

Annual Securities Report

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

(The 125th Fiscal Year)

from January 1, 2024 to December 31, 2024



Shiseido Company, Limited

(E00990)

This is an English translation of the original Annual Securities Report filed with the Director-General of the Kanto Local Finance Bureau via Electronic Disclosure for Investors' Network ("EDINET"), pursuant to the Financial Instruments and Exchange Act of Japan, for reference purpose only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail. The translation of the Independent Auditor's Report on the Financial Statements and Internal Control Over Financial Reporting in the original Annual Securities Report are included at the end of this document.

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Independent Auditor's Report

Internal Control Report

[Cover Page]	
[Document Title]	Annual Securities Report
[Clause of Stipulation]	Article 24, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Place of Filing]	Director-General, Kanto Local Finance Bureau
[Filing Date]	March 26, 2025
[Fiscal Year]	The 125th Fiscal Year (from January 1, 2024 to December 31, 2024)
[Company Name]	Shiseido Company, Limited
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[Name of Contact Person]	Kohei Shibuya, Vice President, Finance and Accounting Department
[Place for Public Inspection]	Tokyo Stock Exchange, Inc. (2-1, Nihonbashi Kabuto Cho, Chuo-ku, Tokyo, Japan)

Part I Information on the Company

U.S. dollar amounts are converted from yen, for convenience only, at the rate of ¥156.84 = US\$1 prevailing on December 31, 2024. Such translations should not be construed as representations that the Japanese yen amounts could be readily converted, realized or settled in U.S. dollars at this rate. Fractions resulting from the translations are rounded. Shiseido Company, Limited is referred to as “the Company.”

1. Overview of the Company

1 Key Financial Data and Trends

(1) Consolidated financial data

Term	International Financial Reporting Standards					
	IFRS transition date	122nd	123rd	124th	125th	125th
Fiscal year ended	January 1, 2021	Dec 2021	Dec 2022	Dec 2023	Dec 2024	Dec 2024
Units of amount	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Thousands of U.S. dollars
Net sales	-	1,009,966	1,067,355	973,038	990,586	6,315,902
Profit or loss before tax	-	99,111	50,428	31,037	(1,265)	(8,066)
Profit or loss attributable to owners of parent	-	46,909	34,202	21,749	(10,813)	(68,943)
Comprehensive income attributable to owners of parent	-	85,469	84,722	55,801	38,375	244,676
Equity attributable to owners of parent	470,388	540,695	604,259	618,748	632,474	4,032,606
Total assets	1,339,775	1,300,979	1,307,661	1,255,497	1,331,848	8,491,762
Equity attributable to owners of parent per share (in yen and U.S. dollars)	1,177.54	1,353.45	1,512.36	1,548.20	1,583.47	10.10
Basic earnings or loss per share (in yen and U.S. dollars)	-	117.43	85.60	54.43	(27.06)	(0.17)
Diluted earnings or loss per share (in yen and U.S. dollars)	-	117.33	85.54	54.40	(27.06)	(0.17)
Ratio of equity attributable to owners of parent (%)	35.1	41.6	46.2	49.3	47.5	
Return on equity attributable to owners of parent (%)	-	9.3	6.0	3.6	(1.7)	
Price earnings ratio (times)	-	54.6	75.6	78.1	-	
Cash flows from operating activities	-	134,249	46,735	89,026	48,403	308,614
Cash flows from investing activities	-	66,733	(41,308)	(35,536)	(83,738)	(533,907)
Cash flows from financing activities	-	(190,575)	(52,418)	(75,642)	23,357	148,922
Cash and cash equivalents at end of period	136,347	156,503	119,036	104,685	98,479	627,895
Number of employees (persons)	39,035	35,318	33,414	30,540	27,908	
[Average number of part-time employees]	[7,516]	[6,613]	[5,833]	[5,319]	[5,084]	

Notes:

1. The Company and its consolidated subsidiaries (hereinafter collectively, “the Group”) have adopted International Financial Reporting Standards (hereinafter “IFRS”) from the 123rd Fiscal Year.
2. With regard to diluted loss per share for the 125th Fiscal Year, potential ordinary shares have an anti-dilutive effect because exercising stock acquisition rights decrease loss per share.
3. Price earnings ratio for the 125th Fiscal Year is not shown because the amount of profit attributable to owners of parent is negative.

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

Notes:

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

(2) Non-consolidated financial data

Term	121st	122nd	123rd	124th	125th	125th
Fiscal year ended	Dec 2020	Dec 2021	Dec 2022	Dec 2023	Dec 2024	Dec 2024
Units of amount	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Thousands of U.S. dollars
Net sales	249,335	275,063	305,969	259,361	245,678	1,566,424
Ordinary income	31,917	46,341	47,765	29,459	18,032	114,971
Net profit	33,867	103,788	28,470	19,346	21,523	137,229
Share capital	64,506	64,506	64,506	64,506	64,506	411,285
Total number of shares issued (thousand shares)	400,000	400,000	400,000	400,000	400,000	
Net assets	441,770	527,496	533,379	511,508	508,363	3,241,284
Total assets	819,138	901,402	905,652	869,593	936,240	5,969,396
Net assets per share (in yen and U.S. dollars)	1,102.40	1,317.74	1,332.56	1,278.08	1,271.12	8.10
Dividend per share (in yen and U.S. dollars) [Interim dividends included herein]	40.00 [20.00]	50.00 [20.00]	100.00 [25.00]	60.00 [30.00]	40.00 [30.00]	0.26 [0.19]
Net profit per share (in yen and U.S. dollars)	84.78	259.81	71.26	48.41	53.87	0.34
Fully diluted net profit per share (in yen and U.S. dollars)	84.70	259.59	71.21	48.38	53.84	0.34
Equity ratio (%)	53.8	58.4	58.8	58.7	54.2	
Return on equity (%)	7.8	21.5	5.4	3.7	4.2	
Price earnings ratio (times)	84.2	24.7	90.8	87.8	51.7	
Dividend payout ratio (%)	47.2	19.2	140.3	123.9	74.3	
Number of employees (persons) [Average number of part-time employees]	4,309 [1,646]	4,260 [1,779]	4,283 [1,678]	3,952 [1,541]	4,023 [1,455]	
Total shareholder return (%) [Benchmark: Dividend-included TOPIX] (%)	92.2 [107.4]	83.6 [121.1]	85.6 [118.1]	57.9 [151.5]	39.5 [182.5]	
Highest share price (in yen and U.S. dollars)	8,040.0	8,384.0	6,795.0	7,160.0	5,272.0	33.61
Lowest share price (in yen and U.S. dollars)	5,243.0	6,375.0	4,813.0	3,740.0	2,615.0	16.67

Notes:

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

2. History

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

Month and year	Events
Mar. 2010	Acquired Bare Essential in the U.S.
May. 2010	Shiseido Dah Chong Hong Cosmetics Ltd. (currently Shiseido Hong Kong Ltd.) became wholly owned subsidiaries
Apr. 2012	Launched a new business model using Web (watashi+)
Apr. 2014	Transferred Carita brand and Decl�or brand to L'Or�al
Mar. 2015	Closed Kamakura Factory
Jun. 2015	Established Shiseido Asia Pacific Pte. Ltd.
Oct. 2015	Transferred a portion of the Company's the Cosmetics Business in Japan to Shiseido Sales Co., Ltd. Shiseido Sales Co., Ltd. changed its trade name to Shiseido Japan Co., Ltd.
Dec. 2015	Changed the fiscal year-end from March 31 to December 31
Jan. 2016	Part of the Company's corporate functions for Japan and Healthcare Business transferred to Shiseido Japan Co., Ltd.
Jan. 2016	Transferred the intellectual property rights related to fragrances of JEAN PAUL GAULTIER to PUIG
Jul. 2016	Acquired Gurwitch (owns LAURA MERCIER brand) in the U.S.
Oct. 2016	Commenced business activities based on licensing agreements for the development/production/sales of fragrance and cosmetics of DOLCE&GABBANA brand
Dec. 2017	Transferred U.S. company Zotos to Henkel
Jan. 2018	Purchase of Second Skin, artificial skin forming technology and related businesses from Olivo Laboratories, LLC in the U.S.
Apr. 2019	Completed construction of Shiseido Global Innovation Center (S/PARK)
Nov. 2019	Acquired Drunk Elephant Holdings, LLC in the U.S.
Dec. 2019	Completed construction of Nasu Factory
Jan. 2020	Opened Beauty Innovation Hub in Shanghai
Dec. 2020	Completed construction of Osaka Ibaraki Factory
Jul. 2021	Transferred Personal Care Business to Oriental Beauty Holding (currently FineToday Co., Ltd.) and its associates
Jul. 2021	Established Shiseido Interactive Beauty Co., Ltd.
Dec. 2021	Transferred three brands, bareMinerals, BUXOM, and Laura Mercier to Advent in the U.S.
Dec. 2021	Terminated global license agreement with Dolce&Gabbana S.r.l.
May. 2022	Completed construction of Fukuoka Kurume Factory
Jul. 2022	Transferred Professional Business to Henkel Group companies
Apr. 2023	Transferred the manufacturing operations of personal care products to FineToday Holdings Co., Ltd.
Dec. 2023	Transferred Shiseido Vietnam Inc. to FineToday Holdings Co., Ltd.
Feb. 2024	Acquired DDG Skincare Holdings LLC in the U.S.
Jun. 2024	Transferred all shares of FineToday Holdings Co., Ltd to Oriental Beauty Holding (HK) Limited.
Nov. 2024	Signed a global license agreement with Max Mara.

3. Description of Business

The Group consists of the Company, 71 subsidiaries, and 3 associates, and is mainly engaged in the manufacture and sale of cosmetics, cosmetic accessories, beauty foods, and pharmaceuticals, as well as research and other services related to each business.

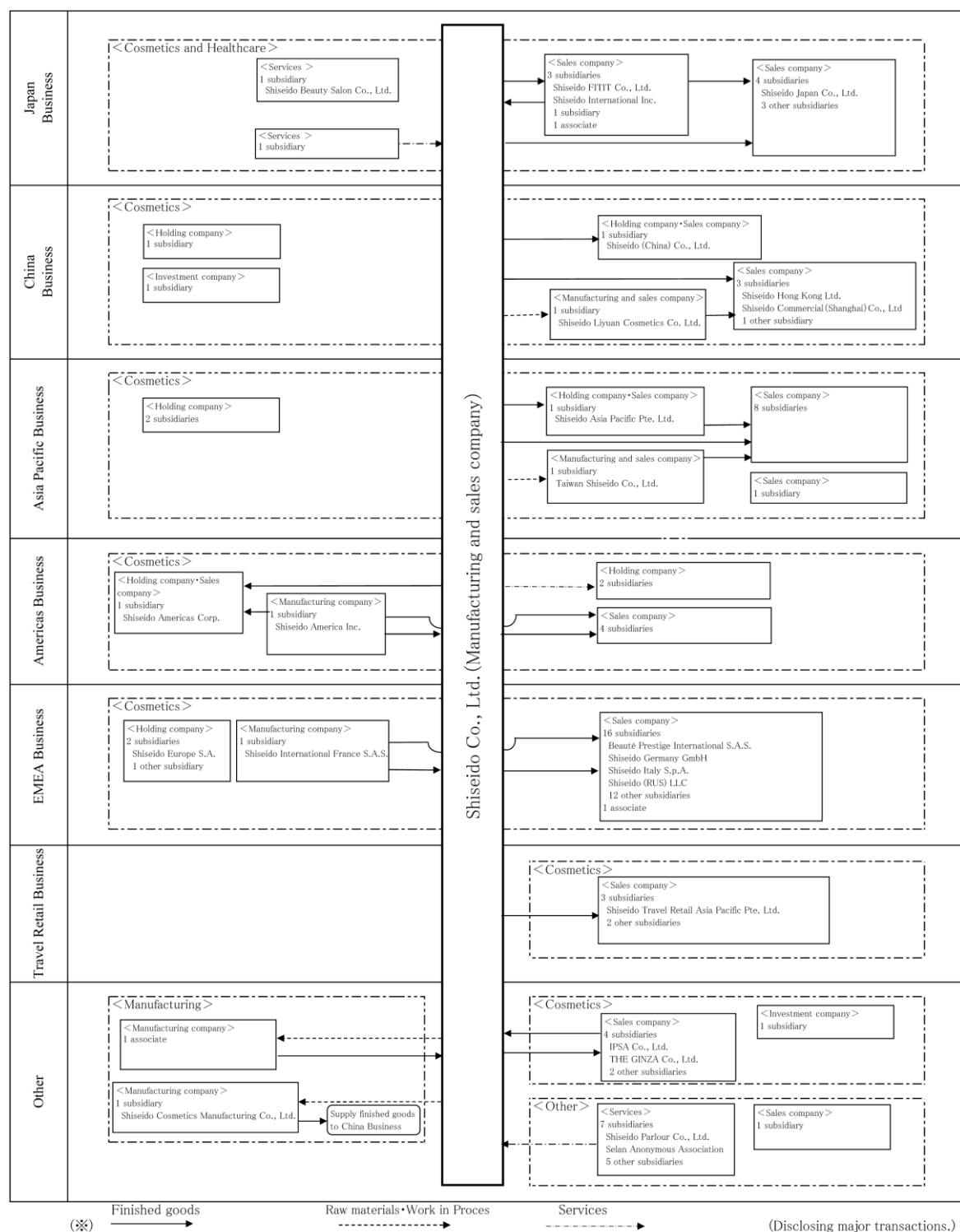
The positioning of each company in the Group's business and its relationship with the segments are as follows:

Effective from the current fiscal year, the classification of reportable segments has been changed. For details, please refer to “7. Operating Segments” under “5. Financial Information, 1. Consolidated Financial Statements and Notes, (1) Consolidated Financial Statements, Notes to the Consolidated Financial Statements.”

Segment	Principal Business	Major Companies
Japan Business	Cosmetics business (sale of cosmetics and cosmetic accessories, etc.) Healthcare business (sale of over-the-counter drugs).	The Company Shiseido Japan Co., Ltd. Shiseido Beauty Salon Co., Ltd. Shiseido FITIT Co., Ltd. Shiseido International Inc. 5 other subsidiaries 1 associate (11 companies in total)
China Business	Cosmetics business (production and sale of cosmetics and cosmetic accessories), etc.	The Company Shiseido (China) Co., Ltd. Shiseido Liyuan Cosmetics Co., Ltd. Shiseido Hong Kong Ltd. Shiseido Commercial (Shanghai) Co., Ltd. 3 other subsidiaries (8 companies in total)
Asia Pacific Business	Cosmetics business (production and sale of cosmetics and cosmetic accessories), etc.	The Company Shiseido Asia-Pacific Pte. Ltd. Taiwan Shiseido Co., Ltd. 11 other subsidiaries (14 companies in total)
Americas Business	Cosmetics business (production and sale of cosmetics and cosmetic accessories), etc.	The Company Shiseido Americas Corporation Shiseido America, Inc. 6 other subsidiaries (9 companies in total)
EMEA Business	Cosmetics business (production and sale of cosmetics and cosmetic accessories), etc.	The Company Shiseido Europe S.A. Shiseido International France S.A.S. Shiseido (Rus) LLC Shiseido Italy S.p.A. Shiseido Germany GmbH Beauté Prestige International S.A.S. 13 other subsidiaries 1 associate (21 companies in total)
Travel Retail Business	Cosmetics business (sale of cosmetics and cosmetic accessories), etc.	The Company Shiseido Travel Retail Asia Pacific Pte. Ltd. 2 other subsidiaries (4 companies in total)
Other	Cosmetics business (sale of cosmetics and cosmetic accessories), Healthcare business (sale of health and beauty foods) Manufacturing business, Restaurant business, etc.	The Company The Ginza Co., Ltd. IPSA Co., Ltd. Shiseido Parlour Co., Ltd. Selan Anonymous Association Shiseido Cosmetics Manufacturing Co., Ltd. 9 other subsidiaries 1 associate (16 companies in total)

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

The Group's organization is as illustrated below.



4. Information on Subsidiaries and Associates

(1) Parent company
Not applicable.

