥42,749 million

(2) Collateralized assets and loan liabilities

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

Cash and cash equivalents	¥1,830 million
Property, plant and equipment	¥11,158 million
Other financial assets (Non-current)	¥16,355 million
Total	¥29,345 million

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

Bonds and borrowings (Current)	¥15,915 million
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(3) Accumulated depreciation of property, plant and equipment ¥258,986 million

(4) Accumulated amortization of intangible assets ¥47,861 million

(5) Accumulated depreciation of right-of-use assets ¥52,966 million

Notes to Consolidated Statement of Profit and Loss

(1) Other operating income and operating expenses

The breakdown of other operating income is as follows:

	Millions of yen
Rental income	441
Government grant income	4,917
Gain on sale of fixed assets	4,319
Reversal of impairment losses	494
Gain on transfer of businesses	15,294
Other	2,105
Total	<u>27,573</u>

Gain on transfer of businesses is mainly related to the transfer of the Professional Business. For details, please refer to “Loss of control.”

Other operating expenses consist of structural reform expenses.

(2) Impairment losses

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

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

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

Notes:

1. In the Japan subsidiary, the carrying amount of the assets group for the stores whose operating profit is continuously negative, is reduced to the recoverable amount. Value in use is used as the recoverable amount, and the recoverable amount has been determined to be zero at certain stores. The impairment losses recognized is included in "Selling, General and Administrative Expenses" in the consolidated statement of profit and loss.
2. Due to decline in profitability of offices subleased by Shiseido Americas Corporation, the carrying amount was reduced to the recoverable amount. Value in use is used as the recoverable amount. The impairment losses recognized is included in "General and Administrative Expenses" in the consolidated statement of profit and loss.
3. Of assets held for sale, this is due to the conclusion of agreement to transfer manufacturing operations of Personal Care products concluded at Shiseido Kuki Factory and Shiseido Vietnam Factory. Non-current assets classified as held for sale are measured at the lower of the carrying amount and fair value less costs to sell, and the fair value hierarchy is Level 3. The impairment losses recognized is included in "Cost of Sales" and "General and Administrative Expenses" in the consolidated statement of profit and loss.

Notes to Consolidated Statement of Changes in Equity

(1) Shares issued (including treasury shares)

Class and number of shares issued (including treasury shares) as of December 31, 2022

Common stock 400,000 thousand shares

(2) Dividends

1) Cash dividends paid

Resolution	Share Class	Cash Dividends Paid (Millions of yen)	Cash Dividends per Share (Yen)	Record Date	Effective Date
Ordinary General Meeting of Shareholders on March 25, 2022	Common stock	11,984	30.00	December 31, 2021	March 28, 2022
Board of Directors Meeting on August 10, 2022	Common stock	9,988	25.00	June 30, 2022	September 5, 2022
Total		21,973			

2) Resolution at the Ordinary General Meeting of Shareholders to be held on March 24, 2023 concerning dividends on shares of common stock with the record date in the fiscal year ended December 31, 2022 but for which the effective date is after the end of the fiscal year

Cash dividends to be paid:	¥29,966 million
Cash dividends per share (Note):	¥75
Record date:	December 31, 2022
Effective date:	March 27, 2023
Funding source:	Retained earnings

Note: Cash dividends per share include a commemorative dividend of ¥50 for the 150th anniversary of the founding.

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

Common stock	274 thousand shares
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Financial Instruments

1. Financial Instruments

(1) Management of financial risk

In the course of business activities, the Shiseido Group is exposed to financial risks, such as credit risks, liquidity risks and market risks, and performs risk management activities in accordance with certain policies to reduce said financial risks. The Shiseido Group limits fund management to short-term deposits, investment securities and other methods. As a matter of policy, the Shiseido Group procures funds using bank loans, commercial papers, bonds and other methods. The Shiseido Group uses derivatives to avoid the risk of foreign exchange rate fluctuations associated with receivables and payables denominated in foreign currencies and the risk of interest rate fluctuations associated with loans. The Shiseido Group limits the use of derivatives to the volume of receivables and payables and actual requirements, and do not engage in speculative transactions.

1) Credit risk management

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

The Group has a system under which it manages settlement date and amount due for each counterparty, and regularly assesses the credit status of its major counterparties. The Group has no

overly concentrated credit risk with regard to specific counterparties or groups to which these counterparties belong.

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

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

2) Liquidity risk management

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

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

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

3) Market risk management

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

(i) Currency risks

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

(ii) Interest rate risk management

The Group is exposed to various interest rate risks in its business activities. Within its interest-bearing debt, short-term borrowings and commercial paper are funds procured mainly in relation to operating transactions, while long-term borrowings, bonds, and lease liabilities are funds procured mainly in relation to investment and loans, capital investment, and operating transactions. Floating-rate debt is exposed to the risk of interest rate fluctuations. The Shiseido Group hedges this risk for specific long-term borrowings by using derivatives (interest rate swap contracts and interest rate and currency swap contracts) on an individual loan contract basis to avoid the risk of interest rate fluctuations and fix interest payments.

2. Fair Value of Financial Instruments

(1) Carrying amount and fair value of financial instruments

The carrying amounts and fair values as of December 31, 2022 are as follows. Financial instruments measured at fair value and financial instruments measured at amortized cost whose carrying amount and fair value are extremely close are not included in the following table.

(Millions of yen)

	Carrying amount	Fair value
Assets:		
Financial assets measured at amortized cost		
Other financial assets (non-current)		
Leasehold and guarantee deposits	24,574	18,682
Long-term loans receivable	39,183	28,643

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

(2) Method of calculating fair value of financial instruments

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

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

(Other financial assets and other financial liabilities)

Among financial assets measured at fair value through other comprehensive income, listed shares are calculated using the market price on the last day of the period. Unlisted shares are calculated using discounted (future) cash flows, etc.

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

Derivatives that are financial assets or financial liabilities measured at fair value through profit or loss are mainly foreign exchange forward contracts or interest rate swaps, and these are calculated based on the forward market rates presented by the counterparty financial institutions or the interest rate swap rate on the last day of the accounting period, etc.

(Bonds and borrowings)

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

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

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

Bonds are calculated using market prices, etc.

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

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

- Level 1: (Unadjusted) quoted prices in active markets for identical assets or liabilities
 Level 2: Fair values calculated using observable prices other than level 1, either directly or indirectly
 Level 3: Fair values calculated using valuation methods that include unobservable inputs

	Level 1	Level 2	Level 3	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Assets:				
Financial assets measured at fair value through profit or loss				
Other financial assets				
Derivatives	–	2,043	–	2,043
Other	–	–	6,540	6,540
Financial assets measured at fair value through other comprehensive income				
Other financial assets				
Equity and investments	5,914	146	3,656	9,717
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

In each fiscal year, there are no transfers between fair value level 1 and level 2.

Per-Share Information

Equity attributable to owners of parent per share	¥1,512.36
Basic earnings per share	¥85.60

Notes to Revenue Recognition

(1) Disaggregation of revenue

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

	Japan Business	China Business	Asia Pacific Business	Americas Business	EMEA Business	Travel Retail Business
Revenue recognized from contracts with customers	237,565	258,226	68,017	137,916	128,440	163,650

	Professional Business	Other	Total
Revenue recognized from contracts with customers	9,337	64,200	1,067,355

Notes:

- The amounts indicate the net sales to external customers.
- The EMEA Business includes the Middle East and African regions.

3. The Other segment includes head office administration departments, IPSA Co., Ltd., manufacturing operations, and the Restaurant business, etc.
4. Net sales from regional sales subsidiaries previously recorded in the Professional Business is no longer recorded with some exceptions from July 1, 2022 due to the transfer of Professional Business.

(2) Contract balances

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

Receivables from contracts with customers	
Notes and accounts receivable	¥170,183 million
Contract liabilities	¥6,942 million

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

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

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

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

(3) Transaction prices allocated to remaining performance obligations

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

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

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

Significant Subsequent Events

(A claim from a business partner regarding the agreement)

In February 2023, European subsidiary of the Company has received a claim from a business partner regarding performance of the services stipulated in the agreement with the business partner. The Group is currently assessing the alleged claim. As the Group is in the process of gathering evidences, given the legal ground and the nature of the claim is unclear and it takes to investigate the alleged claim, the Group is unable to reasonably estimate the amount of payment, and has not recorded any liability.

Loss of control

(Company splits, share transfer and assets transfer of succeeding company accompanying the transfer of Professional business)

(1) Overview of loss of control

On July 1, 2022, the Professional business (the “Business”) was succeeded by Shiseido Professional Inc. (“SPI”) through an absorption-type company split, followed by a transfer of 80% of its shares to Henkel Nederland B.V. (“HNBV”), a subsidiary of Henkel AG & Co. KGaA (“Henkel”), and all of the outstanding shares of Shiseido Professional (Thailand) Co., Ltd. were transferred to Henkel Group

companies. In addition, two of the Company's Chinese subsidiaries, Shiseido China Co., Ltd. and Shiseido Hong Kong Ltd., and two Asia Pacific subsidiaries, Shiseido Singapore Co., (Pte.) Ltd. and Shiseido Korea Co., Ltd. transferred their assets of the Business to Henkel Group companies.

Excluding 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.) received consideration for the transfer in December 2022, and transferred their assets of the Business on January 1, 2023.

In addition to the above transaction, the total amount of consideration for transfer of equity and assets after adjustment for net decrease, etc. in operating capital was ¥11,884 million. Furthermore, this adjustment did not have any impact on gain on sale of business recorded for the current fiscal year.

All operations of the company split, share transfer, asset transfer and contribution in kind of share purchase are pursuant to the Purchase Agreement between the Company and Henkel on February 9, 2022.

The following section details the transfer of the Business executed in 2022 and consideration received.

(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 income and expenditure 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
Income from the sale of the business	9,101

(4) Profit and loss due to loss of control

Out of the gain on transfer of business for ¥10,901 million, ¥2,060 million is caused by measuring retained investment maintaining for former subsidiary in the fair value as the date of loss of control. These amounts are included in "Other Operating Income" in the consolidated statement of statement of profit and loss.