(2) Consolidated subsidiaries

Company name	Address	Share capital or investments in capital	Principal business	Ownership percentage of voting rights (%)		Description of relationship
				FY2024	FY2023	
Shiseido Japan Co., Ltd. (Note 2) (Note 6)	Chuo-ku, Tokyo	Thousands of yen 100,000	Japan Business	100.0	100.0	Purchaser of cosmetics, etc. Leasing of buildings owned by the Company Leasing out of buildings, land, and equipment to the Company Concurrent directors: Yes; Secondment and concurrent employment of employees: Yes
Shiseido Beauty Salon Co., Ltd.	Chuo-ku, Tokyo	Thousands of yen 100,000	Japan Business	100.0	100.0	Business transactions: No; Concurrent directors: Yes; Secondment and concurrent employment of employees: Yes
Et tu sais Co., Ltd.	Chuo-ku, Tokyo	Thousands of yen 100,000	Japan Business	100.0	100.0	Business transactions: No Concurrent directors: Yes; Secondment and concurrent employment of employees: Yes
Shiseido FITIT Co., Ltd.	Chuo-ku, Tokyo	Thousands of yen 10,000	Japan Business	100.0	100.0	Purchaser of cosmetics, etc. Concurrent directors: No; Secondment and concurrent employment of employees: Yes
Shiseido International Inc.	Chuo-ku, Tokyo	Thousands of yen 30,000	Japan Business	100.0	100.0	Purchaser of cosmetics, etc. Concurrent directors: No; Secondment and concurrent employment of employees: Yes
Shiseido (China) Co., Ltd. (Note 2) (Note 6)	Shanghai, China	Thousands of Chinese yuan 565,093	China Business	100.0	100.0	Purchaser of cosmetics, etc. Concurrent directors: Yes; Secondment and concurrent employment of employees: Yes
Shiseido Liyuan Cosmetics Co. Ltd.	Beijing, China	Thousands of Chinese yuan 94,300	China Business	65.0 (32.9)	65.0 (32.9)	Purchaser of raw materials Concurrent directors: Yes; Secondment and concurrent employment of employees: Yes
Shiseido Hong Kong Ltd.	Hong Kong, China	Thousands of Hong Kong dollar 123,000	China Business	100.0	100.0	Purchaser of cosmetics, etc. Concurrent directors: Yes; Secondment and concurrent employment of employees: No
Shiseido Commercial (Shanghai) Co., Ltd.	Shanghai, China	Thousands of Chinese yuan 10,000	China Business	100.0 (100.0)	-	Purchaser of cosmetics, etc. Concurrent directors: Yes; Secondment and concurrent employment of employees: No
Shiseido Asia-Pacific Pte. Ltd.	Singapore	Thousands of Singapore dollar 49,713	Asia Pacific Business	100.0	100.0	Purchaser of cosmetics, etc. Concurrent directors: No; Secondment and concurrent employment of employees: Yes
Shiseido (Thailand) Co. Ltd. (Note 3)	Bangkok, Thailand	Thousands of Thai baht 10,000	Asia Pacific Business	49.0	49.0	Purchaser of cosmetics, etc. Concurrent directors: No; Secondment and concurrent employment of employees: No
FLELIS International Inc.	Taipei, Taiwan	Thousands of New Taiwan dollar 246,460	Asia Pacific Business	100.0 (100.0)	100.0 (100.0)	Purchaser of cosmetics, etc. Concurrent directors: Yes; Secondment and concurrent employment of employees: No
Shiseido Korea Co., Ltd.	Seoul, Korea	Million won 61,698	Asia Pacific Business	100.0 (100.0)	100.0 (100.0)	Purchaser of cosmetics, etc. Concurrent directors: Yes; Secondment and concurrent employment of employees: No
Taiwan Shiseido Co., Ltd.	Taoyuan, Taiwan	Thousands of New Taiwan dollar 1,154,588	Asia Pacific Business	51.0	51.0	Purchaser of cosmetics, etc. Concurrent directors: Yes; Secondment and concurrent employment of employees: Yes
Shiseido Americas Corp. (Note 2)	Delaware, U.S.A.	Thousands of US dollar 403,070	Americas Business	100.0	100.0	Purchaser and supplier of cosmetics, etc. Concurrent directors: Yes; Secondment and concurrent employment of employees: Yes
Shiseido (Canada) Inc.	Ontario, Canada	Thousands of Canadian dollar 61	Americas Business	100.0 (100.0)	100.0 (100.0)	Purchaser of cosmetics, etc. Concurrent directors: No; Secondment and concurrent employment of employees: No
Shiseido America Inc.	New York U.S.A.	Thousands of US dollar 28,000	Americas Business	100.0 (100.0)	100.0 (100.0)	Supplier of cosmetics, etc. and purchaser of raw materials Concurrent directors: No; Secondment and concurrent employment of employees: No
DDG Skincare Holdings LLC	Delaware, U.S.A.	Thousands of US dollar 449,628	Americas Business	100.0 (100.0)	100.0 (100.0)	Supplier of cosmetics, etc. and purchaser of raw materials Concurrent directors: No; Secondment and concurrent employment of employees: No
Shiseido Europe S.A. (Note 2)	Paris, France	Thousands of Euro 257,032	EMEA Business	100.0	100.0	Business transactions: No Concurrent directors: Yes; Secondment and concurrent employment of employees: Yes
Shiseido International France S.A.S.	Paris, France	Thousands of Euro 36,295	EMEA Business	100.0 (100.0)	100.0 (100.0)	Supplier of cosmetics, etc. and purchaser of raw materials Concurrent directors: No; Secondment and concurrent employment of employees: Yes
Shiseido (RUS) LLC	Moscow, Russia	Thousands of Russian ruble 106,200	EMEA Business	100.0 (100.0)	100.0 (100.0)	Business transactions: No Concurrent directors: No; Secondment and concurrent employment of employees: No
Shiseido Italy S.p.A.	Milan, Italy	Thousands of Euro 5,036	EMEA Business	100.0 (100.0)	100.0 (100.0)	Business transactions: No Concurrent directors: No; Secondment and concurrent employment of employees: No
Shiseido Germany GmbH	Dusseldorf, Germany	Thousands of Euro 8,700	EMEA Business	100.0 (100.0)	100.0 (100.0)	Business transactions: No Concurrent directors: No; Secondment and concurrent employment of employees: No
Beauté Prestige International S.A.S.	Paris, France	Thousands of Euro 32,937	EMEA Business	100.0 (100.0)	100.0 (100.0)	Purchaser of cosmetics, etc. Concurrent directors: No; Secondment and concurrent employment of employees: Yes

Company name	Address	Share capital or investments in capital	Principal business	Ownership percentage of voting rights (%)		Description of relationship
				FY2023	FY2022	
Shiseido Spain, S.A.U.	Madrid, Spain	Thousands of Euro 998	EMEA Business	100.0 (100.0)	100.0 (100.0)	Business transactions: No Concurrent directors: No; Secondment and concurrent employment of employees: No
Shiseido UK Ltd.	London, United Kingdom	Thousands of British pound 169	EMEA Business	100.0 (100.0)	100.0 (100.0)	Business transactions: No Concurrent directors: No; Secondment and concurrent employment of employees: No
Shiseido Travel Retail Asia Pacific Pte. Ltd. (Note 2)	Singapore	Thousands of US dollar 48	Travel Retail Business	100.0 (100.0)	100.0 (100.0)	Purchaser of cosmetics, etc. Concurrent directors: No; Secondment and concurrent employment of employees: No
IPSA Co., Ltd.	Minato-ku, Tokyo	Thousands of yen 100,000	Other	100.0	100.0	Purchaser of cosmetics, etc.; Leasing of buildings owned by the Company Concurrent directors: Yes; Secondment and concurrent employment of employees: Yes
Shiseido Parlour Co., Ltd.	Chuo-ku, Tokyo	Thousands of yen 100,000	Other	99.3	99.3	Outsourced contractor for operations of directly-managed restaurants Leasing of equipment owned by the Company Leasing out of buildings to the Company Concurrent directors: Yes; Secondment and concurrent employment of employees: Yes
THE GINZA Co., Ltd.	Chuo-ku, Tokyo	Thousands of yen 100,000	Other	98.1	98.1	Purchaser and supplier of cosmetics, etc. Concurrent directors: Yes; Secondment and concurrent employment of employees: Yes
Selan Anonymous Association (Note 2) (Note 4)	(Business operator) Chiyoda-ku, Tokyo	Thousands of yen 27,150,000	Other	- [100.0]	- [100.0]	Business transactions: No; Leasing out of a building and equipment of SHIODOME TOWER (Shiodome Office) to the Company Concurrent directors: No; Secondment and concurrent employment of employees: No
Shiseido Cosmetics Manufacturing Co., Ltd.	Shanghai, China	Thousands of Chinese yuan 418,271	Other	92.6 (66.3)	92.6 (66.3)	Purchaser of raw materials Concurrent directors: Yes; Secondment and concurrent employment of employees: Yes
Other 39 companies	-	-	-	-	-	-

Notes:

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

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

Company name	Unit	Net sales	Profit or loss	Total equity	Total assets
Shiseido Japan Co., Ltd.	Millions of yen	270,486	(646)	38,034	144,116
	Thousands of U.S. dollars	1,724,598	(4,119)	242,502	918,873
Shiseido (China) Co., Ltd.	Millions of yen	176,254	2,390	62,377	96,554
	Thousands of U.S. dollars	1,123,782	15,238	397,711	615,621

(3) Affiliates

Company name	Location	Share capital or investments in capital	Principal business	Ownership percentage of voting rights (%)	Relationship
Pierre Fabre Japan Co., Ltd.	Minato-ku, Tokyo	Thousands of yen 100,000	Japan Business	50.0	Supplier of cosmetics, etc. Concurrent directors: Yes; Secondment and concurrent employment of employees: Yes
Other: 2 companies	-	-	-	-	-

Note: Segment names are listed in “Principal businesses”

(4) Other affiliates

Not applicable.

5. Employees

(1) Employees of the Group

As of December 31, 2024

Business segment	Number of employees (persons)	
Japan Business	8,665	[2,657]
China Business	5,946	[84]
Asia Pacific Business	2,483	[243]
Americas Business	1,880	[30]
EMEA Business	2,673	[208]
Travel Retail Business	550	[16]
Other	5,711	[1,846]
Total	27,908	[5,084]

Notes:

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

(2) Employees of the Company

As of December 31, 2024

Number of employees (persons)	Average age (years old)	Average length of service (years)	Average annual salary (yen)	Average annual salary (U.S. dollars)
4,023 [1,455]	38.9	10.8	7,205,560	45,942.11

Business segment	Number of employees (persons)	
Other	4,023	[1,455]

Notes:

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

(3) Labor unions

The Shiseido Labor Union was founded in February 1946 as the Shiseido Employees' Union, and currently consists of 11,034 members organized by the Company and its major domestic consolidated subsidiaries.

There are no items to report regarding labor relations.

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

1) Submitting company

Current fiscal year				
The proportion of female employees in managerial positions (%) (Note 1)	The proportion of male employees who took childcare leave (%) (Note 2)	The wage gap between male and female employees (%) (Note 1)		
		All employees	Full-time employees	Part-time and fixed-term employees
37.9	103	76.1	87.1	68.5

Notes:

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

2) Consolidated subsidiaries

Current fiscal year					
Company name	The proportion of female employees in managerial positions (%) (Note 1)	The proportion of male employees who took childcare leave (%) (Note 3)	The actual wage gap between male and female employees (%) (Note 1)		
			All employees	Full-time employees	Part-time and fixed-term employees
Shiseido Japan Co., Ltd.	(Note 2)	122	58.3	59.8	62.8
Japan Retail Innovation Co., Ltd.		100	34.3	62.9	59.9
Shiseido Beauty Salon Co., Ltd.		-	57.8	66.4	63.5
Shiseido Parlour Co., Ltd.		-	57.7	70.4	47.3
IPSA Co., Ltd.		-	47.4	46.2	67.5
THE GINZA Co., Ltd.		-	56.3	51.4	82.1

Notes:

1. Calculated based on the provisions of the Act on the Promotion of Women's Active Engagement in Professional Life (Act No. 64 of 2015). The wage gap between male and female employees is the ratio of the average wage of female employees to that of male employees, when the average wage of male employees is set at 100.
2. The female management ratio is monitored by Shiseido Group in Japan and the proportion of female managers in the Shiseido Group in Japan is 41.1 %. As employment management is integrated within the Group, we disclose this as the entire Shiseido Group in Japan.
The scope: Shiseido Group in Japan (21 entities)
1) Headquarter: Shiseido Co., Ltd.
2) Consolidated subsidiaries: Shiseido Japan Co., Ltd., SHISEIDO ASTECH Co., Ltd., HANATSUBAKI FACTORY Co., Ltd., Et tu sais Co., Ltd., EFFECTIM Co., Ltd., Japan Retail Innovation Co., Ltd., THE GINZA Co., Ltd., Shiseido Beauty Salon Co., Ltd., Shiseido Parlour Co., Ltd., ETWAS Co., Ltd., KODOMOLOGY Co., Ltd., IPSA Co., Ltd., Shiseido Interactive Beauty Co., Ltd., Shiseido Creative Co., Ltd.
3) Other than consolidated subsidiaries: Pierre Fabre Japon Co., Ltd., Shiseido Gakuen Educational Institute Shiseido Beauty Academy, Shiseido Health Insurance Society, Shiseido Corporate Pension Fund, Shiseido Child Foundation, Shiseido Labor Union
3. Based on the provisions of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Act No. 76 of 1991), the percentage of employees who took childcare leave, etc. is calculated based on Article 71-4, Item 2 of the Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Ordinance of the Ministry of Labor No. 25 of 1991).
4. Information is omitted for consolidated subsidiaries that are not subject to the obligatory disclosure under the provisions of the Act on the Promotion of Women's Active Engagement in Professional Life (Act No. 64 of 2015) and the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Act No. 76 of 1991).

2. Overview of Business

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

In this report, statements other than historical facts are forward-looking statements that reflect the Group's plans and expectations as of the date of submission of the Annual Securities Report in Japanese (March 26, 2025). These forward-looking statements involve risks, uncertainties and other factors that may cause our actual results and achievements to differ from those anticipated in these statements.

1) Corporate Philosophy THE SHISEIDO PHILOSOPHY

Shiseido celebrated its 150th anniversary in 2022. Since our founding in 1872, we have been committed to serving our customers and contributing to society through our expertise in beauty and wellness. In 2019, we adopted THE SHISEIDO PHILOSOPHY, the guiding light in our quest to become the world's most trusted beauty company and remain vital for the next 100 years and beyond. Our corporate philosophy is at the heart of everything we do at Shiseido, uniting us across countries, regions, organizations, and brands as we strive to be a global winner with our heritage.

THE SHISEIDO PHILOSOPHY consists of:

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

[THE SHISEIDO PHILOSOPHY]



[OUR MISSION]

BEAUTY INNOVATIONS FOR A BETTER WORLD

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

Since our founding, we have been dedicated to discovering and creating new value, unlocking the possibilities of beauty to bring happiness to all.

We have always been—and always will be—committed to creating a sustainable world of beauty and wellness.

Creating a better world through the power of beauty.

That is our mission.

For details of THE SHISEIDO PHILOSOPHY, please refer to “ABOUT US > THE SHISEIDO PHILOSOPHY” on our corporate website (<https://corp.shiseido.com/en/company/philosophy/>).

2) SHIFT 2025 and Beyond & Action Plan 2025–2026: An Update on Our Medium-Term Strategy

In 2023, we launched “SHIFT 2025 and Beyond,” a medium-term strategy covering the three-year period from 2023 to 2025. This strategy focuses on accelerating investments in three key areas—brands, innovation, and people—to drive sustainable, long-term growth.

In addition, Shiseido has designated the two-year period from 2025 to 2026 as an accelerated phase of structural reform and formulated “Action Plan 2025–2026” in response to rapid changes in the external environment. This plan focuses on improving profitability, overcoming current challenges, and rebuilding a strong foundation for sustained growth.

“Action Plan 2025–2026” aims to establish a resilient corporate structure capable of delivering stable profit growth in volatile market conditions. As top priorities for 2025–2026, it lays out specific measures to “reinforce brand foundation,” “rebuild a profitable foundation,” and “enhance operational governance.”

Top Priorities of Action Plan 2025-2026



For details on “Action Plan 2025–2026,” please refer to our corporate website and refer to the presentation materials available under Investors > IR Library > Consolidated Settlements of Accounts / Briefing Materials > “Action Plan 2025–2026” for Medium-Term Strategy (Nov. 29, 2024) (<https://corp.shiseido.com/en/ir/library/tanshin/>).

2. Sustainability Approach and Measures

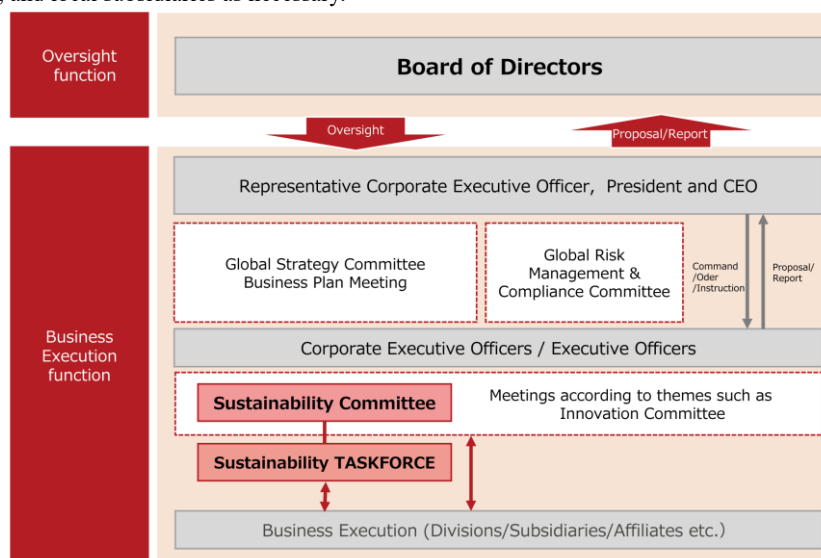
Items associated with future are based on our judgment as of the end of the current fiscal year.

(1) Sustainability in General

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

1) Governance

At Shiseido, we work to promote sustainability across the entire company through our brands and regional businesses. The Sustainability Committee was set up to ensure timely management decisions related to sustainability efforts and their proper implementation across the Group, the committee is held regularly. The Sustainability Committee makes decisions on specific action plans, including strategic actions and policies related to sustainability for the entire Shiseido Group, risks and opportunities associated with climate change and the natural environment, and initiatives to address human rights. The committee also monitors the progress of medium- to long-term targets within our sustainability strategy. The committee consists of the representative corporate executive officers and executive officers in charge of Corporate Strategy, Finance, R&D, Supply Network, Human Resources, DE&I, Corporate Communications, and our brand holders, as well as other corporate officers from different fields, allowing us to discuss a range of issues from different perspectives. In addition, important matters in the execution of business, which require approvals are proposed or reported to the Global Strategy Committee or the Board of Directors. In order to ensure executing and promoting of sustainability actions, a Sustainability TASKFORCE was set up under the Sustainability Committee, consisting of the heads of key relevant functions. At the Sustainability TASKFORCE, practical approaches to achieve our long-term targets are discussed with relevant functions, regional headquarters, and local subsidiaries as necessary.



2) Strategy

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

Our actions for the environment are based on the idea of Banbutsu Shisei (Note), the origin of our company's name "Shiseido." We are working to design business models and to develop technologies that can reduce environmental impact and realize a circular economy. To do so, we are taking the following three strategic actions: "Reducing our environmental footprint," "Developing sustainable products," which we work on together with various stakeholders throughout the entire value chain and "Promoting sustainable and responsible procurement" with consideration of the environment and human rights.

In the social domain, we focus on addressing social issues, primarily through our diversity, equity, and inclusion (DE&I) initiatives. We have identified three key strategic actions: "Advancing gender equality," which aims to create a society where fair opportunities are available to all, regardless of gender, and where individuals can live authentically by leveraging our strengths as a beauty company; "Empowering people through the power of beauty," which seeks to eliminate unconscious biases and prejudices related to beauty, fostering a society that celebrates individual beauty and allows people to shine in their own ways; and "Promoting respect for human rights," which serves as the foundation of all our activities.

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

3) Risk management

We assessed and identified the impactful risks holistically from a medium- to long-term perspective. “Environmental (Climate Change, Biodiversity, etc.),” “Diversity, Equity & Inclusion (DE&I)” and “Natural Disaster, Infectious Disease and Terrorism” are listed as the categories related to sustainability.

Risks related to climate and nature including biodiversity are analyzed based on scientific and socioeconomic evidence and integrated into the enterprise risk management system as one of the elements related to the “Environmental (Climate Change, Biodiversity, etc.)” or the “Natural Disaster, Infectious Disease, and Terrorism.” According to their significance, the risks and their countermeasures are deliberated at the Global Risk Management & Compliance Committee and the Global Strategy Committee. The material risks are also proposed or reported to the Board of Directors as necessary.

4) Metrics and targets

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

[Medium-to Long-Term Targets]

- Environment

Strategic Action		Targets		Target Year (Note 1)
Reducing our environmental footprint	CO ₂ emissions reduction	Scope 1 and Scope 2 (Note 2)	(46.2)% (Note 3) (SBTi approved)	2030
		Scope 3	(55)% (Note 4) (SBTi approved)	2030
	Reduction of water consumption		(40)% (Note 5)	2026
Developing sustainable products	Switching to sustainable packaging (Note 6)		100%	2025
Promoting sustainable and responsible procurement	Replacement with sustainable palm oil (Note 7)		100%	2026
	Replacement with sustainable paper (Note 8)		100%	2023 (Continued in 2024)

Notes:

- Actual results for 2024 will be disclosed in the Sustainability Report to be issued in 2025
- Includes our goal of achieving carbon neutrality by 2026 (covering all our sites, including carbon offsetting)
- At all our sites (compared to 2019)
- Throughout our value chain, excluding Shiseido sites, at economic intensity target (compared to 2019)
- Economic intensity across all our sites (compared to 2014)
- For plastic primary packaging
- Certified under RSPO’s physical supply chain model, based on identity preserved, segregation, and/or mass balance, measured in palm oil equivalent weight
- Including certified paper or recycled paper used in products, measured by paper weight

- Society

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

(2) Climate change-related and other initiatives

Given the seriousness of the impact of climate change issues on business growth and social sustainability, Shiseido has been disclosing information with reference to TCFD(Task Force on Climate-related Financial Disclosures)/TNFD(Taskforce on Nature-related Financial Disclosures) and ISSB/SSBJ's frameworks. We conducted qualitative and quantitative analyses of the risks and opportunities associated with the transition to a decarbonized society and changes in the natural environment due to climate change for both the 1.5/2°C and 4°C scenarios, in the short-, medium-, and long-term. Regarding the natural environment, we identified quantitative long-term risks in consideration of biodiversity loss and dynamic states of water resources and disclosed them in the Shiseido Climate/Nature-related Financial Disclosure Report.

1) Governance

Governance in relation to our climate change-related and other initiatives is addressed under the same structure as the promotion structure in our sustainability-related work. For more information, please refer to section 1) Governance in (1) Sustainability in General, above.

2) Strategy

We conducted our scenario analysis for both the transitional and the physical risks/opportunities in terms of the 1.5/2°C and 4°C scenarios, respectively, based on the Representative Concentration Pathways (RCPs) and Shared Socioeconomic Pathways (SSPs) provided by the IPCC. Regarding transitional risk, the elements associated with the transition to a decarbonized society — such as policy, regulation, technology, market, and consumer perceptions — were considered. Physical risks related to the acute or chronic phenomena caused by the rise in temperature — such as floods and water shortages — were also considered. Based on these considerations, the financial impacts of the 1.5/2°C and 4°C scenarios were then analyzed.

The influence of carbon tax was identified as the transition risk, with projections pointing toward approximately ¥0.05-0.87 billion (\$0.3-5.5 million) in 2030. For physical risks, ¥0.9 billion (\$5.7 million) of floods and ¥3.5 billion (\$22.3 million) of water shortage was estimated as potential impact. As for opportunities, in the 1.5/2°C scenario, high awareness by consumers means there is a market for sustainable brands and products. Similarly, the 4°C scenario identifies sales opportunities for products that can help people to live with high temperatures. We aim to leverage these findings — by mitigating risks and making the most of opportunities to provide sustainable products to consumers and promote our beauty innovations.

		Risk	Opportunity
Transitional risks (Mainly in the 1.5/2°C scenario)		<ul style="list-style-type: none"> - Increasing cost due to carbon tax ● - Soaring fuel prices - Loss of sales opportunities for products using single-use plastics● 	<ul style="list-style-type: none"> - Improving energy efficiency - Expanding opportunities to market sustainable and responsible products
Physical risks (Mainly in the 4°C scenario)	Acute	<ul style="list-style-type: none"> - Suspension of production activities due to natural disasters ● - Disruption of logistics functions due to natural disasters 	<ul style="list-style-type: none"> - Expanding product sales opportunities with climate-responsive solutions
	Chronic	<ul style="list-style-type: none"> - Increasing procurement costs of raw materials due to rainfall and weather changes ● - Suspension of production activities due to water shortages ● 	

Factors marked with ● are also subject to quantitative analysis.

For nature-related risks and opportunities, we conduct a quantitative analysis of the impact on biodiversity throughout the value chain by means of a life cycle assessment. This revealed that the impact is great, particularly in raw material procurement. In response, we assumed places of origin of cosmetics raw materials with high dependence on biodiversity in line with the LEAP approach recommended by TNFD. We thus monetized ecosystem services by pollinators, such as honeybees, as physical risk analysis in the aspect of dependencies. At the same time, we analyzed risks on sustainability-related regulations as transitional risks along with climate change issues.

Shiseido Climate/Nature-related Financial Disclosure Report is disclosed on the corporate information website.

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

As part of our response to climate change, we have set a target to reduce CO₂ emissions by 46.2% by 2030 compared to 2019 levels, for Scope 1 and Scope 2. Additionally, we have established Scope 3 emissions target across our entire value chain. Both of our 2030 targets align with the 1.5°C trajectory and have been certified by Science Based Targets initiative (SBTi) (Note 1).

Shiseido is actively promoting the use of renewable energy in our business sites such as offices, factories, and distribution centers. By 2023, we successfully transitioned 100% of the electricity used in all of 11 factories and our company-operated distribution centers to renewable electricity. Furthermore, we are accelerating the transition at all our sites globally.

Additionally, solar panels have been installed on buildings across nine of our factories and innovation centers in various countries and regions. (Note 2).

In the area of biodiversity, we utilize frameworks of the TNFD to assess the relationship between our business activities and nature. Through these assessments, we have identified significant dependencies and impacts on nature, particularly in raw material procurement. Given the considerable biodiversity impact of palm oil and paper sourcing, we announced medium- to long-term sustainability targets for these materials and have been promoting a transition to more sustainable raw materials. Additionally, we conduct ecosystem assessments at our factories and surrounding areas to enhance our understanding of local biodiversity and implement conservation actions.

Shiseido recognizes the importance of viewpoint of the nexus between our business and the earth system, including climate and biodiversity. It is important to identify and prioritize important materials through the risk and opportunity assessment and contribute to problem solving. In addition to these climate and biodiversity initiatives, we are also developing new value creation initiatives, such as the development of environmentally friendly formulas/ingredients, circular packaging and containers, and recycling models in accordance with the concept of lifecycle thinking. For more information on these initiatives, please refer to the “Sustainability Report.”

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

Notes:

1. SBTi is a global initiative that defines and promotes best practice in science-based target setting and independently assesses companies' targets.
2. The nine factories are: Kakegawa (Japan), Osaka Ibaraki (Japan), Fukuoka Kurume (Japan), Shanghai (China), Beijing (China), Taiwan, East Windsor (US), Gien (France). (Country/Region) and Global Innovation Center (Yokohama)

3) Risk management

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

4) Metrics and targets

Regarding our metrics and targets for climate change-related and other initiatives, please refer to section 4) Metrics and targets in (1) Sustainability in General.

Specifically, in order to mitigate the climate-related risks, we set the reduction of CO₂ emissions as our target and also contribute to risk mitigation by regularly monitoring the situation related to climate change and implementing corresponding measures. We have set a target to reduce CO₂ emissions by 46.2% by 2030 (compared to 2019 levels), particularly for Scope 1 and Scope 2 emissions. Additionally, we have established SBTi-based goals for reduction CO₂ emissions across our entire value chain outside our own business sites. All of our 2030 reduction targets aligned with the 1.5°C trajectory have been certified by SBTi. We also joined the RE100 (Note) initiative in 2022. To reduce Scope 1 and 2 CO₂ emissions, we decided to introduce an internal carbon pricing (ICP) system and began to apply it for making decisions on decarbonization investments in energy-efficient facilities, renewable energy facilities, and the similar in 2024.

Regarding biodiversity, we disclose medium- and long-term targets and replace paper and palm-derived raw materials, which have a large impact, with certified raw materials.

Also, we are strengthening our efforts to develop sustainable products in recognition of urgent global environmental issues such as climate change and marine plastic waste. Shiseido has set goal of achieving 100% sustainable packaging for plastic containers by 2025, driven by innovation grounded in our proprietary packaging development policy, the 5Rs: Respect, Reduce, Reuse, Recycle and Replace.

Note: RE100 is a global initiative bringing together the world's most influential companies committed to 100% renewable electricity for electricity used in their business operations.

(3) Diversity Equity and Inclusion initiatives

Shiseido regards diversity, equity and inclusion (DE&I) as an essential pillar of our business strategy. By harnessing the power of diverse talent, we strive to create social value as a beauty company, aiming to achieve sustainable growth.

1) Governance

Our approach to DE&I governance follows the same framework as our sustainability-related operations. For more details, please refer to “(1) Governance” under “(1) Sustainability in General.” Regarding human rights, we have established a human rights project framework under the Sustainability Committee, led by the Chief DE&I Officer, to conduct human rights due diligence. For significant human rights issues identified through our biennial human rights risk assessment, the responsible departments implement corrective actions and report on their progress every six months. The human rights project team regularly reports these updates to the Sustainability Committee, which monitors the company's risk mitigation status. Additionally, significant achievements and challenges related to human rights are reported to or reviewed by the Board of Directors each year.

2) Strategy

To create social value and solve social issues through our core business, we focus on building an inclusive society where everyone can be their authentic self, in collaboration with stakeholders, including employees and consumers. We focus on DE&I in the domain of society, fostering a culture that respects diversity in gender, age, nationality, sexual orientation, gender identity, and disability, thereby driving innovation.

To advance a society that embraces diversity with respect, and supports lives full of beauty, it is necessary to tailor DE&I strategies to the needs of local communities to make a greater impact. Thus, we aim to deepen our understanding of regional needs and risks through collaboration and dialogue with a wide range of stakeholders, including participation in social initiatives. Our global headquarters maintains regular communication with regional headquarters and brands, encouraging continuous change in response to regional needs.

Leveraging our experience and expertise in empowering individuals through beauty, we have established three strategic actions: “Advancing Gender Equality,” “Empowering People Through the Power of Beauty,” and “Promoting Respect for Human Rights.” In “Advancing Gender Equality,” we aim to support one million people by 2030 through initiatives such as closing the gender gap in Japan and supporting girls' education globally. In “Empowering People Through the Power of Beauty,” we also target supporting one million people by cultivating self-efficacy and challenging unconscious biases. These initiatives leverage our strengths in the beauty business and internal DE&I initiatives to contribute to solving global social issues. To achieve our commitments, our global headquarters, regional headquarters, and brands collaborate with stakeholders such as international organizations and NGOs. We also focus on enhancing DE&I literacy among employees in charge of marketing and creativity, promoting new value creation through DE&I approaches in our brands and business activities.

Advancing Gender Equality

As a company originating in Japan, we place gender equality at the forefront of our priorities. We participate in the 30% Club Japan, an initiative aimed at increasing the proportion of women in executive positions in Japanese companies, and have led the TOPIX President's Committee, which brings together chairpersons and presidents from 34 companies in the TOPIX 100 and TOPIX Mid 400. Through cross-company sharing of best practices and partnerships with institutional investors and universities, we have strengthened the impact of efforts to break away from homogeneity and drive innovation. The Shiseido DE&I Lab, a joint research initiative with universities, identifies and visualizes challenges companies face in achieving gender equality, particularly in Japan, which lags behind globally in women's empowerment. By widely disseminating solutions and insights both internally and externally, we are driving the advancement of DE&I in Japanese society. Since 2019, *Clé de Peau Beauté* has been committed to championing education as a means of advancing gender equality and empowering girls and women worldwide. Through its global partnership with UNICEF, *Clé de Peau Beauté* supports developing skills for girls, such as in STEM, that unlocks their potential for a better future, reinforcing its commitment to creating a more equitable society. Additionally, through its signature philanthropic initiative, the Power of Radiance Awards, the brand recognizes and supports individuals who advocate for girls' education.

Empowering People Through the Power of Beauty

Through programs such as Shiseido Life Quality Makeup for those with serious skin concerns and the LAVENDER RING MAKEUP & PHOTOS WITH SMILES supporting people living with cancers, we engage in activities that promote physical, mental, and social well-being for individuals facing various challenges. Within our organization, employee participation and dialogue expand the scope of DE&I issues, contributing to a more inclusive workplace. Employee Resource Groups have advanced DE&I at our Americas regional headquarters. Starting from 2024, we have hosted the Diversity Week for Shiseido Group employees in Japan, increasing dialogue opportunities with LGBTQ+ individuals and people with disabilities through employee resource groups. This stakeholder engagement broadens the range of social issues addressed and aids in building an inclusive corporate culture. To achieve our commitments, Shiseido Group brands engage in DE&I social activities through their businesses. Brand *SHISEIDO* has developed a program for young people to actively consider and discuss how to confront unconscious beauty biases (UBBs) that impede people's achievement of their desired beauty as part of the SEE, SAY, DO Project. In 2024, the sunscreen brand *ANESSA* launched the *ANESSA* Sunshine Project, supporting the healthy growth of children's minds and bodies across 12 countries and regions in Asia through activities in the sun.

3) Risk management

In terms of risk management related to DE&I risks and opportunities, we are addressing this in a manner consistent with our governance structure for sustainability-related initiatives. For more details, please refer to “3) Risk management” under “(1) Sustainability in General” above.

Regarding human rights, we conduct a human rights risk assessment every two years to identify human rights issues within the value chain. Based on this, executive officers and relevant departments engage in activities to stop, prevent, and mitigate negative impacts on human rights.

4) Metrics and targets

For more details, please refer to “4) Metrics and Targets” under “(1) Sustainability in General” above.

(4) Human Capital

“PEOPLE FIRST,” a core element of “OUR DNA” within “THE SHISEIDO PHILOSOPHY,” signifies our belief that beauty innovation begins with PEOPLE (employees) FIRST. We regard our employees—the source of value creation—as our most valuable asset as we continue to invest in people and organizational culture to maximize their potential. We aim to realize our vision for 2030 “Personal Beauty Wellness Company” by maximizing returns while tracking processes related to initiatives for people and organizational cultural.

1) Governance

The Company has established a Chief People Officer (CPO) to formulate and implement people strategies as part of its business strategy. CPO formulates people strategies based on the medium-term business strategy which are reviewed by the Board of Directors after discussions at “Global Strategy Committee” (Note). Furthermore, we have a system in place to achieve high transparency and objectivity in promoting the initiatives. Important management decisions are deliberated fairly from various perspectives and implemented with the approval and support of the Corporate Executive Officers and the Representative Corporate Executive Officers such as succession planning for key positions, placement and promotion of the right people in the right positions, validation of individual performance assessments, assessment of regional headquarters management members and determination of remuneration (Regional Remuneration Committee).

Note: For details, please refer to “1) Corporate Governance of the Company” under “4. Corporate governance, (1) Summary of corporate governance.”

2) Strategy

To achieve the Company's corporate mission, “BEAUTY INNOVATIONS FOR A BETTER WORLD,” placing the “Sense of Beauty” inherited over our 150-year history at the forefront of our efforts, we are focusing on acquiring and strengthening individuals who are determined and passionate for innovation to execute business strategies. We are also committing to fostering an organizational culture that continuously inspires innovations by integrating diverse knowledge and skills.

We have defined our ideal organizational culture as a “Beauty Innovation Atelier—Energized by Passion, Collaboration, and Excellence.” This vision portrays a dynamic workplace where individuals channel their passion (intrinsic motivation), combine their unique strengths, and drive impactful outcomes together, fostering continuous beauty innovations. We made a key visual of this vision and shared this vision with employees worldwide, embedding it deeply within our organization.

In promoting HR initiatives, it is important to ignite passions within our employees and help them to bring out their full potential and capabilities and succeed in the Company. Therefore, we defined the eight key elements that fuel employee energy as “Passion Drivers” and positioned them as important indicators to be confirmed in our global engagement survey, as well as incorporated them in the PDCA cycle to identify challenges and drive improvement.



Key visual for “Beauty Innovation Atelier”

Drawing “windows” to intersect the Passion, Collaboration, and Excellence of various employees. Each person's individuality shines through the colored windows, increasing the excitement of something new that is happening from Innovation Atelier.



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“Shiseido Passion Driver”

<Acquiring and strengthening people with commitment and passion>

To realize our corporate mission, we believe it is crucial to fill our Company with employees who drive the future with a commitment and passion for beauty,” which enables significant changes to our brand-based products, services, and initiatives. We prioritize diversity, equity, and inclusion (DE&I) by respecting and empathizing with different values, based on the belief that value is created through the integration of diverse knowledge and skills. We believe that combining different strengths of each individual generates creative thinking and diverse ideas full of inspiration, which leads to value creation. Therefore, we have made the acquisition of top talent based on high-level recruitment standards and the diversity of our employees a core part of our recruiting initiatives.

In particular, the Shiseido Group in Japan is actively engaged in hiring and supporting people with disabilities, and a diverse range of employees with disabilities are contributing by utilizing their unique experiences and strengths. We are accommodating both software and hardware needs to a reasonable extent, including support tools and equipment for individuals with disabilities in accordance with their circumstances, and flexible environments in accordance with the requests of each individual. One of our unique measures is the “Expanding Work Opportunities for People with Disabilities” project, which aims to increase hiring opportunities for people with disabilities. In 2021, we established a program that enabled employees with visual impairments to work as telecommunicating salesperson. In 2024, we launched the “Online Beauty,” a free-of-charge online beauty consulting service for customers with hearing impairments. We are hiring employees with disabilities who use sign language on a daily basis and preparing them to work as Shiseido Personal Beauty Partners (PBPs).

As for talent development, in order to realize our corporate mission, despite facing uncertainties and challenges while also capitalizing on opportunities created in such circumstances, we believe it is crucial to develop leaders owning both the mindset and capability to lead the innovation. In 2024, we focused on cultivating leaders with a “Sense of Beauty” and a mindset and capability to lead the innovation. We defined the leadership model at Shiseido as “Futurists, Leading Change” and began its introduction and implementation in the Company. At our global headquarters, we held workshops for more than 1,000 leaders to firmly embed this leadership model. In the future, we will expand this initiative in each global region and utilize the model for training, evaluation, etc.

Other measures to develop employees include “Strategic Talent Management,” which entails assigning the right person to the right position in the Shiseido Group and strategically developing talent; “Performance Management,” which aims to grow employees through extended work assignments and improve their mid- to long-term performance; career workshops and e-learning to strengthen the proactive career development and expertise; and the “Career Development Plan (CDP)” as one part of our Career Ownership Support, which envisions mid- to long-term career goals created by the employees themselves. As for training programs, three types of training are offered depending on the purpose and person: nomination-based programs, voluntary programs, and mandatory programs. “NEXT LEADERSHIP SESSION for WOMEN” is one of our unique nomination-based programs. In this program, women who are candidates for management positions learn to be free from their own and surrounding unconscious biases. They also learn management skills and find their own style of leadership. We also offer LinkedIn Learning, which allows employees around the world to learn on the same online platform. Mandatory programs include new employee training, third-year training, newly appointed manager training, and manager workshops. For employees in Japan, under the “Job-Based Personnel System” that has already been introduced, we are strengthening the expertise of our employees and supporting them in taking greater ownership of their careers.

Additionally, the “Shiseido Future University,” established in the fall of 2023 as a cutting-edge learning platform for future-driven employees, continued to offer selective leadership training for global talent and hosted the “Shiseido Learning Festival,” an initiative aimed at fostering a culture of learning for all employees (2024 results: more than 700 participants in total). We support the growth of our employees through our original curriculum, which combines content from leading-edge, global-level business schools with our company heritage that we have been pursuing since our founding, such as a “Sense of Beauty,” richness of spirit, curiosity, and a sense of playfulness to stay ahead of the times.