Other

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

Non-Consolidated Balance Sheet

(As of December 31, 2022)

(Millions of yen)

	December 31, 2022	December 31, 2021 (Reference)		December 31, 2022	December 31, 2021 (Reference)
ASSETS			LIABILITIES		
Current Assets:	244,971	235,912	Current Liabilities:	222,396	231,417
Cash and Time Deposits	15,136	40,677	Electronically Recorded Obligations-Operating	33,056	35,688
Notes Receivable	—	5	Accounts Payable	11,849	12,850
Accounts Receivable	96,560	83,882	Current Portion of Corporate Bonds Scheduled for Redemption	10,000	15,000
Merchandise and Products	13,995	15,985	Lease Obligations	1,508	1,534
Work in Process	5,913	5,454	Other Payables	39,286	45,441
Raw Materials and Supplies	19,345	24,971	Accrued Expenses	1,578	1,338
Prepaid Expenses	4,817	5,240	Accrued Income Taxes	—	27,251
Short-Term Loans Receivable	527	218	Deposits Received	650	778
Other Accounts Receivable	20,876	41,786	Deposits Received from Subsidiaries and Affiliates	94,635	72,002
Other Current Assets	67,953	23,459	Reserve for Sales Returns	—	6,127
Less: Allowance for Doubtful Accounts	(155)	(5,769)	Accrued Bonuses for Employees	6,650	5,901
Fixed Assets:	660,681	665,490	Accrued Bonuses for Directors	246	169
Property, Plant and Equipment:	235,055	246,586	Allowance for Investment Loss of Subsidiaries and Affiliates	—	4,787
Buildings	115,146	122,579	Provision for Structural Reforms	2,040	—
Structures	4,076	4,530	Other Current Liabilities	20,893	2,545
Machinery and Equipment	60,698	51,455	Long-Term Liabilities:	149,877	142,488
Vehicles	204	160	Bonds	60,000	50,000
Tools, Furniture and Fixtures	11,574	12,688	Long-Term Debt	80,000	80,000
Land	38,718	38,488	Lease Obligations	1,104	1,792
Leased Assets	2,500	3,197	Provision for Retirement Benefits	4,900	6,549
Construction in Progress	2,136	13,486	Allowance for Losses on Guarantees	350	350
Intangible Assets:	48,642	39,133	Other Long-Term Liabilities	3,522	3,796
Patent Rights	16	19	Total Liabilities	372,273	373,906
Telephone Rights	118	123	NET ASSETS		
Software	31,401	33,149	Shareholders' Equity:	532,443	525,777
Software in Progress	16,282	4,774	Common Stock	64,506	64,506
Leased Assets	59	81	Capital Surplus	70,258	70,258
Other Intangible Assets	764	985	Additional Paid-In Capital	70,258	70,258
Investments and Other Assets:	376,983	379,770	Retained Earnings	399,768	393,350
Investment Securities	2,782	1,713	Legal Reserve	16,230	16,230
Investments in Shares of Subsidiaries and Affiliates	315,357	319,025	Other Retained Earnings	383,538	377,120
Other Investment Securities of Subsidiaries and Affiliates	17,631	17,631	Reserve for Advanced Depreciation of Fixed Assets	4,739	4,545
Capital Investments	110	110	Retained Earnings Carried Forward	378,798	372,574
Capital Investments in Subsidiaries and Affiliates	11,816	11,816	Less: Treasury Stock	(2,089)	(2,338)
Long-Term Loans Receivable	734	932	Valuation, Translation Adjustments and Others:	(23)	651
Long-Term Prepaid Expenses	516	260	Valuation Difference on Available-for-Sale Securities	(23)	651
Deferred Tax Assets	23,913	24,268	Stock Acquisition Rights	958	1,067
Other Investments	4,120	4,391	Total Net Assets	533,379	527,496
Less: Allowance for Doubtful Accounts	—	(380)	TOTAL LIABILITIES AND NET ASSETS	905,652	901,402
TOTAL ASSETS	905,652	901,402			

Non-Consolidated Statement of Income

(Fiscal Year from January 1, 2022 to December 31, 2022)

(Millions of yen)

	Fiscal Year 2022	Fiscal Year 2021 (Reference)
Net Sales	305,969	275,063
Cost of Sales	187,048	152,565
Gross Profit	118,920	122,498
Selling, General and Administrative Expenses	104,135	101,368
Operating Profit	14,785	21,129
Non-operating Income	34,820	29,116
Interest Income	625	258
Dividend Income	27,630	20,529
Foreign Exchange Gain	275	1,834
Gain on Investment in Limited Partnerships	1,493	1,551
Royalty Income	1,194	1,498
Other	3,601	3,444
Non-operating Expenses	1,840	3,905
Interest Expense	1,126	640
Loss on Investment in Limited Partnerships	162	—
Provision of Allowance for Doubtful Accounts	19	325
Other	533	2,939
Ordinary Profit	47,765	46,341
Extraordinary Gains	6,642	74,944
Gain on Sales of Fixed Assets	443	170
Gain on Sale of Business	5,868	71,646
Gain on Sales of Investment Securities	260	2,732
Gain on Cancellation of Leases	63	—
Grant Income	5	63
Gain on Reversal of Share Acquisition Rights	—	331
Extraordinary Losses	18,644	5,009
Loss on Disposal of Fixed Assets	706	1,053
Impairment Loss	10,809	3,326
Structural Reform Expenses	4,186	579
Loss on Revaluation of Shares in Subsidiaries and Affiliates	2,943	—
Loss on COVID-19	—	30
Loss on Sales of Investment Securities	—	15
Loss on Revaluation of Investment Securities	—	4
Profit before Income Taxes	35,763	116,275
Income Taxes – Current	6,635	21,858
Refund of Income Taxes for Prior Years	—	(795)
Income Taxes – Deferred	657	(8,576)
Net Profit	28,470	103,788

Non-Consolidated Statement of Changes in Net Assets

(Fiscal Year from January 1, 2022 to December 31, 2022)

(Millions of yen)

	Shareholders' Equity		
	Common Stock	Capital Surplus	
		Additional Paid-In Capital	Total Capital Surplus
Balance at Beginning of Period	64,506	70,258	70,258
Changes during Period			
Dividends from Retained Earnings			
Net Profit			
Provision of Reserve for Tax Purpose Reduction Entry			
Acquisition of Treasury Stock			
Disposal of Treasury Stock			
Net Changes of Items Other than Shareholders' Equity			
Total Changes during Period	—	—	—
Balance at End of Period	64,506	70,258	70,258

(Millions of yen)

	Shareholders' Equity					Total Shareholders' Equity
	Retained Earnings				Treasury Stock, at Cost	
	Legal Reserve	Other Retained Earnings		Total Retained Earnings		
		Reserve for Tax Purpose Reduction Entry of Fixed Assets	Retained Earnings Carried Forward			
Balance at Beginning of Period	16,230	4,545	372,574	393,350	(2,338)	525,777
Changes during Period						
Dividends from Retained Earnings			(21,973)	(21,973)		(21,973)
Net Profit			28,470	28,470		28,470
Provision of Reserve for Tax Purpose Reduction Entry		193	(193)	—		—
Acquisition of Treasury Stock				—	(9)	(9)
Disposal of Treasury Stock			(78)	(78)	257	179
Net Changes of Items Other than Shareholders' Equity						—
Total Changes during Period	—	193	6,224	6,418	248	6,666
Balance at End of Period	16,230	4,739	378,798	399,768	(2,089)	532,443

(Millions of yen)

	Valuation, Translation Adjustments and Others		Stock Acquisition Rights	Total Net Assets
	Valuation Difference on Available-for-Sale Securities, Net of Taxes	Total Valuation, Translation Adjustments and Others		
Balance at Beginning of Period	651	651	1,067	527,496
Changes during Period				
Dividends from Retained Earnings				(21,973)
Net Profit				28,470
Provision of Reserve for Tax Purpose Reduction Entry				—
Acquisition of Treasury Stock				(9)
Disposal of Treasury Stock				179
Net Changes of Items Other than Shareholders' Equity	(675)	(675)	(108)	(783)
Total Changes during Period	(675)	(675)	(108)	5,882
Balance at End of Period	(23)	(23)	958	533,379

Notes to Non-Consolidated Financial Statements

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

Significant Accounting Policies

(1) Valuation of Assets

1) Securities

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

Available-for-sale securities

Securities other than shares, etc. without market prices:

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

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

Shares, etc. without market prices:

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

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

2) Inventories

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

(2) Depreciation of Fixed Assets

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

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

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

2) Intangible Assets (Excluding Leased Assets)

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

Software:	mainly 5–10 years
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3) Leased Assets

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

4) Long-Term Prepaid Expenses

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

(3) Provisions

1) Allowance for Doubtful Accounts

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

2) Accrued Bonuses for Employees

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

3) Accrued Bonuses for Directors

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

4) Provision for Structural Reforms

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

5) Provision for Retirement Benefits

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

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

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

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

6) 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.

(4) Significant Accounting for Hedges

Hedge accounting method

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

(5) Recognition of Revenues and Expenses

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

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

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

- 2) **Application of Tax Effect Accounting Pertaining to the Transition from Consolidated Taxation System to Group Tax Sharing System:** The Company will transition from the consolidated taxation system to the group tax sharing system from the following fiscal year. However, with regard to the transition into the group tax sharing system established under “the Act for Partial Amendment of the Income Tax Act, etc.” (Act No. 8 of 2020) and items for which the consolidated taxation system has been revised upon the transition to the group tax sharing system, based on the practical solution in paragraph 3 of “Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System” (PITF No. 39, March 31, 2020), the Company does not apply the provisions of paragraph 44 of “Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No. 28, February 16, 2018), and the amounts of deferred tax assets and deferred tax liabilities are based on the provisions of tax laws prior to the revisions.

From the beginning of the following fiscal year, the Company plans to apply “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (Practical Solution No. 42, August 21, 2021), which stipulates handling of accounting treatment and disclosure of corporation tax, regional corporation tax, and tax effect accounting when applying the group tax sharing system.

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

Notes to Changes in Accounting Policies

- (1) **Application of Accounting Standard for Revenue Recognition**

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the current fiscal year, and it has recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services.

In conjunction with the application of the standard, “Reserve for Sales Returns,” which was presented in current liabilities in the non-consolidated balance sheet of the previous fiscal year, has been presented in “Other” in current liabilities as refund liabilities starting from the current fiscal year. In addition, some transactions that were previously recorded as “Cost of Sales” and “Selling, general and administrative expenses” in the non-consolidated statement of income for the previous fiscal year are recorded as “Net Sales” or excluded starting from the current fiscal year because they are related to consideration for goods and services transferred to customers. As a result, in the current fiscal year, “Net Sales” increased by ¥23,843 million, “Cost of Sales” by ¥20,999 million, and “Selling, General and Administrative Expenses” by ¥2,843 million.

The Company has followed the transitional treatment for application of the Accounting Standard for Revenue Recognition, etc., provided in the proviso of paragraph 84 of the Accounting Standard for Revenue Recognition. However, the application of the accounting standard, etc. has had no impact on retained earnings at the beginning of the fiscal year.

- (2) **Application of Accounting Standard for Fair Value Measurement**

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019) and relevant ASBJ regulations from the beginning of the current fiscal year, and it has applied the new accounting policy provided for by the Accounting Standard for Fair Value Measurement, etc. prospectively in accordance with the transitional measures provided for in paragraph 19 of the Accounting Standard for Fair Value Measurement, and paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). There has been no material impact on the Company’s non-consolidated financial statements from the application of the standard.