Key visual for new leadership model
“Futurists, Leading Change”



At the “Shiseido Learning Festival”
Experience programs to enrich the “Sense of Beauty”

<Fostering an organizational culture that inspires continuous innovation by integrating diverse knowledge and skills >

To ensure that employees from diverse backgrounds continue to work passionately and enthusiastically, we are putting effort into improving the internal environment in both soft and hard aspects, such as enhancing the employee experience, improving psychological safety, and improving productivity. In 2024, based on the belief that value will be created through the integration of diverse knowledge and skills, we launched various initiatives aimed at fostering stronger connections among employees. Led jointly by our Corporate Communications, Marketing, and Human Resources teams, these initiatives focused on our Global Headquarters and included events promoting direct dialogue between employees and senior management, as well as “Brand Days” designed to deepen employees’ understanding and affinity for our brands and new products. The employee cafeteria at our global headquarters collaborated to provide an original menu tailored to the themes of these events.

We introduced a flex-time policy without core hours and a “Shiseido Hybrid Work Style” that flexibly combines remote work and office work according to business objectives so that employees can choose their work style according to their needs. In order to improve the employee experience and enhance productivity through work style transformation, we launched a “Shiseido Work Smart” initiative that utilizes AI and digital tools. We launched “Shiseido AI Concierge” based on generative AI and introduced “PASS (People Assistance Solutions Salon),” a new HR support platform.

We are also focusing on “Health Management” because it is important for employees who support the realization of our corporate mission to lead healthy, fulfilling, and happy lives, embodying a sound sense of beauty. In addition to the “Shiseido Health Declaration” established in collaboration with the Shiseido Health Insurance Association, which aims to support employees to live with wellness and beauty, we also established the “Occupational Health and Safety Management System” in 2022 to ensure a safe and secure working environment for all individuals within the Shiseido Group. Furthermore, we formulated the “Shiseido Vision Zero Declaration (Safety Declaration)” with the goal of achieving zero work-related accidents in all workplaces. Going forward, we will continue to evolve our initiatives based on these declarations, minimize occupational safety risks, and invest in our employees’ health in order to create a virtuous cycle in which our employees can become healthier and consequently return value to society.

In order to enable each and every employee to bring out their potential and excellence, we are also committed to improving the environment and raising awareness regarding LGBTQ+ topics. In Japan, we made it clear in our working policies that the same-sex partners of employees shall be treated in the same manner as those with heterosexual partners regarding special leave, nursing care, childcare, and other benefits. In addition, we are holding internal events and talk sessions that provide opportunities for employees to reflect on the current situation surrounding the LGBTQ+ community by sharing their personal experiences and inviting external experts to have discussions. Every year, we hold “Diversity Week for LGBTQ+” in conjunction with Pride Month, attracted a total of 1,800 participants along with “Diversity Week for People with Disabilities,” to promote accurate understanding about LGBTQ+ topics and to foster an ally community in the workplace. (Note)

KODOMOLOGY Co., Ltd., a consolidated subsidiary, provides “KANGAROOM+,” a childcare support service for employees of the Shiseido Group and its partner companies, in order to meet the needs of employees under today's changing work styles and childcare conditions. We provide seamless support for employees who are raising children while working, from before childbirth to elementary school graduation.

Note: For details on diversity equity and inclusion initiatives, please refer to “(3) Diversity equity and inclusion initiatives” above.



Q&A session at ALL HANDS Meeting, a dialogue event with management



Original mascot characters created to raise awareness of Shiseido's health-management and occupational safety initiatives both inside and outside the Company. (Left) Health Mascot Well-chan and (Right) Safety Mascot Sefi-chan

3) Risk management

We manage the risks associated with our human capital initiatives in alignment with our overall sustainability risk management. For details, please refer to “(3) Risk Management,” under “(1) Sustainability in General” above.

4) Metrics and targets

The metrics are shown in the table below. Medium- and long-term targets are currently being formulated.

Human Resources Initiatives		KPIs	FY24 results
Acquiring and strengthening people with commitment and passion for innovation (Diversity and Talent Development)		Voluntary employee turnover rate (Japan) (Note 2)	5.8%
		Ratio of foreign employees (Japan)	1.9%
		Ratio of employees with disabilities (Japan)	2.99%
		Mid-career recruitment of new recruits' ratio (The Company, Shiseido Japan Co., Ltd.)	52.4%
		Notes: 1. For details on the "Percentage of women workers in managerial positions" and "Differences in wages of men and women workers," please refer to "(4) The proportion of female employees in managerial positions, the proportion of male employees who took childcare leave and the actual wage gap between male and female employees" under "1. Overview of the Company 5. Employees." 2. Excluding the 1,477 employees who left under the Early Retirement Incentive Plan.	
Fostering an organizational culture that promotes continuously innovation by integrating diverse knowledge and skills (Improvement of the internal environment)		Employee Engagement	68%
		Annual rate of paid leave taken per person (Japan)	83.2%
		Percentage of employees undergoing regular health checkups (Japan)	100%
		Number of fatalities and functional loss incidents due to work-related accidents	0
		Note: For details on the "Proportion of male employees who took childcare leave" and "Differences in wages of men and women workers," please refer to "(4) The proportion of female employees in managerial positions, the proportion of male employees who took childcare leave and the actual wage gap between male and female employees" under "1. Overview of the Company 5. Employees."	
External Evaluation, Honors and Awards	Diversity	MSCI Japan Empowering Women (WIN) Select Index 2024	Continuously selected
		Morningstar Japan ex-REIT Gender Diversity Tilt Index	Group 1 (highest)
		work with Pride Association: PRIDE index Corporation (Japan)	Gold (highest rating) and Rainbow certification
		METI (Ministry of Economy, Trade and Industry) and Tokyo Stock Exchange Nadeshiko (Japan)	Selection
	Improvement of the internal environment	METI and Nippon Kenko Kaigi 2024 Certified Health & Productivity Management Outstanding Organizations: White 500 under the large enterprise category (Japan)	Certification

3. Business and Other Risks

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

Such items associated with future events are based on our judgment as of the Annual Securities Report in Japanese filed to Director-General, Kanto Local Finance Bureau on March 26, 2025. Please note that the potential risks are not limited to those listed below.

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

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

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

In 2024, material risks were identified through a holistic approach combining multiple and comprehensive methods. Specifically, Risk Management Department interviewed and discussed with Executive Officers, Regional CEOs, and Directors for their view on Group risks. Regional risk assessments and input from relevant functions were also taken into consideration as Risk Management Department identified material risks affecting the achievement of our corporate strategy, “Action Plan 2025-2026*” for SHIFT 2025 and Beyond, with the input from external advisors.

* Top Priorities of “Action Plan 2025-2026”

1	Reinforce Brand Foundation	<ul style="list-style-type: none"> - Focus our efforts on key brands (Core 3 and Next 5) - Maximize gross profits - Develop cohesive operating model across brands and regions to boost brand equity
2	Rebuild Profitable Foundation	<ul style="list-style-type: none"> - Enhance profitability in Japan, Americas, EMEA, and Asia Pacific - Rebuild sustainable business foundation in China and Travel Retail - Reduce fixed costs across the organization
3	Enhance Operational Governance	<ul style="list-style-type: none"> - Accelerate asset-light initiatives - Evolve global operational framework - Sharpen financial governance and accountability

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

Table 1 <Risk Evaluation Methodology>

Impact on business	<ul style="list-style-type: none"> - Quantitative impact on business performance (e.g. topline sales) in case of manifestation - Qualitative impact on our corporate/brand image and culture
Likelihood	<ul style="list-style-type: none"> - Likelihood and timing of risk manifestation
Vulnerability	<ul style="list-style-type: none"> - Preparedness to the risk - Controllability of the manifestation of the risk due to external factors

Total 21 material risks identified through our risk assessment have been organized into three risk categories: “Consumer & Social-Related,” “Operation & Fundamental-Related,” and “Others” as shown in Table 2.


Table 2 <Summary of Shiseido Group Material Risks> ★: Risks for which we particularly strengthen our countermeasures


Consumer & Social-Related	<ul style="list-style-type: none"> - Changes in Consumer Values★ - Pace of Cutting-Edge Innovation★ - New Technology and Speed of Digital Acceleration★ - Corporate and Brand Reputation - Environment (Climate Change, Biodiversity, etc.) - Diversity, Equity & Inclusion (DE&I) - Natural Disaster, Infectious Disease and Terrorism - Geopolitical Tensions
Operation & Fundamental-Related	<ul style="list-style-type: none"> - Corporate Culture and Acquisition/Securing Outstanding People★ - Business Structure Transformation★ - Operating Infrastructure★ - Supply Network - Compliance - Privacy - Regulatory★ - Quality Assurance - Governance Structure - Information Security★
Others	<ul style="list-style-type: none"> - Exchange Rate Fluctuations - Business Investment - Material Litigation, etc.


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


The following outlines our key strategic initiatives, expected uncertainties (Threats and Opportunities), countermeasures, change in risk level and relationship with “Action Plan 2025-2026,” for each material risk. Please note that the following is based on our assumptions as of March 26, 2025.


<Consumer & Social-Related>


Risk	Important efforts for realizing our Strategies/ Uncertainties (Threats and Opportunities) that could impact such efforts and countermeasures regarding these uncertainties	Change in risk level (Year-on-Year)	Relationship with Action Plan 2025-2026*
Changes in Consumer Values	<p>[Key Strategic Initiatives]</p> <ul style="list-style-type: none"> - Focus on key brands. - Develop cohesive operating model across brands and regions. - Strengthen business portfolio combining the Company's R&D with open innovation and strategic M&A. - Strengthen value creation not only in existing markets but also in new markets. - Ensure brand equity through elevating price strategy on a global basis. - Enhance cross-border strategy. (China, Travel Retail and Japan) <p>[Uncertainties]</p> <ul style="list-style-type: none"> - Changes in consumer income and spending willingness driven by macroeconomic conditions may lead to sales and profits that exceed or fall short of our business plan. (Threat/Opportunity) - Loss of competitiveness due to delayed or inadequate response to changing consumer values relating to "beauty," changing needs related to cosmetics or aesthetic medicine, price acceptability, and diversifying purchasing behavior including touchpoints. (Threat) - Possibility of losing the trust of society and consumers due to their misunderstanding, even though we sell products that are genuinely considerate of environmental, gender, and racial diversity. (Threat) - Successful marketing strategies addressing changing consumer values may lead to higher-than-expected sales and profits. (Opportunity) <p>[Countermeasures]</p> <ul style="list-style-type: none"> - Strengthen brand portfolio based on competitive advantage to respond to diversifying consumer values. - Expand our brands in markets where further growth is expected. - Accelerate diversity of human resources across the Group. - Accelerate value creation and business development through open innovation with other companies. - Established a department and committee responsible for global brand strategy to optimize strategy across brands and maximize return on investment. - Through Consumer and Market Intelligence Department, gather consumer information in an accurate and timely manner. - Established a specialized department responsible for value creation in new areas by anticipating changes in consumer values over the medium to long term. 		1 and 3



Risk	Important efforts for realizing our Strategies/ Uncertainties (Threats and Opportunities) that could impact such efforts and countermeasures regarding these uncertainties	Change in risk level (Year-on-Year)	Relationship with Action Plan 2025-2026*
Pace of Cutting- Edge Innovation	<p>[Key Strategic Initiatives]</p> <ul style="list-style-type: none"> - Selection and concentration of R&D through introduction of unique R&D philosophy “DYNAMIC HARMONY.” - Uphold “We are the engine of BEAUTY INNOVATIONS” as 2030 R&D Vision and established the three pillars of innovation: “Skin Beauty INNOVATION,” “Sustainability INNOVATION,” and “Future Beauty INNOVATION.” In addition, “De-monoculture,” an approach breaking free from the status quo are formulated as our strategy. - Strengthen R&D in the key brands. - Accelerate the conversion of our technology and R&D strength into our brand values and bring innovations that deliver new value driven by bold science and technologies. - Invest in R&D with ca.3% of net sales ratio target. <p>[Uncertainties]</p> <ul style="list-style-type: none"> - New and competing technologies may make existing technologies obsolete. Cosmetics and other regulations of certain countries could result in restriction of our technologies, making it difficult to provide new value to consumers. (Threat) - Launch of new technologies from a short-term perspective, medium-to long term slowdown in basic research or formula development/alternative ingredients to boost sustainability, or delay in M&A progress and partnerships with third parties could prevent us from achieving planned synergies. This would limit our overall competitiveness and ability to meet the needs of consumers. (Threat) - Establishing competitive superiority through the creation of new value via innovation in fields such as services, processes, and organization. (Opportunity) <p>[Countermeasures]</p> <ul style="list-style-type: none"> - Continue to invest in cosmetics R&D and agile investment allocation. - Identified core technology areas for R&D and clarified short-to long-term strategies for each to achieve resource allocation with high return on investment. - To maximize the value of innovative research outputs, sustainable creation of seeds for commercialization across brands, which are effectively communicated to consumers through strategic communications. - Operate all our factories leveraging the latest technologies. - Conduct joint research with external organizations. Leverage expertise of startup companies to focus on consumer trends. - Business trials of new cosmetics' categories co-created with real consumers through “fibona” program, and quick business scale up by proposing to brands and third business partners through. - New domain business trials such as skin diagnosis value utilizing our R&D base, Global Innovation Center. - Define KPIs for measuring the return on R&D (such as R&D expenses to net sales ratio, number of researchers, sites, patent applications, academic papers, and seeds created and utilized, etc.) for monitoring. - Expand the dispatch of strategic people to external organizations in order to develop innovative people and expanding the number of specialized positions linked to the organizational plan in order to strengthen organizational capability in terms of expertise. 		1

Risk	Important efforts for realizing our Strategies/ Uncertainties (Threats and Opportunities) that could impact such efforts and countermeasures regarding these uncertainties	Change in risk level (Year-on-Year)	Relationship with Action Plan 2025- 2026*
New Technology and Speed of Digital Acceleration	<p>[Key Strategic Initiatives]</p> <ul style="list-style-type: none"> - Develop strategies from a company-wide perspective and promote the digitization of processes in all areas. - Drive Global Standardizations (platforms, tools, process and aligned KPIs) for focused and effective activations and measurement in order to help reach Global targets and create cost efficiencies and decrease compliance risks. - Obtain and analyze consumer data in compliant manner to develop more personalized marketing through digital CRM. Strengthen retention and loyalty through first party data collection and utilization ensuring compliance and security standards. - Drive consumer experience and engagement innovation leveraging new technologies like generative AI, Agentic AI to support omnichannel services that grow CLTV (Customer Life Time Value). <p>[Uncertainties]</p> <ul style="list-style-type: none"> - Possibility of decline in market share due to delay of data and process standardization may lead to compliance risk and cost increases. (Threat) - Possibility of leakage of personal and confidential information as a result of failure to take appropriate measures against various risks associated with the use of generative AI. (Threat) - DX workforce attrition due to competitive threats across all industries. (Threat) - Offer unique value through combination of online and offline (i.e., store counter) experiences. (Opportunity) - Improvement of competitive advantage through the use of generative AI. (Opportunities) <p>[Countermeasures]</p> <ul style="list-style-type: none"> - Quarterly regional meetings between Chief Digital Officer (CDO) and digital leadership team in the HQ and Regional HQs established for audit and track global delivery based on standardized KPIs. - Conducted a company-wide audit of AI projects to identify top priorities for HQ, Regions and brands. Proposed AI Center of Excellence to support governance, prioritization, and ethical AI standards. - Established an internal staging and production environment for the experimentation and use of generative AI models. - Introduction of the digital workforce planning to reinforce to support digitally optimized team building, hiring, retention, and development of digital experts. - Enhance development of beauty technology to reinforce personalized engagement with customers and improve unique digital content to analyze skin condition. - Accelerate first-party data acquisition through service and technology offered to consumers online and at store counters. - Promote governance by creating stage gate process, investment management model with collaboration with R&D, Corporate Strategy and Global IT companies. 		2 and 3



Risk	Important efforts for realizing our Strategies/ Uncertainties (Threats and Opportunities) that could impact such efforts and countermeasures regarding these uncertainties	Change in risk level (Year-on-Year)	Relationship with Action Plan 2025- 2026*
Corporate and Brand Reputation	<p>[Key Strategic Initiatives]</p> <ul style="list-style-type: none"> - Promote communication with multiple stakeholders in both the economic and social aspects to maintain and enhance the image of the corporate brand and each brand. - Promote multifaceted marketing activities utilizing consumer insights and data to leverage brand equity. <p>[Uncertainties]</p> <ul style="list-style-type: none"> - Rumors, whether true or unfounded, regarding our official communications or comments and actions by ambassadors and social media influencers associated with Shiseido or the contents communicated by individuals or organizations supported by Shiseido could result in public criticism of the Group and damage our reputation. (Threat) - Sale of counterfeit products can damage our ability to share our values with consumers, resulting in damage to our brand. (Threat) <p>[Countermeasures]</p> <p>Following countermeasures are implemented to prevent reputation risk cases in advance.</p> <ul style="list-style-type: none"> - Provide in-house training for marketing and communications staff on maintaining and enhancing brand image. - Continuously refine our review system for communications used in advertising and promotional materials, as well as for selection of brand ambassadors, social media influencers and support activities for external individuals or organizations by Shiseido, to avoid statements and conduct that could trigger criticism based on each market's ethical or social norms. - Monitoring of information related to the Company on websites and social media. - Establish and thoroughly communicate a social media policy internally. <p>Following actions are executed to strengthen the response in the event of an incident.</p> <ul style="list-style-type: none"> - Coordinate more closely with Regional HQs for incident response. - Coordinate with local government authorities to combat counterfeit products. 		1 and 3



Risk	Important efforts for realizing our Strategies/ Uncertainties (Threats and Opportunities) that could impact such efforts and countermeasures regarding these uncertainties	Change in risk level (Year-on-Year)	Relationship with Action Plan 2025- 2026*
Environment (Climate Change, Biodiversity, etc)	<p>[Key Strategic Initiatives]</p> <ul style="list-style-type: none"> - As part of initiatives to realize a better world, execute actions while working toward greater sustainability, and enriching people's lives through an approach unique to a beauty company. - Promote activities to achieve three commitments: "Reducing Our Environmental Footprint," "Developing Sustainable Products," and "Promoting Sustainable and Responsible Procurement." <p>[Uncertainties]</p> <ul style="list-style-type: none"> - Lack of environmental measures may lead to loss of trust of consumers/society at large and a decline in shopping motivation. (Threat) - Inadequate responses to environmental issues, particularly non-compliance with regulations regarding climate change and biodiversity, would negatively affect business, finance, and corporate value. (Threat) - Efforts such as development of sustainable products could establish greater trust with consumers and society at large, create new social value in beauty, and rapidly increase corporate value. (Opportunity) <p>[Countermeasures]</p> <ul style="list-style-type: none"> - Regular meetings held by the Sustainability Committee for medium-to-long-term strategy development/KPI setting, deliberation/resolution on sustainability issues, and monitoring of the strategy implementation progress involving related departments of HQ, and Regional HQs and brands with responsibility for execution. - Sustainability related activities by each brand. - Issue Sustainability Report reflecting corporate policies, initiatives, and KPIs and performance. - Promote acquisition of ISO 14001 certification at all factories and distribution centers. (All factories have acquired ISO 14001 certification by the end of 2023.) - Promote efforts to contribute to the reduction of environmental impact together with customers through adopting eco-friendly packaging. - Promote switch to certified palm oil and paper. - Set and disclose medium-term targets for major environmental load reduction items (CO₂, palm oil, paper, water, waste) and work toward achieving them. - Promote traceability in raw material procurement, which has a significant impact on climate change, biodiversity, and human rights in supply chain as a sustainability issue. - Support the Task Force on Climate-related Financial Disclosures (TCFD) and Taskforce on Nature-related Financial Disclosures (TNFD). Prepare and disclose a scenario based on quantitative/qualitative analysis of climate change and biodiversity impact on business, estimated financial impact and specific actions to be taken, in line with TCFD/TNFD recommendations. 		1 and 3