Notes to Accounting Estimates

(Revaluation of shares of subsidiaries and affiliates in connection with Shiseido Americas Corporation

(“Shiseido Americas”))

(1) The amount recorded in the financial statements for the fiscal year 2022

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

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

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

Notes to Non-Consolidated Balance Sheet

(1) Accumulated depreciation of property, plant and equipment: ¥117,205 million

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

Short-term receivables	¥155,933 million
Short-term payables	¥33,798 million

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

Notes to Non-Consolidated Statement of Income

(1) Transactions with subsidiaries and affiliates

Net sales	¥303,088 million
Purchases	¥18,211 million
Other operating transactions	¥19,790 million
Non-operating transactions	¥32,662 million

(2) Gain on sale of business

The Professional business was transferred on July 1, 2022, and the gains and losses arising from the transfer have been recognized as gain on sale of business in extraordinary gains.

(3) Impairment losses

Impairment losses were recognized in extraordinary losses in relation to the fixed assets of the Kuki factory, which is scheduled to be transferred in fiscal 2023 following the conclusion of an agreement to transfer the manufacturing business of Personal Care products.

(4) Structural reform expenses

Retirement premium of ¥2,073 million associated with the conclusion of an agreement to transfer the manufacturing business of Personal Care products, advisory expenses of ¥1,101 million related to business transfers, etc., and a difference of ¥303 million between a forfeiture of claims on deposits received from subsidiaries and affiliates deposit made to FT Shiseido Co., Ltd. and allowance for investment loss of subsidiaries and affiliates and allowance for doubtful accounts recorded in the previous fiscal year were recorded as structural reform expenses in extraordinary losses.

Notes to Non-Consolidated Statement of Changes in Net Assets

Treasury stock

(Thousand shares)				
	Number of shares on January 1, 2022	Increase in shares in the year ended December 31, 2022	Decrease in shares in the year ended December 31, 2022	Number of shares on December 31, 2022
Common stock	506	1	55	452

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

Note 2: Shares of common stock held as treasury stock decreased due to exercise of stock options for 45 thousand shares, disposal of 10 thousand shares as long-term incentive-type remuneration in accordance with the performance-linked stock remuneration plan, and sale of 0 thousand shares in response to requests from less-than-one-unit shareholders.

Tax-Effect Accounting

Principal components of deferred tax assets and deferred tax liabilities

(Millions of yen)	
Deferred tax assets	
Investment in Shares in subsidiaries and affiliates	30,120
Provision for retirement benefits	1,519
Inventories	4,551
Depreciation	5,929
Accrued bonuses	2,418
Write-down of investment securities and other investments	249
Refund liabilities	318
Allowance for doubtful accounts	48
Unrealized losses on available-for-sale securities	70
Other	4,847
Subtotal	50,072
Less: Valuation allowance	(23,683)
Total	26,389
Deferred tax liabilities	
Reserve for tax purpose reduction entry	(2,129)
Unrealized losses on fixed assets due to company split	(322)
Asset retirement obligation	(24)
Total	(2,476)
Net deferred tax assets	23,913

Transactions with Related Parties

Subsidiaries, affiliates and other related parties

Type	Name	Voting Rights Held by Company (or held by others)	Relationship	Transactions	Amount of Transactions (Millions of yen)	Accounts Name	Balance as of December 31, 2022 (Millions of yen)
Subsidiary	Shiseido Japan Co., Ltd.	Direct, 100%	Product sales Concurrent directors	Sales of cosmetics (Note 1)	30,784	Accounts receivable	14,427
Subsidiary	FT Shiseido Co., Ltd.	Direct, 100%	No business transaction conducted Concurrent directors	Forfeiture of claims (Note 2)	12,433	–	–
				Forgiveness of debt (Note 2)	1,708	–	–
Subsidiary	Shiseido Americas Corporation	Direct, 100%	Product sales Concurrent directors	Deposit of funds (Note 3)	–	Other current assets	26,244
Subsidiary	Shiseido Europe S.A.	Direct, 100%	Concurrent directors	Deposit received (Note 3)	–	Deposits received from subsidiaries and affiliates	41,518
Subsidiary	Shiseido China Co., Ltd.	Direct, 100%	Product sales Concurrent directors	Sales of cosmetics (Note 1)	57,105	Accounts receivable	14,528
				Funds collection agency service (Note 1)	27,630	Other accounts receivable	5,791
Subsidiary	Shiseido Travel Retail Asia Pacific Pte. Ltd.	Indirect, 100%	Product sales	Sales of cosmetics (Note 1)	85,864	Accounts receivable	28,648
				Deposit received (Note 3)	–	Deposits received from subsidiaries and affiliates	32,370
Affiliate	Fine Today Shiseido Co., Ltd. (Note 4)	Indirect, 35%	Product sales Concurrent directors	Sales of cosmetics (Note 1)	38,038	Accounts receivable	10,511
				Other current liabilities		6,644	
				Funds collection agency service (Note 1)	39,156	Other payables	9,225

Note 1: Transaction Terms and Relevant Policies

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

Note 2: Forfeiture of claims and forgiveness of debt were made on deposits paid to subsidiaries and affiliates from the Company and deposits received from subsidiaries and affiliates, and the difference between allowance for doubtful accounts recorded in the previous fiscal year and allowance for investment loss of subsidiaries and affiliates was recorded in structural reform expenses.

Note 3: Funding transactions with subsidiaries are carried out as a part of a cash management system.

Note 4: Fine Today Shiseido Co., Ltd. was renamed as Fine Today Co., Ltd. as of January 1, 2023.

Director, major individual shareholders, etc.

Type	Name	Voting Rights Held by Company (or held by others)	Relationship	Transactions	Amount of Transactions (Millions of yen)	Accounts Name	Balance as of December 31, 2022 (Millions of yen)
Director	Masahiko Uotani	Held directly 0.46%	Representative Director, President and CEO	Exercise of share acquisition rights (stock options)	37	–	–

Per-Share Information

Net assets per share	¥1,332.56
Net profit per share	¥71.26

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

Copy of the Accounting Auditor's Report (Consolidated)

Independent Auditor's Report

February 21, 2023

The Board of Directors
Shiseido Company, Limited

KPMG AZSA LLC
Tokyo Office

Masakazu Hattori
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Kentaro Hayashi
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Unshil Kang
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Opinion

We have audited the consolidated financial statements, which comprise the consolidated statement of financial position, the consolidated statement of profit and loss, the consolidated statement of changes in equity and the related notes of Shiseido Company, Limited ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), as at December 31, 2022 and for the year from January 1, 2022 to December 31, 2022 in accordance with Article 444-4 of the Companies Act.

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

Basis for Opinion

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

Other Information

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

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

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

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

We have nothing to report in this regard.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Notes to the Reader of Independent Auditor's Report:

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

Copy of the Accounting Auditor's Report

Independent Auditor's Report

February 21, 2023

The Board of Directors
Shiseido Company, Limited

KPMG AZSA LLC
Tokyo Office

Masakazu Hattori
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Kentaro Hayashi
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Unshil Kang
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Opinion

We have audited the financial statements, which comprise the balance sheet, the statement of income, the statement of changes in net assets and the related notes, and the accompanying supplementary schedules ("the financial statements and the accompanying supplementary schedules") of Shiseido Company, Limited ("the Company") as at December 31, 2022 and for the year from January 1, 2022 to December 31, 2022 in accordance with Article 436-2-1 of the Companies Act.

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

Basis for Opinion

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

Other Information

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

the reporting process for the other information.

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

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

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

We have nothing to report in this regard.

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements and the accompanying supplementary schedules, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The selection and application of audit procedures depends on the auditor's judgment.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting

estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the accompanying supplementary schedules or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the financial statements and the accompanying supplementary schedules are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the financial statements and the accompanying supplementary schedules, including the disclosures, and whether the financial statements and the accompanying supplementary schedules represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

Notes to the Reader of Independent Auditor's Report:

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

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

With respect to the directors' performance of their duties during the 123rd business period (from January 1, 2022 to December 31, 2022), The Audit & Supervisory Board has prepared this audit report after deliberations based on the audit reports prepared by each of the Audit & Supervisory Board members, and hereby report as follows:

1. Method and Contents of Audit by the Audit & Supervisory Board and the Audit & Supervisory Board members
 - (1) In order to ensure sound and sustainable growth of the Company and the Shiseido Group, the Audit & Supervisory Board has established the audit plans, etc., with the establishment of a good corporate governance structure that meets the trust of various stakeholders as audit policies. The Audit & Supervisory Board has received a report from each of the Audit & Supervisory Board members regarding the status of implementation of their audits and results thereof. In addition, the Audit & Supervisory Board has received reports from the directors, the executive officers, etc., and the accounting auditor regarding the status of performance of their duties. Also, the Audit & Supervisory Board requested explanations as necessary regarding the status of development, etc. of corporate governance that enables for prompt and decisive decision-making for the Company, while always performing its duties from an independent standpoint and with integrity and objectivity, ensuring the Company's transparent and fair decision-making.
 - (2) In conformity with the Audit & Supervisory Board member audit standards established by the Audit & Supervisory Board, and in accordance with the audit policies and audit plans, etc., each of the Audit & Supervisory Board members endeavored to facilitate a mutual understanding with the directors, the executive officers, the internal audit division and other employees, etc., endeavored to collect information, maintain and improve the audit environment, and conducted the audits based on the methods described below.
 - i) Each of the Audit & Supervisory Board members has attended the meetings of the Board of Directors and other important meetings, received reports on the status of performance of duties from the directors and the internal audit division and requested explanations as necessary, examined important approval/decision documents, and inspected the status of the corporate affairs and assets at the head office and other principal business locations in Japan and overseas. Also, with respect to the subsidiaries, each of the Audit & Supervisory Board members achieved a mutual understanding and exchanged information with the heads of the business locations and received reports on their business and business status. That said, given the global spread of COVID-19 during the 123rd business period, at some business locations that were not visited, the members used an online conference system as an alternative to visitation and achieved a mutual understanding and exchanged information with the heads of the business locations and received reports on their business and business status.
 - ii) Each of the Audit & Supervisory Board members regularly received reports from the directors and employees, etc., requested explanations from them as necessary, and expressed opinions, on the status of the construction and operation of the contents of the Board of Directors' resolutions regarding the development and maintenance of systems to ensure that the directors' performance of their duties complied with all laws and regulations and the articles of incorporation of the Company and other systems that are set forth in Article 100, paragraphs 1 and 3 of the Ordinance for Enforcement of the Companies Act of Japan as systems necessary for ensuring the properness of operations of a corporate group comprised of a stock company and its subsidiaries, and the systems (internal control systems) developed based on such resolutions. With respect to the internal control related to the financial report, the Audit & Supervisory Board received reports regarding the assessment and status of their audits from the directors, the corporate officers, and accounting auditors, and also requested explanations as necessary.
 - iii) Each of the Audit & Supervisory Board members monitored and verified whether the accounting auditor maintained its independence and properly conducted its audit, received a

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

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

2. Results of Audit

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

- i) We acknowledge that the business report and the annexed specifications thereto fairly present the status of the Company in conformity with the applicable laws and regulations and the articles of incorporation of the Company.
- ii) We acknowledge that no misconduct or material fact constituting a violation of any law or regulation or the articles of incorporation of the company was found with respect to the directors’ performance of their duties.
- iii) We acknowledge that the Board of Directors’ resolutions with respect to the internal control systems are appropriate. We did not find any matter to be mentioned with respect to the directors’ performance of their duties concerning the internal control systems.