Risk	Important efforts for realizing our Strategies/ Uncertainties (Threats and Opportunities) that could impact such efforts and countermeasures regarding these uncertainties	Change in risk level (Year-on-Year)	Relationship with Action Plan 2025- 2026*
Diversity, Equity & Inclusion (DE&I)	<p>[Key Strategic Initiative]</p> <ul style="list-style-type: none"> - As part of initiatives to realize a better world, execute actions aimed at solving social issues and enriching people's lives through an approach unique to a beauty company, while working toward greater sustainability. - To achieve the three commitments of "Advancing Gender Equality," "Empowering people through the Power of Beauty," and "Promoting Respect for Human Rights," actions taken by HQ/Regional HQs/brands in collaboration with external international organizations and NGOs. - Particularly in Japan, where empowerment of women lags behind, Shiseido to provide information to employees as well as external companies, thereby driving transformation of Japanese companies and Japanese society as a whole. <p>[Uncertainties]</p> <ul style="list-style-type: none"> - Possibility of losing the trust of society at large and consumers due to insufficient efforts in DE&I, which is a strength of Shiseido. (Threat) - Inadequate responses to "Business and Human Rights" without considering the characteristics of each market, would negatively affect corporate value. (Threat) - Our efforts may create new social values, building trust with consumers and society at large. (Opportunity) - Organizational culture rooted in DE&I may lead to recruitment/retainment of diverse and talented people, promoting innovation and dramatically increasing our corporate value. (Opportunity) <p>[Countermeasures]</p> <ul style="list-style-type: none"> - Medium-to-long-term strategy development, setting KPIs, and monitoring of the strategy implementation progress, involving related departments of HQ and Regional HQs. - Identify and examine countermeasures to respond to changes in values regarding DE&I. - Activities by each brand for sustainability realization. - Issuance of Sustainability Report containing corporate policy, initiatives, and KPIs. - Through the "Shiseido DE&I Lab," which studies the relationship between the activities of diverse talent and corporate growth, we publish the results of empirical research on our website. - Participation in "30% Club Japan" which aims to increase the proportion of women on the boards of companies in Japan. - Expand opportunities to experience "power of makeup" through "SLQM (Shiseido Life Quality Makeup)" programs, supporting QOL improvement of cancer survivors and those with deep concerns about their skin. - Establish a human rights due diligence process to identify possible negative impacts on human rights that the Company or its business partners may have on society and implement remedial actions to prevent and mitigate them. 		1 and 3



Risk	Important efforts for realizing our Strategies/ Uncertainties (Threats and Opportunities) that could impact such efforts and countermeasures regarding these uncertainties	Change in risk level (Year-on-Year)	Relationship with Action Plan 2025- 2026*
Natural Disaster, Infectious Disease and Terrorism	<p>[Key Strategic Initiatives]</p> <ul style="list-style-type: none"> - Reinforce people and management infrastructure to rebuild our foundation for growth on a global scale. <p>[Uncertainties]</p> <ul style="list-style-type: none"> - Natural disasters (such as earthquakes, flood damages, tornadoes, and fires) and other events around the world (such as terrorism and riots) threatening employee safety and/or causing property damage, resulting in negative impact on supply network and business. (Threat) - Outbreak of pandemics may lead to decline in consumption, sales, and profits. (Threat) - Possibility to secure a competitive advantage in the market by quickly and flexibly addressing the changes in consumer values and needs. (Opportunity) <p>[Countermeasures]</p> <ul style="list-style-type: none"> - Execute employee safety training and formulate business continuity plans (BCPs) for HQ and major regional sites. Hold regular and consistent training at each site. - Strengthen and leverage our global supply network to allow flexible and continuous supply during a crisis. - Established BCP for infectious diseases and response system. 		3
Geopolitical Tensions	<p>[Key Strategic Initiatives]</p> <ul style="list-style-type: none"> - Focus investments on the areas and business of growth drivers. - Rebuild the business foundation to boost profitability. <p>[Uncertainties]</p> <ul style="list-style-type: none"> - Possibility of consumer pullback on our products due to increased anti-Japan sentiments in markets where we operate. (Threat) - Deterioration of business environment due to political instability in markets where we operate. (Threat) - Our profitability may deteriorate if the increased cost of raw materials caused by global price inflation leads to an increase in the price of goods/services, as consumers may be less motivated to purchase our products. (Threat) - Unstable political conditions, strained diplomatic relationships of countries, trade policy dispute and conflicts where we operate could deteriorate our business environment and lead to negative impacts on production, supply, and sales of our products. (Threat) <p>[Countermeasures]</p> <ul style="list-style-type: none"> - Reinforce brand foundation by concentrating investments in key brands based on growth potential, profitability, and competitive advantage. - Accelerate business transformation globally to minimize risks even when we face unexpected changes in market situation. - Balance sales portfolio across regions. - Strengthen and leverage the scale of our global supply network to be able to be flexible at a time of crisis, without interrupting supply. - Identification and consideration of Group-wide response points in the event of a crisis. 		1, 2 and 3


<Operation & Fundamental-Related>


Risk	Important efforts for realizing our Strategies/ Uncertainties (Threats and Opportunities) that could impact such efforts and countermeasures regarding these uncertainties	Change in risk level (Year-on-Year)	Relationship with Action Plan 2025-2026*
Corporate Culture and Acquisition/ Securing Outstanding People	<p>[Key Strategic Initiatives]</p> <ul style="list-style-type: none"> - Under the “PEOPLE FIRST” Principle, we consider people are the “source” of value creation and our greatest asset, and define our value creation sites as “Beauty Innovation Atelier - Energized by Passion, Collaboration and Excellence,” with the aim of maximizing returns on our investment in people. We also plan to promote this initiative globally. - In the people strategy, while focusing on strengthening leadership and innovation capabilities, we continuously improve the level of employee engagement, which is the starting point for sustainable value creation. - Based on the belief that value is created through the integration of diverse knowledge and skills, we also take an organizational development approach to strengthen relationships among employees and the organization, and to change the entire culture. - Continue to promote OUR PRINCIPLES (TRUST 8) as the working principles that every Shiseido employee must follow. <p>[Uncertainties]</p> <ul style="list-style-type: none"> - Inability to attract and retain the best people may lead to people shortages in realizing our business objectives. (Threat) - Possibility of securing a competitive advantage by hiring and retaining the best people. (Opportunity) - Possible increase in productivity of the entire Group through the promotion of business process using AI and IT tools and work style reforms. (Opportunity) <p>[Countermeasures]</p> <ul style="list-style-type: none"> - Aim to shorten the distance between the leadership team and employees, to intentionally increase opportunities for direct discussion of management policies, vision, thoughts and values, and to continue to build a highly transparent organizational culture, while promoting a sense of unity and alignment of employee vectors throughout the organization. - Promote workplace with flexibility and diversity, such as a workstyle combining office and remote work to achieve maximum results (Shiseido hybrid work style) and permitting part-time jobs. Improve employee wellbeing. - Introduce the global HR database and unify employee performance management to appoint talented people right time in the right jobs. - Introduce the Job Grade HR System and a remuneration system commensurate with individual contributions to ensure transparency in personnel evaluation and improve employee motivation. - Organize global leadership programs, and women's leadership development programs. - At “Shiseido Future University,” we implement an original leadership program focusing on the people selected from the Group companies in Japan and overseas who will become next-generation management leaders, with the aim of nurturing leaders who have a sense of beauty and a richness of spirit befitting a beauty company, and cutting-edge global-level business knowledge to create Shiseido's unique value and innovations. - Strengthen retention of people by offering total rewards, including global leadership programs, women's leadership development programs, global mobility and competitive compensation systems. 		1 and 3
Business Structure Transformation	<p>[Key Strategic Initiative]</p> <ul style="list-style-type: none"> - To achieve a 7% core operating profit margin in 2026 by transforming into a resilient business model that enables sustainable profit growth amid volatile market conditions, promote the “Action Plan 2025-2026” for SHIFT 2025 and Beyond. <p>[Uncertainties]</p> <ul style="list-style-type: none"> - Business plan achievement may be negatively affected if regional/divisional business restructuring does not progress as targeted and profitability and cash flow is not improved. (Threat) - Growth in the cosmetics market may fall below expectations with slowdown of economic growth in China or the Americas, affecting management plans. (Threat) - Possibility of establishing competitive advantage in the global market by initiatives such as rebuilding the earnings base by bringing back growth in Japan, implementing business transformation in China, and establishing a foundation for growth in Americas as the next growth pillar. (Opportunity) <p>[Countermeasures]</p> <ul style="list-style-type: none"> - Established the Global Transformation Committee chaired by the CEO and CFO to clearly define the roles and responsibilities of each functional area while also “reinforcing the execution, oversight and monitoring functions” to deliver expected results from the business structure transformation. - As Japan is one of our top priority markets, we steadily promote our business transformation plan called “Mirai Shift NIPPON 2025” to improve profitability and productivity. 		2

Risk	Important efforts for realizing our Strategies/ Uncertainties (Threats and Opportunities) that could impact such efforts and countermeasures regarding these uncertainties	Change in risk level (Year-on-Year)	Relationship with Action Plan 2025- 2026*
Operating Infrastructure	<p>[Key Strategic Initiative]</p> <ul style="list-style-type: none"> - Improve effectiveness of information systems, business management systems, and core business processes related to procurement/production/sales to realize and expand Global One IT organization. <p>[Uncertainties]</p> <ul style="list-style-type: none"> - If IT system reconstruction/transition at our local offices do not proceed as planned, or faces issues hindering smooth operation after introduction, the initiative to improve global business base may be hindered and management plans are negatively affected. (Threat) - Through the standardization of IT systems on a global scale, improvements in forecasting accuracy and data visibility, along with enhanced cost efficiency and business productivity, could further strengthen our business foundation and enhance our competitive advantage. (Opportunity) - The standardization of global IT systems allows for the centralization and visualization of data across all regions, enabling swift decision-making and more flexible responses to market changes, which could further enhance our competitive advantage. (Opportunity) <p>[Countermeasures]</p> <ul style="list-style-type: none"> - Establishment of the specialized department at HQ which executes/promotes “FOCUS” project for standardizing and updating IT systems and business processes globally. - Proceed the system implementation based upon the robust methodology including extensive system, dry run and user training prior to go-live and post-operational hyper care period to ensure business, system and human resource readiness. - Implement a high-availability global Cloud IT infrastructure to ensure resilience. - Activate the Business Contingency Plan, when required, to avoid any business impact. 		2 and 3
Supply Network	<p>[Key Strategic Initiatives]</p> <ul style="list-style-type: none"> - Improve our global supply chain management. - Strengthened global supply chain management by deployment of FOCUS. - Continuous process improvement and state of the art technology investments in manufacturing and distribution. - Focus on safety, sustainability and quality. <p>[Uncertainties]</p> <ul style="list-style-type: none"> - Possible delays and inability to produce products stably due to price hikes, increased demand for raw materials, rising transportation costs and business withdrawals caused by economic factors such as yen depreciation, international inflation and increased tariffs, as well as natural disasters, cyber damage to suppliers, and other factors affecting the supply chain. (Threat) - Leverage Japan’s high-quality manufacturing strengths to increase consumer value, at our factories in Japan. (Opportunity) - Possibility of rebuilding our profitable structure and enhancing our competitive advantage through the optimization of our end to end Global Supply Network Operations including planning, inventory management, procurement, production, and logistics. (Opportunity) <p>[Countermeasures]</p> <ul style="list-style-type: none"> - Reinforce supply structure of important ingredients by using multiple suppliers, securing emergency stocks, and creating strategic alliances with suppliers. - Strengthen our monitoring capabilities to ensure compliance with the Shiseido Group Supplier Code of Conduct. - Deploy and execute “Global Safety Management System” and “Supply Network Sustainability Roadmap.” - “Policy for Responsible Procurement” is established and globally deployed. 		2 and 3




Risk	Important efforts for realizing our Strategies/ Uncertainties (Threats and Opportunities) that could impact such efforts and countermeasures regarding these uncertainties	Change in risk level (Year-on-Year)	Relationship with Action Plan 2025- 2026*
Compliance	<p>[Key Strategic Initiative]</p> <ul style="list-style-type: none"> - Strengthen global legal compliance structure as we build business foundation in the new areas such as digital and beauty tech, wellness, new business acquired through M&A, etc. <p>[Uncertainty]</p> <ul style="list-style-type: none"> - Shiseido is subject to laws and regulations in countries in which we operate around the world relating to product safety, ingredients and labeling, employee health and safety, intellectual property, antitrust and competition, data privacy, environment, employment and labor, taxes, product claims, corporate governance, Tokyo Stock Exchange (TSE) listing and disclosure. Unexpected changes to these laws and regulations could have a material impact on the business cost. Failure to comply with these laws and regulations could expose the Company to civil and/or criminal fines, penalties and sanctions impacting on our corporate reputation. (Threat) <p>[Countermeasures]</p> <ul style="list-style-type: none"> - Office of the Chief Legal Officer (CLO) works in conjunction with regional legal leaders to reinforce global compliance with Company rules and policies as well as external laws and regulations. Response teams are activated in any affected Regions or markets to ensure timely and effective actions in protecting the safety of our consumers and our employees. - Foster an ethical culture and a framework of our ways of working that set out our non-negotiable standards embodied in our “Shiseido Code of Conduct and Ethics” expected from all employees. We also provide training and awareness of compliance areas such as anti-corruption, anti-trust, anti-harassment and anti-discrimination, in addition to developing areas concerning the use of consumer data. - Established the “Shiseido Global Hotline” at HQ to directly receive reports from all employees of the Group. 		3
Privacy	<p>[Key Strategic Initiative]</p> <ul style="list-style-type: none"> - To provide innovative experiential value and services to our consumers, and to co-create with them, we obtain and utilize their personal data with their consent. <p>[Uncertainty]</p> <ul style="list-style-type: none"> - Violation of laws and regulations, fine payments, and loss of trust in the Company due to a data breach or delayed or inappropriate response to applicable laws and regulations in each country regarding data protection including personal information. (Threat) - Loss of trust in the Company and business opportunity due to failure to understand the sensitivity of society regarding data protection and appropriately understand the concerns/ expectations of consumers regarding data protection. (Threat) - By taking appropriate countermeasures to the above threats, possibility of contributing to the achievement of business goals; for example, consumers feel safe to entrust their personal data to the Company. (Opportunity) <p>[Countermeasures]</p> <ul style="list-style-type: none"> - Appointed a global privacy leader to strengthen data privacy protection and interface with regional data privacy leaders to strengthen global governance and build trust with consumers, business partners and employees. - Promote transparency regarding our privacy practices and data protection efforts. - Continuously revise company data protection policies consistent with evolving laws. - Identify/securely manage personal data held by the Company. Continuously promote training and awareness activities for employees. - Continuously conduct company-wide privacy assessments and address vulnerabilities. 		3

Risk	Important efforts for realizing our Strategies/ Uncertainties (Threats and Opportunities) that could impact such efforts and countermeasures regarding these uncertainties	Change in risk level (Year-on-Year)	Relationship with Action Plan 2025- 2026*
Regulatory	<p>[Key Strategic Initiative]</p> <ul style="list-style-type: none"> - HQ leads in collecting information and analyzing risks related to the ever-changing new regulations and social trends, sharing information with related departments, including overseas regions, and strengthening the system for the smooth launch of innovative products and services. <p>[Uncertainties]</p> <ul style="list-style-type: none"> - If we are unable to properly develop products that comply with regulations in each country, our technologies and products may be restricted by regulations, making it difficult to continue manufacturing and selling products, which may have a significant impact on our business plan and cause us to lose the trust of society and consumers. Furthermore, if our superior technologies are restricted by regulations, the competitiveness of our products may decrease. (Threat) <p>[Countermeasures]</p> <ul style="list-style-type: none"> - Established a dedicated department within HQ to monitor regulatory trends and formulate strategies for cosmetics and other regulations in each country. - Strengthen our response to changing regulations in collaboration with our local regulatory teams, local industry associations and external experts. - Conduct compliance assessments of environmental and other regulations based on the ISO14001 to ensure strict compliance with laws and regulations. 		3
Quality Assurance	<p>[Key strategic Initiative]</p> <ul style="list-style-type: none"> - Offering safe products is a core Shiseido value and the foundation of our business strategies and competitive advantage; thorough measures are taken to ensure high quality throughout product design, production, and sales. <p>[Uncertainties]</p> <ul style="list-style-type: none"> - Insufficient implementation of the Group's high standard of quality assurance throughout the Group may result in our inability to continue to provide safe products to consumers. (Threat) - Globally produce and provide Japan-standard quality, leading to improved brand image and increase in consumers, especially outside Japan. (Opportunity) <p>[Countermeasures]</p> <ul style="list-style-type: none"> - Developed "Shiseido Quality Principle" and "Global Quality Policy and Requirement" and established Shiseido's own quality and safety assurance standards. Confirm adherence to such guidelines and standards at all stages, including new product design and development, management of raw materials, production, and delivery. - Manage the operations through Shiseido Quality Management System to strengthen objective management, governance and risk assessment. - Implementation of "Global Quality Information Management System," a system allowing global sharing of voice of consumers collected at consumer centers. - Set up a consumer service desk and a dedicated internal system for reporting and responding to potential quality risks, in addition to conducting regular simulation training. - Expand the areas of quality audit by the Quality Assurance Department. 		3