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

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

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

(3) Results of Audit of Consolidated Financial Statements

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

February 22, 2023

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

Reference Document Concerning the General Meeting of Shareholders

1. Total Number of Voting Rights Held by Shareholders: **3,992,005**

2. Items of Business and Reference Information:

First Item of Business: Dividends of Retained Earnings

The Company would like to propose the amount of dividends for the fiscal year ended December 31, 2022 as follows, with an ordinary dividend of ¥25 and adding to this a commemorative dividend for the 150th anniversary of founding of ¥50, taking into account the basic policy for shareholder returns below, the consolidated financial results for the fiscal year, and future business development, among other factors.

If this proposal is accepted, total dividends per share for the fiscal year 2022 including the interim dividend will be ¥100, an increase of ¥50 from the previous fiscal year.

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

An amount per share of common stock of the Company: ¥75.00
The total amount thereof: ¥29,966,066,100

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

March 27, 2023

Basic Policy for Shareholder Returns (As of December 31, 2022)

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

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

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

Trends of Dividends, etc.

	120th Business Term (1/1/2019 - 12/31/2019)	121st Business Term (1/1/2020 - 12/31/2020)	122nd Business Term (1/1/2021 - 12/31/2021)		123rd Business Term (Current term) (1/1/2022 - 12/31/2022)
	Japanese GAAP			IFRS	
Annual cash dividends per share (Yen)	60	40	50		100 (Plan)
Annual dividends (Millions of yen)	23,965	15,978	19,974		39,954 (Plan)
Consolidated payout ratio (%)	32.6	—	47.1	42.6	116.8 (Plan)
DOE (%)	5.1	3.3	3.9	4.0	7.0 (Plan)

Notes:

1. Figures of each item for the 123rd Business Term (current term) are predicated on the approval of this item of business at this general meeting of shareholders.
2. Consolidated payout ratio for the 121st Business Term is not shown because the amount of net profit attributable to owners of parent is negative.

Second Item of Business: Election of Ten (10) Directors

The Company’s Articles of Incorporation provide that the term of director is one (1) year, in order to seek shareholders’ approval on the appointment of directors each year from a viewpoint of directors’ management responsibilities. Moreover, the Articles of Incorporation of the Company provide that the authorized number of directors is twelve (12) or less due to efforts aimed at reducing the size of the Board of Directors of the Company.

The term of office of eight (8) directors who were elected at the 122nd ordinary general meeting of shareholders held in March last year will expire at the conclusion of this general meeting of shareholders. Thus, the Company cordially asks shareholders to elect ten (10) directors including five (5) external directors, an increase of two (2) directors, in accordance with the provisions of the Articles of Incorporation in order to further strengthen the management structure and promote an agile management capable of responding appropriately to changes in management environment.

Policy and Process under Which Candidates for Directors Are Selected

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

Furthermore, the Company sets forth the Criteria for Independence of External Directors and Audit & Supervisory Board Members. The five (5) candidates for external directors have fulfilled the Criteria in full. The Criteria is listed on our corporate information website “INVESTORS > Corporate Governance > Corporate Governance System” (<https://corp.shiseido.com/en/ir/governance/system.html>).

<Reference>

Our Corporate Governance

- We define corporate governance as our “platform to realize sustainable growth through fulfilling OUR MISSION established in the corporate philosophy.”
- We have adopted a double-check system whereby business execution is supervised by the Board of Directors, with audits for legality and appropriateness by the Audit & Supervisory Board (a company with an audit & supervisory board system).
- We ensure the diversity of our Directors and Audit & Supervisory Board members.

Directors and Audit & Supervisory Board Members after the 123rd Ordinary General Meeting of Shareholders (Planned)	
Percentage of external directors and Audit & Supervisory Board members	53.3% (8 of 15)
Percentage of female directors and Audit & Supervisory Board members	40% (6 of 15)

<Reference> Diversity of Backgrounds of Directors and Audit & Supervisory Board Members

If the second and third items of business are accepted as proposed, the backgrounds of directors and Audit & Supervisory Board members will be as follows. The Board of Directors and the Audit & Supervisory Board consist of members with diverse backgrounds so that these members can widely cover the knowledge and insights recognized to be important for the Company from the perspective of corporate management.

Candidates for Directors

No.	Name	Number of years	Current Position and Responsibilities, etc. at the Shiseido Group	Attributes of the Candidates
1	Masahiko Uotani	8 years and 9 months	Representative Director Executive Officer Chairman and CEO Chairman of the Board Member of Nomination & Remuneration Advisory Committee Chair of Global Risk Management & Compliance Committee	
2	Kentaro Fujiwara	-	Executive Officer President and COO Member of Global Risk Management & Compliance Committee Member of HQ/SJ Compliance Committee* ¹	Candidate for New Director
3	Yukari Suzuki	3 years	Representative Director Executive Officer Senior Executive Officer Chief D&I Officer Member of Global Risk Management & Compliance Committee Member of HQ/SJ Compliance Committee* ¹	
4	Norio Tadakawa	3 years	Director Executive Officer Senior Executive Officer Japan Region Chief Executive Officer (CEO) Representative Director, President and CEO, Shiseido Japan Co., Ltd. Member of Global Risk Management & Compliance Committee Chair of HQ/SJ Compliance Committee* ¹	
5	Takayuki Yokota	2 years	Director Executive Officer Chief Financial Officer (CFO) Member of Global Risk Management & Compliance Committee Member of HQ/SJ Compliance Committee* ¹	
6	Kanoko Oishi	7 years	External Director Member of Nomination & Remuneration Advisory Committee	Candidate for External Director Candidate for Independent Director
7	Shinsaku Iwahara	5 years	External Director Chair of Nomination & Remuneration Advisory Committee	Candidate for External Director Candidate for Independent Director

No.	Name	Number of years	Current Position and Responsibilities, etc. at the Shiseido Group	Attributes of the Candidates
8	Charles D. Lake II	1 year	External Director Member of Nomination & Remuneration Advisory Committee	Candidate for External Director Candidate for Independent Director
9	Mariko Tokuno	1 year	External Director Member of Nomination & Remuneration Advisory Committee	Candidate for External Director Candidate for Independent Director
10	Yoshihiko Hatanaka	-	-	Candidate for New Director Candidate for External Director Candidate for Independent Director

Directors and Audit & Supervisory Board Members after the 123rd Ordinary General Meeting of Shareholders (Planned)

	Uota ni	Fujiwara	Suzuki	Tadakawa	Yokota	Oishi	Iwahara	Lake	Tokuno	Hatanaka	Yoshida	Anno	Ozu	Gotoh	Nonomiya
Corporate Management	●	●		○	○	●		●	●	●				○	○
Sales and Marketing	●	●	●	○		●			●		○	●			
Research and Product Development			●									○			
Supply Network		○		●	○										
Finance	○	○		●	●	○	○	○		○	●	○	○	●	●
DX		○	○		○			○							
People and Organization Development	●		●	○		○		○	○				○		
Corporate Governance	○			○	○		●	●	○	○	○	○	●		○
Global Understanding	●	●	○		●	○	○	●	○	●	○	○		○	●

Main knowledge and expertise required of the Board of Directors of the Company

Main experience	Icon	Specific
Corporate Management		Assess changes in the management environment, develop appropriate strategies, and support responsible management execution
Sales and Marketing		Accurately grasp the business environment and consumer preferences and develop strategies in anticipation of them to secure predominance in the industry
Research & Product Development		Constantly pursue innovative research & development and solid product quality to secure predominance in the industry

Main experience	Icon	Specific
Supply Network		Build efficient high-quality supply chain management
Finance		Engage in appropriate financial activities aimed at re-building the earnings base to ensure financial soundness
DX		Strongly promote DX to build a corporate structure with DX as its strength
People and Organization Development, and D&I Acceleration		Encourage the promotion of diverse and talented people and promote the development of an organization for that with a view to achieving sustainable growth
Corporate Governance		Develop a strong corporate governance system as a basis for all business activities
Global Understanding		Support the development of strategies as a global company with understanding of diverse values and cultures

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

*2 The number of years in office is the number of years and months as of the conclusion of the 123rd Ordinary General Meeting of Shareholders to be held on March 24, 2023.

*3 The legal name of Ms. Hiromi Anno, a candidate for Audit & Supervisory Board member, is Hiromi Hara.

*4 In the above table, a “○” indicates that the individual possesses the background experience for the knowledge and expertise sought, and a “●” indicates that the Company has a particularly high level of expectation for the skill. Under the “Experience of the candidate” for each candidate on the next page and thereafter, icon in blue (ex.) corresponds to a “○” and icon in red (ex.) corresponds to a “●.” In addition to the skills indicated by these icons, particularly noteworthy experience of each candidate is indicated by a “◆.”



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

Career Summary, and Position and Responsibilities at the Company

- Apr. 1977: Joined the Lion Dentifrice Co., Ltd. (currently Lion Corporation)
- Jan. 1988: Manager, Citibank, N.A.
- Apr. 1991: Representative Director, Vice President, Kraft Japan Limited (currently Mondelez Japan Limited)
- May 1994: Director, Executive Vice President and Chief Officer of Marketing, Coca-Cola (Japan) Co., Ltd.
- Oct. 2001: Representative Director, President, Coca-Cola (Japan) Co., Ltd. (Global Officer)
- Aug. 2006: Representative Director, Chair, Coca-Cola (Japan) Co., Ltd.
- Jun. 2007: Representative Director, Chief Executive Partner, BrandVision Inc.
- Aug. 2011: Outside Director, ASKUL Corporation
- Oct. 2012: Director (part time), Citibank Japan Ltd. (previously)
- Apr. 2013: Outside Chief Marketing Advisor of the Company
- Apr. 2014: President and CEO of the Company
- Jun. 2014: Representative Director of the Company
- Jan. 2020: Japan Region CEO of the Company
Representative Director, Chair and President, Shiseido Japan Co., Ltd.
- Oct. 2020: Representative Director, Chair and CEO, Shiseido Japan Co., Ltd.
- Jan. 2021: Executive Officer of the Company [incumbent]
- Jan. 2023: Chairman and CEO of the Company [incumbent]

- Number of shares of the Company owned
18,600 shares
- Number of years in office of the Company as Director
8 years and 9 months
- Number of attendance at the Board of Directors meetings of the Company for the fiscal year ended December 31, 2022
13 out of 13 Board of Directors meetings (100%)

Important Positions at Other Organizations Concurrently Held

None

- Number of attendance at the Nomination & Remuneration Advisory Committee meetings of the Company for the fiscal year ended December 31, 2022
10 out of 10 Nomination & Remuneration Advisory Committee meetings (100%)

Reasons for Nomination of the Candidate for Director

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

He has been leading overall management; specifically, he has been executing a drastic business reform to make the premium skin beauty category a core business under the COVID-19 pandemic since 2020, and progressed the medium- to long-term strategy "WIN 2023 and Beyond" in 2022 with the aim of becoming the world's No. 1 player in this category by 2030.

In November 2022, the Company announced that Mr. Kentaro Fujiwara, then the Company's Senior Executive Officer, would be appointed as President and COO effective January 2023 and that Mr. Uotani and Mr. Fujiwara would lead the Company together hand in hand for the next two years, in order to further strengthen the management structure and to ensure smooth transition. The Board of Directors initiated the succession plan for the selection of Mr. Uotani's successor at the same time the Board of Directors decided to extend the term of office of Mr. Uotani in 2019, and Mr. Uotani, the Nomination & Remuneration Advisory Committee and the Board of Directors discussed and made a decision on this matter.

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

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

Experience of the candidate



Experience in corporate management



Experience in sales and marketing



Experience in people and organization development, and D&I acceleration



Global understanding



Experience in finance



Experience in corporate governance



Experience in the general consumer product industry

Special Interest between the Candidate and the Company

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



2. Kentaro Fujiwara

(Date of birth: December 21, 1966)

Candidate for New Director

- Number of shares of the Company owned
1,100 shares
- Number of years in office of the Company as Director
—
- Number of attendance at the Board of Directors meetings of the Company for the fiscal year ended December 31, 2022
—

Career Summary, and Position and Responsibilities at the Company

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

Important Positions at Other Organizations Concurrently Held

None

Reasons for Nomination of the Candidate for Director

Since joining the Company, Mr. Kentaro Fujiwara has been in charge primarily of the overseas business in Europe, Korea and others, driving business operations while promoting interactions with diverse cultures and human resources. Further, since 2015, he has headed our Chinese business, deepening his knowledge on the latest digital business and achieving significant growth in business while gaining experience in managing a large organization with nearly 10,000 people. Considering this proven track record and the fact that he is a management leader who is capable of further pursuing the hands-on, realistic approach the Company has been practicing to date, the Board of Directors has decided to newly select him as a candidate for director. After his appointment, he is expected, as Representative Director, President and COO, to work hand in hand with Mr. Uotani for the next two years, in order to further strengthen the management structure and to ensure smooth transition.

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

Experience of the candidate

-  Experience in corporate management
-  Experience in sales and marketing
-  Global understanding
-  Experience in supply network
-  Experience in finance
-  Experience in DX

Special Interest between the Candidate and the Company

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



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

Career Summary, and Position and Responsibilities at the Company

- Number of shares of the Company owned
2,200 shares
 - Number of years in office of the Company as Director
3 years
 - Number of attendance at the Board of Directors meetings of the Company for the fiscal year ended December 31, 2022
13 out of 13 Board of Directors meetings (100%)
- Apr. 1985: Joined the Company
 - Apr. 2014: Representative Director and President, IPSA Company, Limited
 - Apr. 2015: General Manager of Marketing Department, Prestige Brands, Japan Business Division of the Company
 - Oct. 2015: General Manager of Marketing Department, Prestige Brands, Shiseido Japan Co., Ltd.
 - Jan. 2016: Marketing Director, Marketing Department, Cosmetics Specialty Store, Shiseido Japan Co., Ltd.
 - Jan. 2017: Brand Director, *Clé de Peau Beauté* Brand Unit, Global Prestige Brands of the Company
 - Jan. 2018: Corporate Officer of the Company
Chief Brand Officer, *Clé de Peau Beauté* Brand, Global Prestige Brands of the Company
 - Jan. 2020: Senior Executive Officer of the Company [incumbent]
Chief Brand Officer, *Clé de Peau Beauté*, *IPSA*, *THE GINZA*, *BAUM* of the Company
 - Mar. 2020: Director of the Company
 - Jan. 2021: Representative Director of the Company [incumbent]
Executive Officer of the Company [incumbent]
 - Jan. 2022: Chief Marketing Officer of the Company
Chief D&I Officer of the Company [incumbent]

Important Positions at Other Organizations Concurrently Held

None

Reasons for Nomination of the Candidate for Director

Since joining the Company, Ms. Yukari Suzuki has developed her career in several brands and new businesses of the Shiseido Group. She has been responsible for nurturing brands as President of IPSA Company, Limited, which is the Company’s subsidiary, and other positions, and possesses a wealth of experience and knowledge in the field. She has also accumulated extensive experience in the marketing of prestige brands, which drive the Company’s growth, in the Prestige Brands division of Shiseido Japan Co., Ltd. And from 2022, she has assumed the position of Chief Marketing Officer and has demonstrated her strong skills in this area. In addition, she has advanced the Company’s diversity & inclusion movement as Chief D&I Officer.

In addition to being thoroughly familiar with the fields of product development including product quality and brand marketing, she has experience and knowledge as a pioneer in D&I. By capitalizing on them, she has assisted the CEO in general corporate management of the Company as Representative Director of the Company since January 2021.

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

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

Experience of the candidate

-  Experience in sales and marketing
-  Experience in research and product development
-  Experience in people and organization development, and D&I acceleration
-  Experience in DX
-  Global understanding

Special Interest between the Candidate and the Company

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



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

Career Summary, and Position and Responsibilities at the Company

- Number of shares of the Company owned
13,100 shares
 - Number of years in office of the Company as Director
3 years
 - Number of attendance at the Board of Directors meetings of the Company for the fiscal year ended December 31, 2022
13 out of 13 Board of Directors meetings (100%)
- Apr. 1989: Joined the Company
 - Jan. 2010: Department Director, International Business Planning Department, International Business Division of the Company
 - Apr. 2012: Department Director, Corporate Planning Department of the Company
 - Apr. 2014: Corporate Officer, Chief Financial Officer of the Company
Responsible for Finance, Investor Relations, Information System Planning and Internal Control of the Company
 - Apr. 2015: Corporate Officer, Chief Financial Officer of the Company
 - Jan. 2016: Responsible for Financial Management of the Company
 - Jan. 2017: Responsible for Business Development of the Company
 - Jan. 2018: Senior Executive Officer of the Company [incumbent]
 - Jul. 2018: Chief Supply Network Officer of the Company
 - Jan. 2019: Chief Supply Network Officer of the Company
Responsible for Demand & Supply Planning, Logistics, Production, Factories, Supply & Purchasing, Supply Network (SN) Strategy, Global Initiative and Nasu Factory Establishment of the Company
 - Jan. 2020: Responsible for SN Strategy, SN Fundamental Development and Global Brands Sales & Operation (S&OP) of the Company
 - Mar. 2020: Director of the Company [incumbent]
 - Oct. 2020: Japan Region Chief Operating Officer (COO)
Representative Director, President and COO, Shiseido Japan Co., Ltd.
 - Jan. 2021: Executive Officer of the Company [incumbent]
 - Jul. 2021: Japan Region Chief Executive Officer (CEO) [incumbent]
Representative Director, President and CEO, Shiseido Japan Co., Ltd. [incumbent]

Important Positions at Other Organizations Concurrently Held

None

Reasons for Nomination of the Candidate for Director

Since joining the Company, Mr. Norio Tadakawa has been engaged in marketing and product development, and possesses a wealth of experience and knowledge in those fields. Thereafter, he has accumulated experiences relating to overall management in the International Business Planning Department and the Corporate Planning Department. Further, he has also assumed the post of Chief Financial Officer, and thus possesses experience and knowledge in finance and accounting, and he has experience and knowledge in the supply network and overall Japan business. Since July 2021, he has assumed the office of Japan Region CEO, and has been capturing changing customer needs due to the COVID-19 pandemic and taking charge of specific actions for the Japan business. Based on these extensive experiences, he actively expressed opinions at meetings of the Board of Directors and promoted structural reform.

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

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

Experience of the candidate

-  Experience in supply network
-  Experience in finance
-  Experience in corporate management
-  Experience in sales and marketing
-  Experience in people and organization development, and D&I acceleration
-  Experience in corporate governance

Special Interest between the Candidate and the Company

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

5. Takayuki Yokota (Date of birth: May 18, 1973)



Career Summary, and Position and Responsibilities at the Company

<ul style="list-style-type: none"> ■ Number of shares of the Company owned 400 shares ■ Number of years in office of the Company as Director 2 years ■ Number of attendance at the Board of Directors meetings of the Company for the fiscal year ended December 31, 2022 13 out of 13 Board of Directors meetings (100%) 	<ul style="list-style-type: none"> Apr. 1996: Joined SUMITOMO CORPORATION Dec. 2003: Country Controller, Dow Chemical Japan Limited Aug. 2006: Japan Finance Manager, GE Toshiba Silicones Company, Limited (currently Momentive Performance Materials Japan LLC) Sep. 2007: Supply Chain Finance Director, Northeast Asia, Unilever Japan K.K. Dec. 2010: Finance Director, Marketing Operations & Customer Development, Asia, Africa, MET, CEE, and Russia, Unilever Asia Private Limited Sep. 2011: Finance Director, Global Marketing Operations, Unilever Asia Private Limited Aug. 2012: Representative Director, Vice President, Finance, Japan & Korea, Unilever Japan Holdings K.K. Jul. 2016: Vice President, Finance, Global Hair Care Category, Unilever PLC Nov. 2019: Vice President, Global Headquarters Finance of the Company Jan. 2020: Vice President, Financial Accounting of the Company Apr. 2020: Director and CFO, Shiseido Japan Co., Ltd. Jan. 2021: 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. Mar. 2021: Director of the Company [incumbent]
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Important Positions at Other Organizations Concurrently Held

None

Reasons for Nomination of the Candidate for Director

Mr. Takayuki Yokota possesses a high level of expertise in finance and accounting as well as international business and management capabilities in a diverse environment, having worked as head of Japan subsidiaries and a vast range of regions at global corporations, and as head of finance at global headquarters. Since January 2021, he has assumed the post of Chief Financial Officer at the Company, and leads the finance field in general. He actively expressed opinions for the finance field in general at meetings of the Board of Directors as the Chief Financial Officer to contribute to the structural reform. Further, he has been leading “FOCUS,” a Group-wide project that seeks to standardize data and optimize business processes by globally integrating systems across the Shiseido Group using cutting-edge technologies, to focus on operational reforms and also working on strengthening cash flow management and strategic allocation of investments.

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

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

Experience of the candidate

-  Experience in finance
-  Global understanding
-  Experience in corporate management
-  Experience in supply network
-  Experience in DX
-  Experience in corporate governance
-  Experience in the general consumer product industry

Special Interest between the Candidate and the Company

There is no special interest between Mr. Takayuki Yokota and the Company.