Risk	Important efforts for realizing our Strategies/ Uncertainties (Threats and Opportunities) that could impact such efforts and countermeasures regarding these uncertainties	Change in risk level (Year-on-Year)	Relationship with Action Plan 2025- 2026*
Governance Structure	<p>[Key Strategic Initiative]</p> <ul style="list-style-type: none"> - Creation of a matrix organization structure composed of six Regions and brand categories to allow HQ to manage the entire Group business, whilst also transferring greater authority to Regional HQs overseeing Japan, China, APAC, the Americas, EMEA, and Travel Retail. We promote the localization of responsibilities and authority. - In order to further evolve into a structure that will bring about sustainable growth and long-term enhancement of corporate value by formulating strategies based on the most appropriate corporate governance structure for the Company, we have transitioned to a Company with Three Statutory Committees. <p>[Uncertainties]</p> <ul style="list-style-type: none"> - If authority is not appropriately delegated and responsibilities are not fulfilled, or if there are deviations from rules in decision-making and business execution, it may become increasingly challenging to maintain efficient and legally compliant operations and damage the organization's sustainability. (Threat) - Possibility of increased consumer loyalty in Regional HQs area of responsibility and make speedy decisions or successfully execute marketing strategies to address local market needs. (Opportunity) <p>[Countermeasures]</p> <ul style="list-style-type: none"> - To further strengthen the separation of execution and oversight, thereby enhancing the effectiveness of the Board of Directors, we appointed external director as the chairperson of the Board effective from January 1, 2025. - Decisions relating to the Company's business are regularly reviewed by the Company's Executive Officers and important matters are proposed or reported to the Board of Directors. - We create rules for responsibility and authority of HQ/ Regional HQs for each function and brand to ensure group governance through regular reporting and on-going global leadership meetings. - Strengthen governance structure by establishing internal controls globally, including a Group-wide risk management system. 		3

Risk	Important efforts for realizing our Strategies/ Uncertainties (Threats and Opportunities) that could impact such efforts and countermeasures regarding these uncertainties	Change in risk level (Year-on-Year)	Relationship with Action Plan 2025- 2026*
Information Security	<p>[Key Strategic Initiative]</p> <ul style="list-style-type: none"> - Strengthen digital marketing globally by utilizing data and enhancing e-commerce to match consumer needs and fierce competitive environment. <p>[Uncertainties]</p> <ul style="list-style-type: none"> - Stagnation of production and sales and liability for damages to consumers and customers and loss of trust in the Company due to system failures caused by cyberattacks and leakage of consumer data. (Threat) - With the increase in access points to important information and data accompanying working styles regardless of location and time, and further collaboration/ co-creation with external partners, information leakage risks may be heightened if management or operation is inadequate. (Threats) - By addressing the above threats appropriately, there is a possibility of contributing to the achievement of business objectives through establishing a system that properly manages important information and data. <p>[Countermeasures]</p> <p>The following countermeasures are implemented, referencing the ISO and National Institute of Standards and Technology (NIST) frameworks.</p> <ul style="list-style-type: none"> - Dedicated information security department leading global collaboration, governance, and control. Conduct periodic drills in response to external attacks and in case of emergencies. - Continuously revise the company's information security/data protection regulations, considering both internal and external environmental changes. - Continuously promote information security awareness among employees. - Reinforce security measures from a medium-to-long-term perspective, such as filtering, PC terminals, and cloud usage against increasingly sophisticated and diverse external cyberattacks. - Strengthening the establishment and monitoring of the Security Operations Center (SOC) on a global scale, involving external experts, for improved management/operation of increasing amount of sensitive data and diversifying data access points. - To prevent the leakage of confidential information, we have strengthened our response structure from three phases: prevention, detection, and post-incident. - Accurately evaluate the current status of countermeasures, including vulnerability assessments, and quantitatively understand the risk level, not only considering external threat trends. 		3

<Others>

Risk	Important efforts for realizing our Strategies/ Uncertainties (Threats and Opportunities) that could impact such efforts and countermeasures regarding these uncertainties	Change in risk level (Year-on-Year)	Relationship with Action Plan 2025- 2026*
Exchange Rate Fluctuations	<p>[Key Strategic Initiative]</p> <ul style="list-style-type: none"> - Increase our ratio of overseas sales as a global beauty company. <p>[Uncertainties]</p> <ul style="list-style-type: none"> - Significant fluctuations in exchange rates for settlements in foreign currencies, related to import/export transactions. (Threat/Opportunity) - When transaction figures reported in local currencies for an overseas affiliate are converted into Japanese yen at the time of preparing the consolidated financial statements, the appreciation of the Japanese yen may adversely affect business results. (Threat) - Investments in overseas affiliates could result in reduced net assets due to currency exchange adjustments and the appreciation of the Japanese yen. (Threat) <p>[Countermeasures]</p> <ul style="list-style-type: none"> - Hedge exchange rate fluctuation risks with forward exchange contracts. - Monitor and respond to fluctuations in major global currencies. 		2 and 3
Business Investment	<p>[Key Strategic Initiative]</p> <ul style="list-style-type: none"> - Promote growth investments that align with Company strategy and reinforce brand foundation and rebuild profitable foundation. <p>[Uncertainties]</p> <ul style="list-style-type: none"> - If market/business conditions deteriorate at levels not anticipated at the time of investment decisions and our business plans are not successfully carried out, impairment losses on goodwill and intangible assets recorded through M&A may negatively affect company performance. (Threat) <p>[Countermeasures]</p> <ul style="list-style-type: none"> - Regular performance monitoring and reporting of monitoring results to the Board. - Consider future directions and countermeasures to improve business performance in cooperation with relevant brands, regional HQs and HQ corporate departments. - For large-scale investment projects, proposals will be submitted to the decision-making body after thorough examination by the Investment/Divestment Committee. 		1, 2 and 3
Material Litigation, etc.	<p>[Key Strategic Initiatives]</p> <ul style="list-style-type: none"> - Continuously strengthen legal compliance structure and governance with a risk mitigation focus as we rebuild business foundation and focus on growth through new business models such as digital and beauty tech, transformation initiatives, M&A, beauty wellness, etc. - Robust management and mitigation of material litigation/claims and heightened attention on proper controls and preventative measures, including employee training and employee reporting avenues such as ethics hotlines. <p>[Uncertainties]</p> <ul style="list-style-type: none"> - With a presence across approximately 120 countries/regions globally, there is a possibility that we will face lawsuits and/or claims and/or government investigations under the different legal systems of each country. (Threat) - During the current fiscal year, there have been no significant lawsuits or similar matters filed that would have a major impact on our company. However, there is a possibility of significant impact on the Group's business performance should a major material litigation occur in the future with an unfavorable ruling for the Group, which could adversely affect our financial position and business performance. (Threat) <p>[Countermeasures]</p> <ul style="list-style-type: none"> - Established legal teams at our HQ and Regional Affiliates, led by the Company's Chief Legal Officer to ensure effective strategies and defenses. Subject matter legal experts/external law firms are retained in support of all legal strategies and defenses in material matters. - Continuously provide legal training to employees regarding legal environment and country-specific laws and regulations impacting our business in areas of legal impact to the business, such as anti-corruption, antitrust, anti-discrimination. - Ensure all commercial agreements have clear business terms that include indemnification and other protections to reduce the risk of disputes. - Proactively ensure all IP is protected globally to guard against infringement claims. - Conduct due diligence on all significant commercial and business transactions. 		3

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

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

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

(1) Consolidated performance

	Unit	Net Sales	Core Operating Profit	Operating Profit	Profit or loss before Tax	Profit or loss Attributable to Owners of Parent	EBITDA
Fiscal year ended December 31, 2024	Millions of yen	990,586	36,359	7,575	(1,265)	(10,813)	89,564
Fiscal year ended December 31, 2024	Thousands of U.S. dollars	6,315,902	231,822	48,298	(8,066)	(68,943)	571,053
Fiscal year ended December 31, 2023	Millions of yen	973,038	39,842	28,133	31,037	21,749	91,819
Year-on-Year Increase (Decrease)	%	1.8	(8.7)	(73.1)	-	-	(2.5)
FX-Neutral	%	(2.7)					
Like-for-Like	%	(1.3)					

Notes:

1. Core operating profit is calculated as operating profit excluding profits or losses incurred by non-ordinary factors (non-recurring items), such as costs and expenses related to structural reforms, impairment losses, acquisitions, etc.
2. EBITDA is calculated by adding depreciation and amortization expenses to core operating profit (excluding depreciation of right-of-use assets).
3. Like-for-like increase (decrease) in net sales excludes the impacts of foreign exchange translation, the impacts of all business transfers in the fiscal years 2024 and 2023, and the services provided during the transition period (the "business transfer impacts"), as well as the impact of the acquisition of *Dr. Dennis Gross Skincare*.

During the fiscal year ended December 31, 2024, global economic uncertainty remained elevated amid escalating geopolitical risks, rising prices, and a higher volatility in the foreign exchange market. China continued to experience deceleration in economic growth, while Europe enjoyed moderate growth throughout the period. The U.S. economy grew at a solid pace on the back of favorable employment conditions, although concerns grew over the economy with signs of a slowdown in consumer spending. Meanwhile, Japan's economy remained on track for modest recovery over the period.

The domestic cosmetics market remained solid even though higher prices continued to weigh on household spending. The number of foreign visitors to Japan continued to exceed its pre-pandemic levels to hit a new record high, however, inbound consumption grew at a more moderate pace than anticipated on the back of shifting trends in purchasing behavior of foreign visitors.

In the overseas cosmetics market, the trends and pace of growth were mixed across regions. The duty-free retail market including Hainan Island continued to face challenges amid deceleration in consumer spending driven primarily by Chinese tourists, while the impact of retailer inventory adjustments in response to tighter regulations had receded steadily over the period. China's cosmetics market suffered a prolonged downturn, weighed down by a decline in consumer spending and rising household savings amid worsening economic sentiment. Meanwhile, the markets in the U.S. and Europe saw modest growth overall, with signs of a slowdown starting to be seen in the latter half of the year.

Driven by its corporate mission, BEAUTY INNOVATIONS FOR A BETTER WORLD, the Shiseido Group actively promotes innovations aiming to resolve social and environmental issues with a particular focus on diversity, equity, and inclusion, and the Company is united in its effort to become a "Personal Beauty Wellness Company," one that combines skin beauty and wellness to make enduring contributions to the genuine health and beauty of individuals. Together, we remain steadfast in our commitment to achieving our vision for 2030: realizing a sustainable world where everyone can enjoy a lifetime of happiness through the power of beauty.

In the fiscal year 2024, the Company has entered its second year under the medium-term strategy "SHIFT 2025 and Beyond" which focuses on a three-year period from 2023 through 2025, and we continued to advance towards completion of key strategic actions for structural reforms to achieve cost reduction on a global basis, while optimizing our organizational structure to drive gross profit maximization. In the Japan Business, we are progressively moving forward to achieve profitable growth through the implementation of "Mirai Shift NIPPON 2025," a business transformation plan which consists of three pillars: sustainable growth, building a profitable foundation, and human capital transformation, delivering tangible results by executing cost restructuring strategies. Also, we have made a steady progress on our global cost reduction and profitability improvement initiatives on track with the plan. Moreover, in the

China and Travel Retail Businesses, we have been optimizing our business foundation and strive to ensure sustainable growth by exploring opportunities aligned with changing market dynamics. In the Americas, EMEA, and Asia Pacific Businesses, we will accelerate growth by proactively investing our business resources. Through these efforts, we will optimize our regional portfolio while rebuilding our business foundation that better enables us to adopt to an uncertain, volatile market environment with greater flexibility.

In November 2024, the Company launched the “Action Plan 2025-2026” to be executed over the next two fiscal years in order to better ensure a swift recovery in our profitability to drive sustainable growth thereafter. Through selection and concentration on core brands and implementation of global cost transformation with “No Sacred Cow,” we will strive to “reinforce brand foundation,” “rebuild profitable foundation,” and “enhance operational governance” to establish a resilient business model to drive sustainable profit growth amid volatile market conditions.

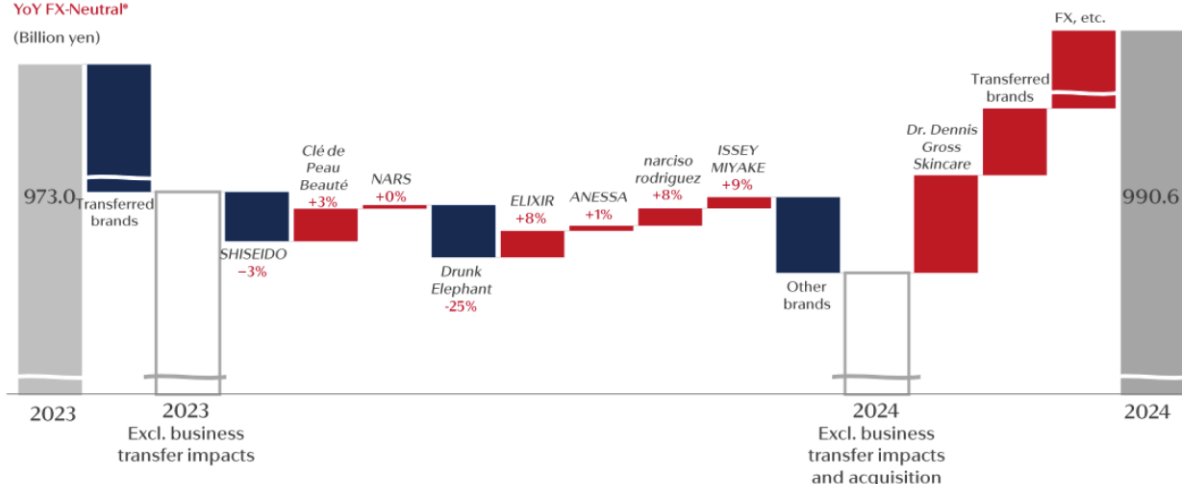
1) Net sales

Net sales increased by 1.8% year-on-year to ¥990.6 billion (\$6,315.9 million) on a reported basis, down 2.7% year-on-year on a FX-neutral basis, or down 1.3% year-on-year on a like-for-like basis, which excludes the impacts of foreign exchange rates, business transfers and the acquisition of *Dr. Dennis Gross Skincare*. These results primarily reflected the continued decrease in line with expectations for a decline in consumption driven primarily by Chinese tourists and Travel Retail and the declined due to a delay in the recovery in sales in Americas. Meanwhile, in Japan and EMEA, strong growth continued as aggressive investments and strategic marketing in high-growth and profitable focus areas were successful and in the Asia Pacific, growth was moderate.

Net sales by brand

YoY FX-Neutral*

(Billion yen)



* YoY change (%) for each brand is calculated based on foreign exchange rate assumptions at the beginning of each fiscal year which excludes impacts from FX fluctuations and other

In a comparison of year-on-year sales on an FX-neutral basis which excludes the impacts of business transfers and acquisitions, by brand, *Clé de Peau Beauté*, *ELIXIR* and Fragrances continued to be strong, but sales of *Drunk Elephant* were slow to recover.

2) Cost of sales

Cost of sales decreased by 8.6% year-on-year to ¥237.4 billion (\$1,513.6 million). The cost of sales ratio decreased 2.7 percentage points year-on-year to 24.0% mainly due to a decrease in inventory write-offs and a decline in the impact of product supply resulting from business transfers as well as the impact of impairment losses and structural reform expenses recorded in the previous fiscal year. The cost of sales ratio on a like-for-like basis, excluding the impact of business transfers and the impact of impairment losses, increased 0.3 percentage points year-on-year to 23.4% mainly because of higher costs due to declines in production volume.

3) Selling, general and administrative expenses

Selling, general and administrative (SG&A) expenses increased 7.9% year-on-year to ¥751.4 billion (\$4,791.2 million). The breakdown of this result on a core operating profit basis is as follows:

- Marketing costs (Note 1)**
The ratio of marketing costs to net sales increased 1.9 percentage points year-on-year to 28.6% due to increased investment expenses for enhancing brand equity, more than offsetting a decrease due to agile cost management.
- Brand development / R&D expenses**
The ratio of brand development and R&D expenses to net sales decreased 0.1 percentage points year-on-year to 3.9%.
- Personnel expenses (Note 2)**
The ratio of personnel expenses to net sales decreased 0.4 percentage points year-on-year to 23.0% as a result of an initiatives to optimize personnel expenses through structural reforms, which outweighed increase in expenses due to inflation.

d) Other SG&A expenses

The ratio of other SG&A expenses to net sales increased 0.4 percentage points year-on-year to 17.5% due to an increase in investment expenses for digital transformation.

R&D expenses, which are included in SG&A expenses, reached ¥27.2 billion (\$173.3 million), bringing the ratio of R&D expenses to net sales to 2.7%. For details on research and development activities, please refer to 6. Research and development activities.

Notes:

1. The ratio of marketing costs to net sales was 37.8% if expenses related to personal beauty partners (PBP) were included.
2. The ratio of personnel expenses to net sales was 13.8% if expenses related to PBP were not included.

4) Core operating profit

Core operating profit was ¥36.4 billion (\$231.8 million), which exceeded our forecast of ¥35.0 billion (\$223.2 million) announced in November 2024 albeit with a year-on-year decline of ¥3.5 billion (\$22.2 million). The positive impacts of strong profit growth in the Japan Business as well as global-wide restructuring and cost management were more than offset by the decline in profits in the Travel Retail and Americas Businesses. Also, we posted a year-on-year decline in the Other segment due to a decrease in intersegment sales to the Travel Retail and China Businesses, as well as in the Adjustments, which was largely attributable to changes in elimination of unrealized gains.

5) Operating profit

Impairment losses, structural reform expenses and loss on sale of businesses related to the transfer of the manufacturing operations of personal care products, as well as impairment losses associated on the integration of two factories in Osaka Prefecture were recorded, those were partially offset by a gain on sales and disposal of fixed assets was recorded due to the sale of company buildings in the previous fiscal year. In the current fiscal year, structural reform expenses associated primarily with the Early Retirement Incentive Plan in the Japan Business were recorded. As a result, operating profit decreased by ¥20.6 billion (\$131.1 million) to ¥7.6 billion (\$48.3 million).

6) Profit (loss) before taxes

Profit (loss) before tax decreased year-on-year by ¥32.3 billion (\$206.0 million) from the previous fiscal year to a loss of ¥1.3 billion (\$8.1 million), reflecting the impact of a decline in operating profit by ¥20.6 billion (\$131.1 million) from the previous fiscal year to ¥7.6 billion (\$48.3 million) and the impact of the recognition of a loss allowance for long-term loans receivable of ¥12.8 billion (\$81.5 million) as costs associated with a seller note, a type of debt financing wherein the seller lends the buyer a portion of the purchase price. This recognition of a loss allowance for long-term loans receivable has had no impact on cash flow of the Company in the current fiscal year.

7) Profit (loss) attributable to owners of parent

Profit (loss) attributable to owners of parent decreased year-on-year by ¥32.6 billion (\$207.6 million), incurring a loss of ¥10.8 billion (\$68.9 million) due in part to a decline in core operating profit as well as the recognition of structural reform expenses associated primarily with the Early Retirement Incentive Plan in the Japan Business, and the impact of the recognition of a loss allowance for long-term loans receivable as costs associated with a seller note.

8) EBITDA

EBITDA decreased by ¥2.3 billion (\$14.4 million) to ¥89.6 billion (\$571.1 million), with a margin of 9.0%.

Major foreign currency exchange rates applicable to income and expense accounting line items in the Company's financial statements for the current fiscal year are JPY151.5/USD, JPY163.8/EUR, and JPY21.0/CNY.