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

Career Summary, and Position and Responsibilities at the Company

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

- Number of shares of the Company owned
2,700 shares
- Number of years in office of the Company as External Director
7 years
- Number of attendance at the Board of Directors meetings of the Company for the fiscal year ended December 31, 2022
13 out of 13 Board of Directors meetings (100%)
- Number of attendance at the Nomination & Remuneration Advisory Committee meetings of the Company for the fiscal year ended December 31, 2022
9 out of 10 Nomination & Remuneration Advisory Committee meetings (90%)

Important Positions at Other Organizations Concurrently Held

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

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

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

She has experiences and knowledge gained through her career in business management inside and outside Japan as well as from a standpoint of active manager who is pushing forward patient-centered transformation of the medical industry. Based on such knowledge and experience, she has been fulfilling the role adequately including oversight on business execution as an external director of the Company by contributing to improve the effectiveness of the Board of Directors of the Company by actively expressing opinions at meetings of the Board of Directors on structural reform projects and proposals by the Company in general.

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

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

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

Experience of the candidate

- Experience in corporate management
- Experience in sales and marketing
- Experience in finance
- Experience in people and organization development, and D&I acceleration
- Global understanding
- Experience in the medical industry

Special Interest between the Candidate and the Company

Ms. Kanoko Oishi concurrently holds the office of Outside Director of Ezaki Glico Co., Ltd. (“Ezaki Glico”), with which the Company has the following transactions:

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

Organization where Concurrent Position is Held	Transaction Matter, etc.	Vendor, Recipient of Supporting Money, etc.	Purchaser, Provider of Supporting Money, etc.	Percentage of Transaction Value	Value for Comparison
Ezaki Glico Co., Ltd.	Snacks, etc. (mail order)	Ezaki Glico Group	Shiseido Group	Less than 1%	Total amount of cost of sales and selling, general and administrative expenses of the Company on a consolidated basis for the fiscal year ended December 31, 2022
				Less than 1%	Consolidated net sales of Ezaki Glico for the fiscal year ended December 31, 2022



7. Shinsaku Iwahara

(Date of birth: December 17, 1952)

Candidate for External Director

Candidate for Independent Director

Career Summary, and Position and Responsibilities at the Company

Aug. 1978: Associate Professor, Faculty of Law, The University of Tokyo
 Sep. 1981: Visiting Researcher, Harvard Law School, U.S.A.
 Dec. 1982: Visiting Researcher, University of California, Berkeley, School of Law, U.S.A.
 Sep. 1991: Visiting Professor, Harvard Law School, U.S.A.
 Nov. 1991: Professor, Graduate School of Law and Politics, The University of Tokyo
 Apr. 2003: Member, Postal Services Policy Council
 Jan. 2005: Member, Business Accounting Council, Financial Services Agency
 Apr. 2009: Director, Financial Accounting Standards Foundation
 Apr. 2010: Member, Legislative Council, Ministry of Justice, Chair, Corporate Legislation Subcommittee, Legislative Council, Ministry of Justice
 Apr. 2013: Professor, Faculty of Law, Waseda University [incumbent]
 Jun. 2013: Professor Emeritus, The University of Tokyo [incumbent]
 Jan. 2015: Member and Chair, Financial System Council, Financial Services Agency
 Jul. 2017: Adviser to Mori Hamada & Matsumoto [incumbent]
 Mar. 2018: External Director of the Company [incumbent]
 Jun. 2019: Chair, Legislative Council, Ministry of Justice
 Sep. 2021: Chair, Nomination & Remuneration Advisory Committee of the Company [incumbent]

- Number of shares of the Company owned
800 shares
- Number of years in office of the Company as External Director
5 years
- Number of attendance at the Board of Directors meetings of the Company for the fiscal year ended December 31, 2022

13 out of 13 Board of Directors meetings (100%)

- Number of attendance at the Nomination & Remuneration Advisory Committee meetings of the Company for the fiscal year ended December 31, 2022

10 out of 10 Nomination & Remuneration Advisory Committee meetings (100%)

Important Positions at Other Organizations Concurrently Held

Professor, Faculty of Law, Waseda University

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

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

He is a university professor and researcher specializing in legal studies, mainly with regard to companies and financial systems, with deep knowledge of law. He has also played important roles at the Legislative Council and Financial System Council, and has been involved in the establishment of the supervisory and examination systems of authorities such as the Financial Services Agency. Based on such knowledge and experience, he has been contributing to improve the effectiveness of the Board of Directors of the Company by actively making statements at meetings of the Board of Directors on initiatives aimed at strengthening the corporate governance system, including communication with Audit & Supervisory Board members and the desired state of risk management and internal control.

In addition, since September 2021, Mr. Iwahara has assumed the chair of the Company's Nomination & Remuneration Advisory Committee, and actively expresses opinions regarding nomination and remuneration as the chair within and outside of the Committee. In 2022, as the chair of the Committee, he was instrumental in promoting the selection of successor of Mr. Uotani, current President and CEO, through leading a number of deliberations at the meetings of the Nomination & Remuneration Advisory Committee and the Board of Directors, etc., and in setting up the new management structure with Mr. Fujiwara as President and COO.

He has not participated in management of companies other than as external director and Audit & Supervisory Board member. For the reasons stated above, however, the Company is of an opinion that he would be able to achieve adequately the role of external director. Accordingly, the Board of Directors has decided to continuously select him as a candidate for external director. After election, he is expected to continue fulfilling the abovementioned roles.

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

Experience of the candidate



Experience in corporate governance



Experience in finance



Global understanding



Experience in legal matters

Special Interest between the Candidate and the Company

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



8. Charles D. Lake II

(Date of birth: January 8, 1962)

Candidate for External Director

Candidate for Independent Director

- Number of shares of the Company owned
0 shares
- Number of years in office of the Company as External Director
1 year
- Number of attendance at the Board of Directors meetings of the Company for the fiscal year ended December 31, 2022
10 out of 10 Board of Directors meetings (100%)
- Number of attendance at the Nomination & Remuneration Advisory Committee meetings of the Company for the fiscal year ended December 31, 2022
7 out of 8 Nomination & Remuneration Advisory Committee meetings (87.5%)

Career Summary, and Position and Responsibilities at the Company

- Aug. 1992: Director of Japan Affairs, Office of the U.S. Trade Representative (USTR)
- Jul. 1993: Director of Japan Affairs and Special Counsel to the Deputy U.S. Trade Representative, Office of the U.S. Trade Representative (USTR)
- Jan. 1995: Attorney-at-Law, Dewey Ballantine LLP
- Jun. 1999: Vice President and Counsel, Japan Branch, American Family Life Assurance Company of Columbus (currently Aflac Life Insurance Japan Ltd.)
- Jan. 2001: Senior Vice President and Counsel, Japan Branch, American Family Life Assurance Company of Columbus (currently Aflac Life Insurance Japan Ltd.)
- Apr. 2001: Senior Vice President and General Counsel, Japan Branch, American Family Life Assurance Company of Columbus (currently Aflac Life Insurance Japan Ltd.)
- Jul. 2001: Deputy President, Japan Branch, American Family Life Assurance Company of Columbus (currently Aflac Life Insurance Japan Ltd.)
- Jan. 2003: President and Representative in Japan, Japan Branch, American Family Life Assurance Company of Columbus (currently Aflac Life Insurance Japan Ltd.)
- Apr. 2005: Vice Chairman and Representative in Japan, Japan Branch, American Family Life Assurance Company of Columbus (currently Aflac Life Insurance Japan Ltd.)
- Jul. 2008: Chairman and Representative in Japan, Japan Branch, American Family Life Assurance Company of Columbus (currently Aflac Life Insurance Japan Ltd.)
- Jan. 2014: Director, President, Aflac International Incorporated [incumbent]
- Jun. 2016: External Director, Tokyo Electron Ltd.
External Director, Japan Post Holdings Co., Ltd. [incumbent]
- Apr. 2018: Representative Director, Chairman, Aflac Life Insurance Japan Ltd. [incumbent]
- Mar. 2022: External Director of the Company [incumbent]

Important Positions at Other Organizations Concurrently Held

- Director, President, Aflac International Incorporated
- External Director, Japan Post Holdings Co., Ltd.*
- Representative Director, Chairman, Aflac Life Insurance Japan Ltd.
- (* indicates a listed company)

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

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

He has extensive experience as an executive in several companies across Japan and the United States accompanying his experiences working for key U.S. government positions and as a U.S. lawyer. In addition, he has a deep understanding in Japanese companies and its cultures on top of his abundant experience in corporate governance. Based on his experience and knowledge, he has been actively making comments on corporate management for a Japanese company to thrive on the global stage at the Board of Directors meetings and properly serving his supervisory role as the Company's external director in enhancing a higher level of corporate governance.

Furthermore, as a member of the Nomination & Remuneration Advisory Committee, he attended meetings of the Committee and actively expressed appropriate opinions from a standpoint of active manager.

For the reasons stated above, the Company is of an opinion that he would be able to fulfill adequately the role of external director. Accordingly, the Board of Directors has continuously selected him as a candidate for external director. After election, he is expected to fulfill the abovementioned roles.

Based on his career stated in "Career Summary, and Position and Responsibilities at the Company" and other background, Mr. Charles D. Lake II has experience as follows:

Experience of the candidate

-  Experience in corporate management
-  Experience in corporate governance
-  Global understanding
-  Experience in finance
-  Experience in DX
-  Experience in people and organization development, and D&I acceleration

Special Interest between the Candidate and the Company

Mr. Charles D. Lake II concurrently holds the office of External Director of Japan Post Holdings Co., Ltd. (“Japan Post”), with which the Company has the following transactions.

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

Organization where Concurrent Position is Held	Transaction Matter, etc.	Vendor, Recipient of Supporting Money, etc.	Purchaser, Provider of Supporting Money, etc.	Percentage of Transaction Value	Value for Comparison
Japan Post Holdings Co., Ltd.	Outsourcing business, etc.	Japan Post Holdings Group	Shiseido Group	Less than 1%	Total amount of cost of sales and selling, general and administrative expenses of the Company on a consolidated basis for the fiscal year ended December 31, 2022
				Less than 1%	Consolidated ordinary income of Japan Post Holdings Co., Ltd. for the fiscal year ended March 31, 2022

9. Mariko Tokuno

(Date of birth: October 6, 1954)



- Number of shares of the Company owned
400 shares
- Number of years in office of the Company as External Director
1 year
- Number of attendance at the Board of Directors meetings of the Company for the fiscal year ended December 31, 2022
10 out of 10 Board of Directors meetings (100%)
- Number of attendance at the Nomination & Remuneration Advisory Committee meetings of the Company for the fiscal year ended December 31, 2022
8 out of 8 Nomination & Remuneration Advisory Committee meetings (100%)

Career Summary, and Position and Responsibilities at the Company

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

Important Positions at Other Organizations Concurrently Held

External director, HAPPINET CORPORATION*
 External Director, Mitsubishi Materials Corporation*
 External Director, Yamato Holdings Co., Ltd.*
 (* indicates a listed company)

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

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

Through her extensive experience as executives of a company with a global prestige brand, she has deep knowledge of the prestige brand business as well as insight into corporate management, marketing, and other areas from a global perspective. Based on her experience and knowledge, she has been actively expressing her opinions on the brand business at the Board of Directors meetings and properly serving the role as the Company's external director through providing advice from both management and marketing perspectives and supervising, etc.