(Performance by reportable segment)

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

Net sales (sales to external customers)

Classification	Fiscal year ended December 31, 2024		% of Total	Fiscal year ended December 31, 2023 (Reference)		% of Total	Year-on-Year Increase (Decrease)				
	Millions of yen	Thousands of U.S. dollars		Amount			% %	FX- Neutral	Like-for- Like		
				Millions of yen	Thousands of U.S. dollars						
Japan Business	283,776	1,809,334	28.6%	259,900	1,657,103	26.7%	23,876	152,232	9.2%	9.2%	9.5%
China Business	249,952	1,593,675	25.2%	247,921	1,580,726	25.5%	2,030	12,943	0.8%	(5.3)%	(4.6)%
Asia Pacific Business	71,650	456,835	7.2%	67,283	428,991	6.9%	4,367	27,844	6.5%	0.9%	2.5%
Americas Business	118,547	755,847	12.0%	110,294	703,226	11.4%	8,252	52,614	7.5%	0.0%	(7.0)%
EMEA Business	132,665	845,862	13.4%	116,949	745,658	12.0%	15,716	100,204	13.4%	5.2%	8.2%
Travel Retail Business	107,834	687,541	10.9%	132,525	844,969	13.6%	(24,691)	(157,428)	(18.6)%	(23.8)%	(23.8)%
Other	26,158	166,781	2.7%	38,163	243,324	3.9%	(12,004)	(76,537)	(31.5)%	(32.4)%	13.5%
Total	990,586	6,315,902	100.0%	973,038	6,204,017	100.0%	17,547	111,878	1.8%	(2.7)%	(1.3)%

Core operating profit (loss)

Millions of yen

Classification	Fiscal year ended December 31, 2024	Ratio to Net Sales	Fiscal year ended December 31, 2023 (Reference)	Ratio to Net Sales	Increase (Decrease)	Percentage Change	Total sales including intersegment sales and internal transfers between segments (Reference)	
							FY2024	FY2023
Japan Business	28,072	9.9%	1,333	0.5%	26,738	-	284,675	260,806
China Business	12,271	4.8%	6,967	2.8%	5,303	76.1%	254,107	251,671
Asia Pacific Business	6,006	8.0%	5,069	7.1%	936	18.5%	75,499	71,569
Americas Business	242	0.2%	11,200	9.7%	(10,958)	(97.8)%	124,365	115,853
EMEA Business	3,677	2.6%	3,345	2.7%	331	9.9%	141,439	123,727
Travel Retail Business	5,006	4.6%	17,111	12.9%	(12,104)	(70.7)%	108,274	132,768
Other	(24,912)	(10.2)%	(22,824)	(9.0)%	(2,087)	-	243,246	252,316
Subtotal	30,364	2.5%	22,205	1.8%	8,159	36.7%	1,231,608	1,208,715
Adjustments	5,995	-	17,636	-	(11,641)	-	(241,022)	(235,676)
Total	36,359	3.7%	39,842	4.1%	(3,482)	(8.7)%	990,586	973,038

Thousands of U.S. dollars

Classification	Fiscal year ended December 31, 2024	Ratio to Net Sales	Fiscal year ended December 31, 2023 (Reference)	Ratio to Net Sales	Increase (Decrease)	Percentage Change	Total sales including intersegment sales and internal transfers between segments (Reference)	
							FY2024	FY2023
Japan Business	178,985	9.9%	8,499	0.5%	170,479	-	1,815,066	1,662,879
China Business	78,239	4.8%	44,421	2.8%	33,812	76.1%	1,620,167	1,604,635
Asia Pacific Business	38,294	8.0%	32,320	7.1%	5,968	18.5%	481,376	456,319
Americas Business	1,543	0.2%	71,410	9.7%	(69,867)	(97.8)%	792,942	738,670
EMEA Business	23,444	2.6%	21,327	2.7%	2,110	9.9%	901,804	788,874
Travel Retail Business	31,918	4.6%	109,098	12.9%	(77,174)	(70.7)%	690,347	846,519
Other	(158,837)	(10.2)%	(145,524)	(9.0)%	(13,307)	-	1,550,918	1,608,748
Subtotal	193,599	2.5%	141,577	1.8%	52,021	36.7%	7,852,640	7,706,676
Adjustments	38,224	-	112,446	-	(74,222)	-	(1,536,738)	(1,502,652)
Total	231,822	3.7%	254,030	4.1%	(22,201)	(8.7)%	6,315,902	6,204,017

Notes:

1. The Group has revised its reportable segment classifications in the fiscal year ended December 31, 2024. The part of business results previously included in the Japan Business segment, are now included in the Other segment. As a result, segment information for the fiscal year ended December 31, 2023 has been restated to reflect this reclassification.
2. Like-for-like increase (decrease) in net sales excludes foreign exchange translation, the business transfer impacts and the impact of the acquisition of *Dr. Dennis Gross Skincare*.
3. Net sales from the Personal Care Business in the Other segment are no longer recorded with some exceptions from April 1, 2023 due to the transfer of Shiseido Kuki Factory.
4. The Other segment includes head office administration departments, IPSA Co., Ltd., manufacturing operations, the restaurant business and the healthcare business (sale of health & beauty foods.)
5. The ratio of core operating profit (loss) to net sales shows core operating profit or loss as a percentage of total sales including intersegment sales and internal transfers between segments.
6. The core operating profit (loss) adjustment amount is primarily the elimination of transactions between segments.

1) Japan Business

In the Japan Business, we continue to make progress on our strategic efforts to improve profitability through the implementation of the business transformation plan “Mirai Shift NIPPON 2025.” During the year, we continued to accelerate growth by focusing our activities on high-growth, high-profit brands and products as well as consumer touchpoints. As a result, we delivered robust growth in key brands led by *SHISEIDO*, *Clé de Peau Beauté* and *ELIXIR*, on the back of a steady increase of loyal users. We also advanced our efforts to create a new market of foundation serum through strategic marketing, benefitting from the continued momentum of *SHISEIDO REVITALESSENCE SKIN GLOW* Foundation, while also driving growth buoyed by the success of new product launches in *Clé de Peau Beauté* and *ELIXIR*. While the number of foreign visitors to Japan continued to exceed its pre-pandemic levels to hit a new record high, inbound consumption grew at a more moderate pace than anticipated on the back of shifting trends in purchasing behavior of foreign visitors.

As a result, we ended the year with net sales of ¥283.8 billion (\$1,809.3 million), up 9.2% year-on-year on a reported basis, or up 9.5% year-on-year on a like-for-like basis excluding the impact of business transfers. Core operating profit was ¥28.1 billion (\$179.0 million) with an improvement of ¥26.7 billion (\$170.5million) from the prior year, thanks to the higher gross profit driven by sales growth as well as increased cost efficiencies.

2) China Business

In the China Business, we are taking a balanced approach to achieving growth and profitability amid volatile market conditions to make a shift towards a sustainable growth model which focuses more on value-based brand and product communication tailored to consumer needs. While the Business continued to be adversely impacted by the decline in consumer spending amid worsening economic sentiment in China over the course of the year, we still managed to deliver strong growth during “Double 11,” the largest e-commerce event in China, due largely to the low prior year comparison, reflecting the impact of consumer pull back on purchases of Japanese products after the release of treated water. During the year, *Clé de Peau Beauté*, *ANESSA*, and *NARS* delivered growth while *SHISEIDO* continued to face headwinds.

As a result, net sales were ¥250.0 billion (\$1,593.7 million), up 0.8% year-on-year on a reported basis, down 5.3% on a FX-neutral basis, or down 4.6% year-on-year on a like-for-like basis excluding the impacts of foreign exchange and business transfers. Core operating profit increased year-on-year by ¥5.3 billion (\$33.8 million) to ¥12.3 billion (\$78.2million), with a decline in gross profit due to lower sales being more than offset by the positive impacts of structural reforms which included a reduction in cost of sales as well as fixed costs and expenses.

3) Asia Pacific Business

In the countries and regions of the Asia Pacific Business, while our business was unfavorably impacted by the market slowdown in Taiwan, we nevertheless maintained steady growth driven by the markets in Southeast Asia led by Thailand. Overall, we delivered strong growth in *ANESSA*, *Clé de Peau Beauté* as well as in Fragrances.

As a result, net sales were ¥71.7 billion (\$456.8 million), up 6.5% year-on-year on a reported basis, up 0.9% year-on-year on a FX-neutral basis, or up 2.5% year-on-year on a like-for-like basis excluding the impacts of foreign exchange and business transfers. Core operating profit increased year-on-year by ¥0.9 billion (\$6.0 million) to ¥6.0 billion (\$38.3 million) due primarily to an increase in gross profit driven by sales growth.

4) Americas Business

In the Americas Business, we delivered a year-on-year revenue growth in *NARS* and *Tory Burch*. Conversely, *Drunk Elephant* continued to suffer a slow recovery in sales subsequent to the temporary declines in production and shipments in the first half of the year, although stabilized in the third quarter.

As a result, net sales were ¥118.5 billion (\$755.8 million), up 7.5% year-on-year on a reported basis, flat year-on-year on a FX-neutral basis, or down 7.0% year-on-year on a like-for-like basis excluding the impacts of foreign exchange and business transfers as well as the acquisition of *Dr. Dennis Gross Skincare*. Core operating profit decreased year-on-year by ¥11.0 billion (\$69.9 million) to ¥0.2 billion (\$1.5 million), owing primarily to a lower gross profit driven by sales decline.

5) EMEA Business

In the EMEA Business, *SHISEIDO* and *NARS* enjoyed healthy growth. In Fragrances, *narciso rodriguez* fueled growth, as did *Issey Miyake* which benefited from the launch of a new product.

As a result, net sales were ¥132.7 billion (\$845.9 million), up 13.4% year-on-year on a reported basis, up 5.2% year-on-year on a FX-neutral basis, or up 8.2% year-on-year on a like-for-like basis excluding the impacts of foreign exchange and business transfers. Core operating profit increased by ¥0.3 billion (\$2.1 million) year-on-year to ¥3.7 billion (\$23.4 million), due primarily to a higher gross profit driven by sales growth.

6) Travel Retail Business

In the Travel Retail Business (sales of cosmetics and fragrances primarily through airport and downtown duty-free stores), we achieved solid recovery in Japan thanks to the rising number of foreign visitors. Conversely, in Hainan Island and South Korea, sales were continued to be affected by lower shipping volumes owing primarily to a sharp decline in consumption driven primarily by Chinese tourists.

As a result, net sales were ¥107.8 billion (\$687.5 million), down 18.6% year-on-year on a reported basis, down 23.8% year-on-year on a FX-neutral basis, or down 23.8% year-on-year on a like-for-like basis excluding the impacts of foreign exchange and business transfers. Core operating profit decreased by ¥12.1 billion (\$77.2 million) year-on-year to ¥5.0 billion (\$31.9 million), primarily attributable to a lower gross profit due to a decline in sales.

(Production, orders received and sales)

Results of production, orders and sales are as follows:

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

1) Production

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

Segment name	Millions of yen	Thousands of U.S. dollars	Percentage change (%)
Japan Business	-	-	-
China Business	4,523	28,838	(7.6)
Asia Pacific Business	2,409	15,360	(13.7)
Americas Business	62,964	401,454	45.1
EMEA Business	29,853	190,340	(7.4)
Travel Retail Business	-	-	-
Other	127,784	814,741	(10.8)
Total	227,536	1,450,752	0.4

Notes:

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

2) Orders received

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

3) Sales

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

Segment name	Millions of yen	Thousands of U.S. dollars	Percentage change (%)
Japan Business	283,776	1,809,334	9.2
China Business	249,952	1,593,675	0.8
Asia Pacific Business	71,650	456,835	6.5
Americas Business	118,547	755,847	7.5
EMEA Business	132,665	845,862	13.4
Travel Retail Business	107,834	687,541	(18.6)
Other	26,158	166,781	(31.5)
Total	990,586	6,315,902	1.8

Note: Inter-segment transactions are eliminated.

(2) Financial condition

1) Financing and liquidity management

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

One of our targets for short-term liquidity is to maintain liquidity on hand at a level of approximately 1.5 months of consolidated net sales. As of December 31, 2024, cash and deposits totaled ¥122.9 billion (\$783.7 million), cash liquidity on hand amounted to 1.5 months of consolidated net sales for the current fiscal year.

Meanwhile, interest-bearing debt as of December 31, 2024, totaled ¥365.6 billion (\$2,331.0 million). The Group uses diversified funding methods, which include ¥100.0 billion (\$637.6 million) in unused committed lines of credit with financial institutions and ¥285.0 billion (\$1,817.1 million) in authorized but unissued straight bonds in Japan.

As of December 31, 2024, as the Group maintained a sufficient level of liquidity and the funding methods are diversified, we consider that the financial flexibility is high.

2) Credit rating

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

As of February 28, 2025, the Issuer Rating is A3 (Outlook: Negative).

3) Assets, liabilities, and net assets

(Assets)

Total assets increased by ¥76.4 billion (\$486.8 million) from the end of the previous fiscal year to ¥1,331.8 billion (\$8,491.8 million), from an increase in goodwill and intangible assets associated with the acquisition of *Dr. Dennis Gross Skincare*, which was partially offset by decrease in investments accounted for using equity method.

(Liabilities)

Liabilities increased by ¥62.1 billion (\$395.9 million) to ¥677.2 billion (\$4,317.8 million), primarily due to an increase in bonds and borrowings, which outweighed a decrease in trade and other payables.

(Equity)

Equity increased by ¥14.3 billion (\$90.9 million) to ¥654.6 billion (\$4,174.0 million), primarily due to an increase in exchange differences on translation of foreign operations due to the weaker yen, which outweighed a decrease in retained earnings associated with dividend payments.

Equity attributable to owners of parent per share increased by ¥35.27 (\$0.22) from the end of the previous fiscal year to ¥1,583.47 (\$10.10), and ratio of equity attributable to owners of parent decreased by 1.8 percentage points from the end of the previous fiscal year to 47.5%. The net debt-to-equity ratio, which indicates the ratio of interest-bearing debt (excluding lease liabilities) less cash and cash equivalents to equity attributable to owners of parent, was 0.18.

(3) Cash flows

Millions of yen Thousands of U.S. dollars

	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024	Fiscal year ended December 31, 2024
Cash flows from operating activities	89,026	48,403	308,614
Cash flows from investing activities	(35,536)	(83,738)	(533,907)
Cash flows from financing activities	(75,642)	23,357	148,922
Cash and cash equivalents at end of period	104,685	98,479	627,895

The balance of cash and cash equivalents at the end of the current fiscal year stood at ¥98.5 billion (\$627.9 million), ¥6.2 billion (\$39.6 million) less than at the end of the previous fiscal year.

(Cash Flows from Operating Activities)

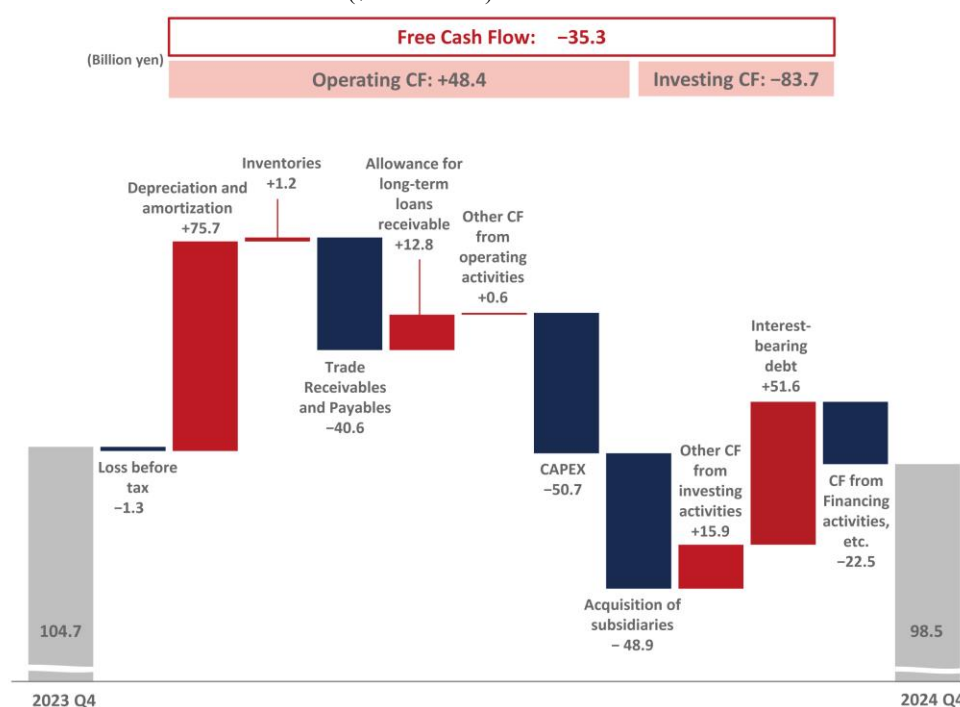
Net cash provided by operating activities in the fiscal year 2024 decreased by ¥40.6 billion (\$259.0 million) to ¥48.4 billion (\$308.6 million), primarily due to increase factors such as ¥75.7 billion (\$482.4 million) of depreciation and amortization and ¥12.8 billion (\$81.5 million) of loss allowance for long-term loans receivable, while there were decrease factors such as ¥1.3 billion (\$8.1 million) of the loss before tax, ¥30.1 billion (\$192.2 million) of increase (decrease) in trade payables and ¥10.5 billion (\$66.7 million) of decrease (increase) in trade receivables. “Interest and dividends received” includes dividends of ¥3.6 billion (\$23.1 million) from FineToday Holdings Co., Ltd (hereinafter “FTH”).

(Cash Flows from Investing Activities)

Net cash used in investing activities in the fiscal year 2024 increased by ¥48.2 billion (\$307.3 million) to ¥83.7 billion (\$533.9 million), primarily due to payments for acquisition of subsidiaries of ¥48.9 billion (\$311.8 million), purchase of intangible assets such as investment in IT systems of ¥25.8 billion (\$164.8 million) and purchase of property, plant and equipment such as investment in factory equipment of ¥24.9 billion (\$158.5 million) while the proceeds from sale of shares of associates of ¥12.8 billion (\$81.3 million) due to the transfer of all shares of FTH.

(Cash Flows from Financing Activities)

Net cash provided by financing activities in the fiscal year 2024 increased by ¥99.0 billion (\$631.2 million) to ¥23.4 billion (\$148.9 million), primarily due to the repayments of long-term borrowings of ¥30.0 billion (\$191.3 million), the repayments of lease liabilities of ¥26.4 billion (\$168.2 million) and the payment of cash dividends of ¥24.0 billion (\$152.9 million) etc. while the increase was due to proceeds from long-term borrowings of ¥51.0 billion (\$325.2 million), short-term borrowings of ¥42.0 billion (\$267.8 million) and proceeds from issuance of bonds of ¥15.0 billion (\$95.6 million).



(4) Material accounting policies and estimates

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

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

5. Material Contracts

(Share transfer of associates accounted for using the equity method)

On June 20, 2024, the Company entered into a legally binding formal agreement with Oriental Beauty Holding (HK) Limited, a corporation directly or indirectly owned by a fund advised by CVC Capital Partners, a private equity fund, to transfer all shares of FineToday Holdings Co., Ltd. The transfer was completed on June 25, 2024.