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

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

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

Experience of the candidate

-  Experience in corporate management
-  Experience in sales and marketing
-  Experience in people and organization development, and D&I acceleration
-  Experience in corporate governance
-  Global understanding

Special Interest between the Candidate and the Company

Ms. Mariko Tokuno concurrently holds the office of External Director of Mitsubishi Materials Corporation ("Mitsubishi Materials") and External Director of Yamato Holdings Co., Ltd. ("Yamato Holdings"), with which the Company has the following transactions:

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

Organization where Concurrent Position is Held	Transaction Matter, etc.	Vendor, Recipient of Supporting Money, etc.	Purchaser, Provider of Supporting Money, etc.	Percentage of Transaction Value	Value for Comparison
Mitsubishi Materials Corporation	Outsourcing business, etc.	Mitsubishi Materials Group	Shiseido Group	Less than 1%	Total amount of cost of sales and selling, general and administrative expenses of the Company on a consolidated basis for the fiscal year ended December 31, 2022
				Less than 1%	Consolidated net sales of Mitsubishi Materials for the fiscal year ended March 31, 2022
Yamato Holdings Co., Ltd.	Outsourcing business, etc.	Yamato Holdings Group	Shiseido Group	Less than 1%	Total amount of cost of sales and selling, general and administrative expenses of the Company on a consolidated basis for the fiscal year ended December 31, 2022
				Less than 1%	Consolidated operating revenue of Yamato Holdings for the fiscal year ended March 31, 2022



10. Yoshihiko Hatanaka

(Date of birth: April 20, 1957)

Candidate for New Director

Candidate for External Director

Candidate for Independent Director

Career Summary, and Position and Responsibilities at the Company

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

- Number of shares of the Company owned
0 shares
- Number of years in office of the Company as External Director
- Number of attendance at the Board of Directors meetings of the Company for the fiscal year ended December 31, 2022

– Important Positions at Other Organizations Concurrently Held

- Outside Director, SONY GROUP CORPORATION *
- (* indicates a listed company)

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

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

Mr. Hatanaka has diversified and broad knowledge into corporate management based on his extensive experience and achievements as a top executive of a globally operating listed company, as well as experience as a CEO of overseas subsidiaries and a head of corporate planning and finance. We have selected him as an external director because we believe that he will be able to further improve the effectiveness of the Board of Directors by providing appropriate advice and comments on the Company's business from the perspective of global corporate manager and by supervising execution.

For the reasons stated above, the Company is of an opinion that he would be able to fulfill adequately the role of external director. Accordingly, the Board of Directors has newly selected him as a candidate for external director. After election, he is expected to fulfill the abovementioned roles.

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

Experience of the candidate

-  Experience in corporate management
-  Global understanding
-  Experience in finance
-  Experience in corporate governance
-  Experience in the pharmaceutical industry

Special Interest between the Candidate and the Company

Mr. Yoshihiko Hatanaka concurrently holds the office of Outside Director of Sony Group Corporation ("Sony Group"), with which the Company has the following transactions:

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

Organization where Concurrent Position is Held	Transaction Matter, etc.	Vendor, Recipient of Supporting Money, etc.	Purchaser, Provider of Supporting Money, etc.	Percentage of Transaction Value	Value for Comparison
SONY GROUP CORPORATION	Outsourcing business, etc.	Sony Group	Shiseido Group	Less than 1%	Total amount of cost of sales and selling, general and administrative expenses of the Company on a consolidated basis for the fiscal year ended December 31, 2022
				Less than 1%	Consolidated net sales and financial services revenue of Sony Group for the fiscal year ended March 31, 2022

Notes:

1. Conclusion of liability limiting agreement

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

Pursuant to these provisions the Company has entered into such agreement with each of Ms. Kanoko Oishi, Mr. Shinsaku Iwahara, Mr. Charles D. Lake II and Ms. Mariko Tokuno, under which his/her liability for compensation of damages is limited to the minimum limited liability amount provided in the laws and regulations. If this item of business is approved as originally proposed and those External Directors are reappointed, the Company plans to renew the agreement with the same details. In addition, the Company plans to enter into an agreement with Mr. Yoshihiko Hatanaka limiting his liability for compensation of damages with the same details after the election at this general meeting of shareholders.

2. Execution of Directors and Officers Liability Insurance Agreement

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

3. Independent Directors

The Company has designated Ms. Kanoko Oishi, Mr. Shinsaku Iwahara, Mr. Charles D. Lake II and Ms. Mariko Tokuno as Independent Directors prescribed in Article 436-2 of the Securities Listing Regulations of the Tokyo Stock Exchange. Upon appointment at this general meeting of shareholders, the Company will once again designate Ms. Kanoko Oishi, Mr. Shinsaku Iwahara, Mr. Charles D. Lake II and Ms. Mariko Tokuno as Independent Directors. In addition, the Company will newly designate Mr. Yoshihiko Hatanaka as Independent Director upon appointment at this ordinary general meeting of shareholders.

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

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

Third Item of Business: Election of Two (2) Audit & Supervisory Board Members

The term of office of full-time Audit & Supervisory Board member, Ms. Akiko Uno and external Audit & Supervisory Board member, Ms. Yasuko Gotoh will expire at the conclusion of this general meeting of shareholders. Accordingly, it is proposed that two (2) Audit & Supervisory Board members be elected.

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

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

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

Furthermore, the Company sets forth the Criteria for Independence of External Directors and Audit & Supervisory Board Members. The candidates for external Audit & Supervisory Board members have fulfilled the Criteria in full. The Criteria is listed on our corporate information website “INVESTORS > Corporate Governance > Corporate Governance System” (<https://corp.shiseido.com/en/ir/governance/system.html>).

Candidate for Audit & Supervisory Board Member



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

Candidate for New Audit & Supervisory Board Member

Career Summary and Position at the Company

- Apr. 1995: Joined the Company
- Jan. 2018: Chief Manager of Global Communications Department of the Company
- Jan. 2020: Corporate Officer, Chief Public Relations Officer of the Company
- Jan. 2021: Executive Officer of the Company
- Jan. 2023: Vice President, Special Assignment, Executive & External Relations of the Company [incumbent]

***The legal name of Ms. Hiromi Anno, a candidate for Audit & Supervisory Board member, is Hiromi Hara.**

■ Number of shares of the Company owned
200 shares

■ Number of years in office of the Company as external Audit & Supervisory Board member

Important Positions at Other Organizations Concurrently Held

None

■ Number of attendance at the Board of Directors meetings of the Company for the fiscal year ended December 31, 2022

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

Since joining the Company, Ms. Hiromi Anno has gained experiences in the sales sites of our domestic business, IR involving dialogues with investors, and business planning, among others. She has extensive knowledge on corporate governance and a high level of awareness for compliance. She was appointed as the head of Global Communications Dept. in January 2018 and candidly raised management and organizational issues to the management from an unbiased and objective viewpoint and provided recommendations to resolve those issues. Since assuming the position of Chief Public Relations Officer in January 2020, she has been leading the Company's stakeholder communication from a higher level.

■ Number of attendance at the Audit & Supervisory Board members meetings of the Company for the fiscal year ended December 31, 2022

For the reasons stated above, the Company is of an opinion that she would be able to fulfill adequately the role of full-time Audit & Supervisory Board member. Accordingly, the Board of Directors has newly selected her as a candidate for Audit & Supervisory Board member. After election, she is expected to fulfill the abovementioned roles.

Based on her career stated in "Career Summary and Position at the Company" and other background, Ms. Anno has experience as follows:

Experience of the candidate



Experience in sales and marketing



Experience in research and product development



Experience in finance



Experience in corporate governance



Global understanding

Special Interest between the Candidate and the Company

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



- Number of shares of the Company owned
700 shares
- Number of years in office of the Company as external Audit & Supervisory Board member
4 years
- Number of attendance at the Board of Directors meetings of the Company for the fiscal year ended December 31, 2022
13 out of 13 Board of Directors meetings (100%)
- Number of attendance at the Audit & Supervisory Board members meetings of the Company for the fiscal year ended December 31, 2022
12 out of 12 Audit & Supervisory Board members meetings (100%)

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

Candidate for External Audit & Supervisory Board Member

Candidate for Independent Audit & Supervisory Board Member

Career Summary and Position at the Company

- Apr. 1980: Joined Ministry of Transport
- Jan. 1997: General Manager, Planning Department, Kyushu District Transport Bureau, Ministry of Transport
- Jul. 1998: Director, Planning and Research Office of Tourism Department, Transport Policy Bureau, Ministry of Transport
- Jan. 2001: International Crisis Management Officer, Japan Coast Guard
- Jul. 2003: General Manager, Transport Consumer Policy Division, Policy Bureau, Ministry of Land, Infrastructure, Transport and Tourism (MLIT)
- Jun. 2004: Director, Tourism Promotion Bureau at New York, Tourist Bureau of Japan
- Oct. 2005: Deputy Governor, Yamagata Prefecture
- Jul. 2008: Director, Regional Transport Bureau of Hokuriku and Shinetsu Regions, MLIT
- Aug. 2010: Assistant Minister in charge of the Maritime Bureau, MLIT
- Oct. 2011: Director in charge of shared vessels, Japan Railway Construction, Transport and Technology Agency
- Jul. 2013: Director General, Policy Research Institute for Land, Infrastructure and Transport and Tourism, MLIT
- Oct. 2014: Advisor, Kyushu Railway Company
- Jun. 2015: Deputy Director General, Railway Operations Headquarters, Kyushu Railway Company
Director General, Travel Services Headquarters, Kyushu Railway Company
Managing Director, Deputy General Manager of Railway Operations Headquarters, Kyushu Railway Company
General Manager, Tourism Business Headquarters, Kyushu Railway Company
- Jun. 2017: Managing Director, CFO in charge of the Treasury Department, Kyushu Railway Company
- Jun. 2018: Director, Audit and Supervisory Committee Member, Kyushu Railway Company
- Mar. 2019: External Audit & Supervisory Board Member of the Company [incumbent]
- Jun. 2019: Outside Audit & Supervisory Board Member, DENSO CORPORATION [incumbent]

Important Positions at Other Organizations Concurrently Held

- Outside Audit & Supervisory Board Member, DENSO CORPORATION*
(* indicates a listed company)

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

Ms. Yasuko Gotoh is a candidate for external Audit & Supervisory Board member fulfilling the requirements provided in Article 2, paragraph (3), item (viii) of the Regulation for Enforcement of the Companies Act.

She was the first female career bureaucrat in the Ministry of Transport (currently the Ministry of Land, Infrastructure, Transport and Tourism (MLIT)) and served as Director of Tourism Promotion Bureau at New York of Tourist Bureau of Japan. Meanwhile, she has an extensive network having held a succession of various important posts including that of Deputy Governor of Yamagata Prefecture and Director General of the Policy Research Institute for Land, Infrastructure and Transport and Tourism. After retiring from MLIT, she joined Kyushu Railway Company and assumed some important posts in charge of tourism business. She then served as Managing Director & CFO and subsequently was appointed as a member of the Audit and Supervisory Committee of Kyushu Railway Company. In June 2019, she assumed the position of outside Audit & Supervisory Board Member at DENSO CORPORATION. Thus she has a certain amount of experience and knowledge in accounting and finance as well as in business management. She has actively expressed opinions at the meetings of the Company's Board of Directors utilizing the wealth of her experience and knowledge.

For the reasons stated above, the Company is of an opinion that she would be able to fulfill adequately the role of external Audit & Supervisory Board member. Accordingly, the Board of Directors has decided to continuously select her as a candidate for external Audit & Supervisory Board member. After election, she is expected to continue fulfilling the abovementioned roles.

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

Experience of the candidate



Experience in finance



Experience in corporate management



Global understanding

Special Interest between the Candidate and the Company

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

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

Organization where Concurrent Position is Held	Transaction Matter, etc.	Vendor, Recipient of Supporting Money, etc.	Purchaser, Provider of Supporting Money, etc.	Percentage of Transaction Value	Value for Comparison
DENSO CORPORATION	Outsourcing business, etc.	DENSO Group	Shiseido Group	Less than 1%	Total amount of cost of sales and selling, general and administrative expenses of the Company on a consolidated basis for the fiscal year ended December 31, 2022
				Less than 1%	Consolidated net revenue of DENSO CORPORATION for the fiscal year ended March 31, 2022

Notes:

1. Conclusion of liability limiting agreement

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

Pursuant to these provisions the Company has entered into such agreement with Ms. Yasuko Gotoh, under which her liability for compensation of damages is limited to the minimum limited liability amount provided in the laws and regulations. If this item of business is approved as originally proposed and Ms. Yasuko Gotoh is reappointed, the Company plans to renew the agreement with the same details.

2. Execution of Directors and Officers Liability Insurance Agreement

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

3. Independent Directors

The Company has designated Ms. Yasuko Gotoh as independent Audit & Supervisory Board member prescribed in Article 436-2 of the Securities Listing Regulations of the Tokyo Stock Exchange. Upon appointment at this general meeting of shareholders, the Company will once again designate Ms. Yasuko Gotoh as independent Audit & Supervisory Board member.

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

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

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

The specific timing of payment and distribution of remuneration, etc. under the LTI to each Eligible Director will be determined by the Board of Directors, following deliberation by the Nomination & Remuneration Advisory Committee chaired by an external director. The amount to be paid in accordance with the achievement rates, etc. of targets mainly relating to company performance as of the end of the three consecutive fiscal years starting from fiscal 2023 to Eligible Directors as remuneration, etc. for fiscal 2023 under the LTI, shall be as follows:

- 1) a total maximum payment amount of monetary remuneration claims for the delivery of the Company’s common stock and cash (the “Maximum Payment Amount”) shall be capped at the amount of 136,000 shares of the Company’s common stock multiplied by the Share Price at Time of Delivery, and
- 2) a maximum total number of shares of the Company’s common stock to be delivered to Eligible Directors based on the LTI shall be capped at 68,000 shares (the “Maximum Number of Shares to be Delivered”).

In principle, 50% of remuneration, etc. for each Eligible Director based on the LTI will be delivered as monetary remuneration claims for the delivery of the Company’s common stock, and the remainder will be paid as cash, within the limits described above. The Company asks shareholders to approve the provision of the above remuneration.

The contents of this Item of Business are in line with the policy on decisions regarding remuneration, etc. of individual directors stated in the business report, and the Company therefore views that the contents are appropriate.

Currently, the number of directors of the Company is eight directors (including four external directors). After the Second Item of Business is approved as originally proposed, the number of directors of the Company will be ten directors (including five external directors). The total number of Eligible Directors will be five directors who are not external directors, out of the ten directors in total.

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

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

The evaluation period with fiscal 2023 as the fiscal year that the payment relates to covers the three fiscal years from January 1, 2023, through December 31, 2025, and determination of the amount of monetary remuneration claims for the delivery of the Company's common stock and cash and their payment to Eligible Directors will take place after the evaluation period has ended, in principle. Furthermore, under the LTI, monetary remuneration claims for the delivery of the Company's common stock and cash will be paid in accordance with the level of achievement of performance indicators, etc., and therefore, at the time share units are granted, it is undetermined whether or not this delivery or payment of remuneration, etc. to each Eligible Director will take place. Likewise, the number of shares of the Company's common stock, the amount of monetary remuneration claims for delivery of the Company's common stock, and the amount of cash are also undetermined.

In addition, in the event that the Company conducts a share split (including free distribution of the Company's stock) or share consolidation of the Company's common stock on or after the date of the resolution of this Item of Business, the Company will adjust both the number of shares of the Company's common stock (136,000 shares) used as the basis for the calculation of the above Maximum Payment Amount and the Maximum Number of Shares to be Delivered (68,000 shares). As a result, the number of shares of the Company's common stock to be delivered to each Eligible Director will be determined in accordance with the ratio of the split or consolidation.

Structure of the LTI

The specific structure of the LTI is as follows:

- 1) The LTI has a performance-linked portion and a fixed portion.
- 2) Performance indicators linked with the medium-term business plan, etc. shall be used for the performance-linked portion, and the percentage amount of payment, etc. attributable to the level of achievement, etc. of each performance indicator required for the specific calculation of the number of shares, etc. to be delivered to each Eligible Director will be determined. The Board of Directors of the Company will determine these performance indicators and the percentage amount of payment, etc., following deliberation by the Nomination & Remuneration Advisory Committee.
- 3) The overall picture of the performance indicators and their weights under the LTI is shown in the table below. Among the performance indicators, we have established upper and lower valuation limits for the core operating profit margin and the consolidated average annual growth rate (CAGR) in the final fiscal year of the evaluation period, which are economic evaluation indicators. If the upper valuation limit is achieved, the maximum percentage amount of payment for each indicator is applied, and if the performance falls below the lower valuation limit, the performance-linked portion is not paid for each indicator. With regard to the indicators of environment and society among the social value indicators, the achievement or non-achievement of the target is judged for each of the indicators, and if the target is achieved, the maximum percentage amount of payment for each indicator is applied. If the target is not achieved, the performance-linked portion is not paid for each indicator, and for ESG in general, the target value is set, and the percentage amount of payment fluctuates according to the level of achievement.

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

- 4) The fixed portion is provided for the purpose of sharing a sustainable sense of profit with shareholders, checking the impairment of corporate value and maintaining high corporate value over the long term, and acquiring and maintaining talented human resources by stably providing certain stock compensation to Eligible Directors.
- 5) After the end of the evaluation period, the Board of Directors shall determine the number of shares of the Company's common stock to be allotted to each Eligible Director and the amount of cash to be paid, following deliberation by the Nomination & Remuneration Advisory Committee, in accordance with the percentage amount of payment (which fluctuates in the range between 50% and 150%) determined according to the level of achievement, etc. of each performance indicator. In the event the Nomination & Remuneration Advisory Committee determines that an unexpected external factor, etc., which was difficult to reasonably foresee when setting targets under the medium-term business plan, etc., occurs, the Committee shall conduct careful deliberation by comprehensively considering such factor, and the Board of Directors may, if it is deemed appropriate, decide to adjust the percentage amount of payment with respect to the performance indicator related to economic value among the performance indicators.
- 6) Pursuant to a resolution by the Board of Directors, the Company will pay monetary remuneration claims for the delivery of the Company's common stock to each Eligible Director, in accordance with the number of shares of the Company's common stock to be allotted to each Eligible Director as determined in item 5), and each Eligible Director will receive delivery of the Company's common stock by providing all of the monetary remuneration claims as contributions in kind. Furthermore, the amount paid for the Company's common stock will be determined by the Company's Board of Directors based on the Share Price at Time of Delivery within a range that is not especially advantageous for each Eligible Director subscribing to the Company's common stock.
- 7) Each Eligible Director will incur tax expenses in accordance with the delivery of the Company's shares as described in item 6), and therefore the Company will pay each Eligible Director an amount of cash determined in item 5) in addition to the monetary remuneration claims in item 6), in order to secure funds for these tax expenses.
- 8) Conditions for the delivery of shares to each Eligible Director and other details will be determined by the Board of Directors.

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

The Company will pay remuneration, etc. based on the LTI to Eligible Directors who fulfill the following conditions. Delivery of the Company's common stock shall be conducted by issuing shares or disposing of treasury stock, and the Board of Directors shall determine the Eligible

Directors to whom the Company's common stock will be delivered and matters related to subscription for the issuance of shares or disposal of treasury stock after the evaluation period has ended, in accordance with the below conditions 1) through 3) and the calculation method described above.

- 1) The required period in office must be fulfilled (must have served continuously in the position of director or executive officer of the Company or a subsidiary of the Company during the entire period of the fiscal year that the payment relates to, etc.).
- 2) When retiring prior to the vesting of rights, the retirement must not be due to disciplinary action or such like.
- 3) Any other conditions set forth by the Board of Directors as necessary to achieve the intent of the LTI must be fulfilled.

Under the LTI, the Company has introduced the malus and clawback provisions. In certain conditions, such as in case of serious misconduct of Eligible Directors, the Board of Directors is entitled to make the decision to reduce the number of the share units or receive a refund.

Treatment when Eligible Directors Retire

Even if an Eligible Director loses his/her position as a director or executive officer of the Company or any of its subsidiaries during the evaluation period, such Eligible Director may be provided with the number of shares of the Company's common stock and/or cash prorated based on a reasonable method prescribed by the Company's Board of Directors of no more than the Maximum Payment Amount and the Maximum Number of Shares to be Delivered corresponding to the nature of the reason for loss of the aforementioned position in case certain requirements such as the conditions for payment described above are fulfilled at the timing prescribed by the Board of Directors. In addition, if as a result of the resignation of Eligible Directors, payments of remuneration, etc. are made under the terms of the LTI before the end of the evaluation period, the number of shares to be delivered or the amount paid to such Eligible Directors shall be computed using the closing price of the Company's common stock on the Tokyo Stock Exchange on the business day preceding the date of resolution of the Board of Directors of the Company concerning said payments (if no trades are made on this day, the closing price on the most recent preceding trading day).

Note:

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

- End -

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

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

1. On our corporate information website, the following are voluntarily disclosed by the Company in the column entitled "INVESTORS / General Meeting of Shareholders" (<https://corp.shiseido.com/en/ir/shareholder/>)
 2. Items voluntarily disclosed on our corporate information website relating to business report:
 - “Criteria for Independence of External Directors and Audit & Supervisory Board Members”
 - “Criteria for “Important Concurrent Position” Assumed by Company's Directors and Audit & Supervisory Board Members”
 - “Criteria for Stating the Relationship between the Company and the Organizations in Which the Company's Directors and Audit & Supervisory Board Members Hold “Important Concurrent Positions”
3. In cases that the attached documents and “Reference Document Concerning the General Meeting of Shareholders” are amended, the Company will announce the updated version on our following corporate information website.
(<https://corp.shiseido.com/en/ir/shareholder/>)