(License agreement with Max Mara in fragrance business)

On November 16, 2024, the Company entered into a legally binding formal agreement with Max Mara S.r.l. for the exclusive worldwide license to develop, produce, market, and distribute fragrances under the Max Mara brand through Beauté Prestige International S.A.S., a consolidated subsidiary of the Company.

6. Research and Development Activities

In addition to our strengths in dermatology and prescription development, sensitivity science, and informatics, the Group will work to realize Shiseido's corporate mission, "BEAUTY INNOVATIONS FOR A BETTER WORLD," by integrating new science and technology, such as digital technology and equipment development technology, across countries and industries.

The Shiseido Global Innovation Center and other overseas R&D bases in the United States, France, China, and Singapore are working with local marketing departments to research the skin and cosmetic habits of customers in each region and develop products tailored to their characteristics. We aim to contribute to the growth of the Group and lead the global cosmetics industry with the aim of creating safe, secure, and high-quality products and services for customers worldwide.

The research and development results generated by the Group have been highly evaluated by external parties. In 2024, the 34th International Federation of Cosmetic Engineers' Conference, which is the world's largest research presentation on cosmetic technology, we received the "Best Award" in the Basic Division of Oral Presentation, out of a total of 688 research reports (83 oral presentations and 605 poster presentations), and in addition, we received Henry Maso Award for 2024 to be gifted to young researchers. At the 15th China Institute of Cosmetic Sciences held by the Chinese Association of Perfume and Cosmetics Industries, we were awarded the "First Prize" and the "Second Prize" and the "Excellent Prize" awards, which are given to the best research papers, and all four papers that we entered were awarded. One of these papers was the result of research that was created at a research laboratory in China. In addition, at the Asian Society of Cosmetic Engineers (ASCS) Gore Games 2024, we were awarded one first prize, two of second prizes and one excellence award, which are awarded for the best research papers.

In addition, as an approach to accelerate the realization of strategies, we have indicated that we will actively promote innovation creation in collaboration with external companies and research institutes and in the development of human resources.

Research and development expenses for the Group as a whole during the fiscal year under review were ¥27.2 billion (\$173.3 million) (2.7% of net sales), and the main research results by product category are as follows. Research and development activities are not associated with any particular segment and most of them are incurred as headquarter expenses, they are not presented separately by segment.

(1) Skin care

As a new mechanism for maintaining skin-health and beauty, we discovered, for the first time in the world, that the odor-binding proteinaceous OBP2A (Odorant binding protein 2A) contributes to the maintenance of homeostasis in human epidermis and plays a part in epidermal barriers. Odor-binding proteinaceous OBP2A present inside the human nose are known to function to filter out stress molecules that can damage cells. In this study, we found that OBP2A was also expressed in the epidermis. In addition, we found that when epidermal cells with reduced OBP2A are given the environmental odor component nonenal (Note 1) (external stress molecules) and the components contained in sebum and sweat, such as oleic acid and palmitoleic acid (internal stress molecules), the protective power against stress molecules is reduced, resulting in a decrease in cellular viability. In addition, we found that epidermal skin with reduced OBP2A is thinned, reducing the release of lamellar granules, which are moisturizing components of the skin, and that water transpiration is increased and the epidermal barrier function is reduced. In addition, we also searched for ingredients that are effective in enhancing the expression of OBP2A, and found that "French white lily flower extract" extracted from the flowers of Madonna Lily, a kind of lily, is effective in enhancing the expression of OBP2A in the epidermis, increasing the thickness of the epidermis, decreasing the amount of water transpiration, and enhancing the function of the epidermal barrier. The result of this study was applied to the product development of *Clé de Peau Beauté*.

In addition to accumulating damage to the epidermis, we have been studying the mechanisms that accelerate skin aging, such as adversely affecting the basement membrane and dermis, by the serpin b3, which increases due to various factors inside and outside the body, such as UV rays, pollen, and sleep interruption. We have been studying the mechanisms based on approaches to control the increase in serpin b3. We have also focused on the study of capillaries that have a close relationship with the skin for over 20 years, and have also clarified the mechanisms by which capillaries generate skin elasticity. By multiplying our unique research on the bad factor serpin b3 with our strong vascular research, we aimed to further elucidate the relation between skin conditions and the inner

part of the skin, and to develop new solutions to realize beautiful and healthy skin. The results showed that the expression of CCN2, a gene related to the strengthening of the tissue structure of the skin, was significantly reduced when the gene expression level of the bad factor serpin b3 was higher. It has been also discovered that CCN2 works on the cellular pericytes present in capillaries, increasing the major components of collagen and the precursors of hyaluronan that are critical in maintaining beautiful skin, and has determined that CCN2 is a “skin-beautifying gene.” In addition, we discovered the leaves of Chanoki extract as an ingredient that promotes CCN2 expression. We have also confirmed that CCN2 expression levels are not correlated with age. The results of this study have been applied to the product development of *SHISEIDO*.

Until now, our skin care formulation technology has continued to develop and produce a variety of prescriptions. However, since the stratum corneum on the surface of the skin has a high affinity for oil and repels water, it has been considered difficult to efficiently and uniformly penetrate the useful ingredients into the skin because a lot of water-containing lotion tends to become uneven on the skin. Therefore, we considered that by mimicking the characteristic structures of living organisms, we could increase the affinity with the skin and also increase the penetration of cosmetic water-useful ingredients. In response to the needs of customers with high concern for the environment and safety, we screened from 200 polyglycerol fatty acid esters, naturally-derived components. As a result, we found a component that can form a vesicle structure that mimics the cell membrane. We succeeded in developing a prescription technology that achieves a high penetration feeling with a quick familiarity because the surface tension is low and the liquid can spread all over the skin quickly compared with a formulation that applies general lotion technology. In addition, a penetration enhancement assessment of the whitening active ingredient m-tranexamic acid was conducted using a newly established analytical technique, and it was confirmed that m-tranexamic acid penetrates into the inside of the skin more quickly than a formulation utilizing a common lotion prescription technique. The results were applied to the product development of “*REVITAL*.”

(2) Sun care and makeup

Since the era when the effects of UV on the skin were not yet widely known, we have started our defense research as soon as possible, and have constantly developed innovative techniques to meet the needs of customers who wish to protect their skin from the adverse effects of UV in everyday living and under harsh UV conditions. However, there has been a long-standing problem in that the coating film is thinned due to contact with the fingers and movement of the facial expression, thereby reducing UV protective function. A phenomenon in which the thinning of the coating film is automatically repaired is called “self-healing.” However, many of the components exhibiting this function become uneven when applied to the skin in a gel (semi-solid) form and spread on the skin, so that the ultraviolet protection function cannot be sufficiently exhibited. Therefore, we focused our attention on enhancing the fluidity of the coating film as a technique that allows uniform coating of the formulation and restoration of defects in the coating film. After studying ways to improve powder agglomeration, which results in a decrease in fluidity, we have succeeded in developing a new technology, Auto-pair Technology TM, in which a particular powder dispersing agent improves the dispersibility of the powder in the application film and the coating film becomes fluid by incorporating the findings of the latest powder dispersion research based on the finding of the material science field so far. This new technology, Auto-pair Technology TM, is designed to automatically repair micro-level scratches and flaws. In fact, we confirmed the restoration of UV defense function by 5 minutes after the membrane was scratched on the coated membrane with this technique. In addition, we were able to confirm that it is less likely to adhere to the fingers than the coated membrane current by the conventional method, and that the reduction in UV protection function is small. The results of this research were applied to the development of *ANESSA* products. In addition, this technology is expected to contribute not only to sunscreen applications, but also to sustain the beautiful finish of base makeup products and lip products.

Though the impacts of ultraviolet rays and excessive exercise on the mind and body have been gradually clarified, the effects on the mind and body by protecting against ultraviolet rays have not been fully verified so far. Therefore, we aimed to scientifically verify the impacts of UV exposure and UV protection on the mind and body during outdoor exercise, and to explore ways to achieve high performance under sunlight and to be more active. When 16 healthy adult males and females were divided into two groups with and without UV protection, it was confirmed that the stronger the skin redness indicating the degree of sunburn, the greater the feeling of fatigue after exercise, and the amount of change in skin redness after exercise is proportional to the amount of change in blood lactate value and the amount of change in oxidative stress during exercise. It was inferred that the feeling of fatigue during exercise can be reduced by protecting the skin from UV rays using sunscreen. It was also suggested that protection from UV radiation has a positive impact on performance during exercise and recovery after exercise. It will lead to the development of products that can enjoy the benefits of the sun by preventing UV rays with high technology, and to educational activities that broaden our understanding of UV rays and sunscreens to children.

In the makeup area, we are continuing to nurture “foundation serum,” which was successfully developed last year. “foundation serum” is a base makeup category with a new idea that can be called a tinted serum. The traditional “serum foundation” was based on the idea of adding a serum component to a foundation, but this “foundation serum” was born from the reverse idea of coloring with a serum. Instead of blending a beauty liquid component into the foundation, we are equipped with our proprietary “Ceram First Technology,” in which the beauty liquid continues to touch the skin from the moment it is applied, by trapping the foundation component in the beauty liquid. This technology is used in two products *SHISEIDO* and *MAQUILLAGE*. We intend to create a new cosmetic culture by continuously using this technology for other products and communicating to customers, providing the experience of beautifying the

natural skin itself and nurturing the beauty of the future for a moment of makeup.

(3) Diagnosis (elucidation of relation between skin, body and mind)

In order to realize our vision for the year 2030, “Personal Beauty Wellness Company,” we are focusing on clarifying the relationships between skin, body, and mind. In order to scientifically elucidate the impacts and effects of beauty on the skin, body, and mind, the National University of Tokyo and the University of National University established the “Beauty of the Skin, Body, and Mind, Emerging from Five Senses,” a social collaboration course by the Department of Agricultural Life Sciences, the Department of Engineering Sciences, the Department of Humanities and Social Sciences, and the Department of Education and Research, and started collaborative research. In this collaborative research, we will work on the design of substances and bases that create a pleasant five senses based on molecular sensitivity engineering, the development of a method for scientifically analyzing and visualization the impacts of the five senses on the skin, body, and mind through brain and body reactions, as well as the elucidation of the psychological condition of individuals and the effects on others and social by touching beautiful things and feeling that they are beautiful.

In addition, through collaborative research with the Twin Research Center of the Department of Medicine, Osaka University Graduate School of Medicine, which has the only systematic research foundation in Japan. We have conducted a study targeting “twins.” A new approach to elucidate the relationship between the skin, body, and mind has been investigated with the aim of clarifying the impacts of lifestyle practices, including skin care, on the inside of the skin. Using our proprietary technology for visualizing capillary vessels in the skin, we analyzed the blood vessels in an egg-like lid, and found that the shape of capillaries differed due to differences in lifestyle habits, even when the genetic information was the same. Furthermore, as a result of examining the relationship between capillaries between the lids and the inside of the skin, we found that the collagen density inside the skin is high and the oxygen saturation degree is high when the capillaries of the lids are moderately large. By doing so, we confirmed the possibility that daily skin care and lifestyle habits can keep the condition of the inside of the skin, including the capillaries of the cuticle, well. By conducting further studies in the future, we will clarify the relationship between acquired factors (such as lifestyle habits, skin care, and eating habits) and the skin, body, and mind, and will utilize them for the development of innovative items and care methods to improve the health condition of the skin.

We have developed a prescription development AI function using our own algorithms in collaboration with Accenture Co., Ltd. with the aim of realizing innovative cosmetics development, which is generated from co-creation with AI that cannot be derived solely from human experience, by fusing our R&D capabilities, such as knowledge and technologies that have been inherited by researchers for more than 100 years, with advanced AI techniques. This prescription development AI function was mounted on our cosmetic development digital platform “VOYAGER” and began full-scale operation in February 2024. The feature of this AI is that it comprehensively covers raw material information and formulation data obtained from basic studies such as dermatology, sensory science, and pharmaceutical chemistry, as well as product-development data such as data on container designs. This will enable comparisons and similarity evaluations between, for example, skin care and foundation formulations, which will accelerate the development of more efficient and accurate cosmetic products. There have already been some cases of application. One example of this is a prototype formulation developed by using a similar formula search and inspiring the multiplication of “cleansing formulation technology” and “skin care formulation technology.” Previous cleansing preparations have resulted in both a dense, rich foaming and a refreshing comfort. Therefore, we succeeded in developing a prototype formulation of a cleanser that uses similar prescription searches, and that uses cleansing products in a refreshing manner while maintaining a dense foam by utilizing the finding of skin care prescription technology in addition to cleansing formulation technology. Going forward, we aim to create innovative value by utilizing prescription-development AI from a variety of perspectives, including the diversifying needs of consumers and the sustainability field, which is a social issue.

(4) Sustainability

In the World Star 2024 contest sponsored by the World Packaging Organization for the purpose of developing and disseminating outstanding package designs and technologies based on eight standards, including protection, ease of use, design, and environmental friendliness, our *SHISEIDO Eudermine* Essence Lotion and *Clé de Peau Beauté* Lune Joaillier package designs were awarded the World Star Award. In addition to the premium use experience of the beauty and comfortable use of containers, the award-winning works are focused on using refills to simultaneously reduce the impact on the environment. *SHISEIDO Eudermine* Essence Lotion is the first cosmetic product in the world to use LiquiForm, a technological LiquiForm that realizes bottle-making and contents-filling in one step. The two-body container and refill container have a luxurious packaging. By repeatedly using the body container, the amount of plastic to be discarded after use is reduced by 92% (Note 2). The entire supply chain will reduce CO₂ emissions by approximately 70% (Note 3) compared to our standard conventional “dressing” containers (same volume). *Clé de Peau Beauté* Lune Joaillier is a lipstick collection commemorating the 40th anniversary of the global luxury brand, *Clé de Peau Beauté*. In order to realize the fusion of sustainability and luxury, we have both the design to convey the exquisite feeling of makeup and the refill mechanism that allows the body container to be easily applied without being disposable. Recycled plastic (Note 4) is used as a temporary stopper for refill. We will continue to respond quickly and broadly to changing social environments and needs through our R&D approach of “Premium/Sustainability,” which combines respects and symbiosis for human beings, society and the global environment with a feeling

of satisfaction felt through effectiveness, high-quality design, feeling, etc.

Other activities are described below.

We first exhibited at CES 2024, the world's largest digital-technology trade show held in Las Vegas, USA, on January 9-12, 2024 (local time). In this exhibition, we exhibited Beauty AR Navigation, a digital application that can support the acquisition and practice of appropriate beauty methods by customers using smartphones and other devices. It has been scientifically evident that the beauty method is important for maximizing the effectiveness of skin care. Research has shown that applying lotion and emulsions in accordance with the "light pressure application method" developed by us improves the psychological effects such as the increase in the effective time for the moisturization, hardness, and elasticity after skin care, and the positive feeling, as well as the improvement in the water content of the skin by continuing the beauty method for one month. On the other hand, the use experience of cosmetics by customers up to the purchase of products has been replaced by the digital experience of non-contact, non-face-to-face use through smartphones and other means. An interview survey revealed the concerns and needs of consumers: "I am anxious whether the use of their own cosmetics is correct," "The effect of cosmetics that can be expected to be expected is not sufficiently obtained by the wrong use," "I want to be even more beautiful by knowing the proper use." This app has two major functions: The first is to navigate to an appropriate beauty action. Customers recognize the beauty action performed by themselves with a camera such as a smartphone or a tablet terminal, and for that action, the proper direction and speed of hands, etc. are delivered, which are set from the analysis of the "model" action by a specialist who is responsible for the development of our beauty method. The second is the evaluation of the beauty behavior of our customers. After navigating, we will quantitatively evaluate the beauty behavior of our customers and present the results by performing a comparative analysis of the position and speed of the hands of the cosmetic motion of our customers and the cosmetic motion of our customers.

Furthermore, while leveraging our strengths, we continue to focus on creating new value through collaboration with companies across industries. With the rapid popularization of on-line sales, many consumers began to buy cosmetics through EC (Electronic Commerce). However, there are problems such as the confirmation of the feeling of delicate and diverse cosmetics, which cannot be tested by directly touching cosmetics in the same way as in stores. Therefore, by fusing our knowledge of sensory science research with the contactless information presentation technology of Nippon Telephone & Telephone Co., Ltd., we have started collaborative research with the aim of developing innovative technologies that allow the touch of cosmetics to be experienced through visual and auditory perception even in remote and non-contact areas. Through this collaborative research, we explore the feeling of touch when a human touches a cosmetic base from multiple viewpoints, such as visual and auditory, and eventually realize a sensory interface that reproduces the feeling of the cosmetic base in various sensations. By doing so, we aim to create a world in which we can choose and purchase cosmetics that meet the diverse needs and lifestyles of each person.

Notes:

1. The main component of the peculiar scent (aging fragrance) generated with aging. The Company has discovered that nonenal also causes damage to the skin.
2. Reduction of plastic volume by 92%: Compared the case where a customer purchases a second bottle and disposes of the main unit container, and the case where only a refill container is discarded after use.
3. Reduced CO2 emissions by approximately 70%: CO2 emissions per container for this and conventional replacement containers, without contents, have been verified by SuMPO Environmental Labeling Program (in accordance with ISO/TS14067:2013). Figures are compared at the Company.
4. Recycled plastics: Plastics made from recycled waste generated in the manufacturing process. Also called PIR (Post-Industrial Recycled post-industrial recycled).

3. Equipment and Facilities

1. Overview of Capital Expenditures

(1) Capital expenditures

The Group invested ¥48,896 million (\$311,757 thousand) for the current fiscal year (Note). The breakdown by reportable segment is as follows:

	Millions of yen	Thousands of U.S. dollars
Japan Business	9,519	60,692
China Business	3,900	24,866
Asia Pacific Business	1,954	12,459
Americas Business	5,115	32,613
EMEA Business	4,597	29,310
Travel Retail Business	912	5,815
Other	22,896	145,983
Total	48,896	311,757

In Japan Business, the capital expenditures of ¥9,519 million (\$60,692 thousand) was made for the installation and remodeling of store counters and fixtures and our global mission-critical systems.

In Other segment, the capital expenditures of ¥22,896 million (\$145,983 thousand) include maintaining and rationalizing the manufacturing capacity of the domestic factory and capital expenditures for our global mission-critical systems.

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

(2) Disposals

There have been no significant disposals or sales of equipment.

2. Major Equipment and Facilities

Major facilities of the Group are as follows:

(1) Submitting company

As of December 31, 2024

Site name (Location)	Segment name	Description	Unit	Carrying amount						Number of employees (persons)
				Buildings and structures	Machinery, equipment and vehicles	Land [thousand ㎡]	Leased assets	Other	Total	
Head Office (Minato-ku and others, Tokyo)	Each business	Office facilities, production facilities	Millions of yen	24,090	4,999	7,722 [24]	1,827	62,435	101,075	1,197
			Thousands of U.S. dollars	153,596	31,873	49,235	11,649	398,081	644,447	
Research Center (Global Innovation Center) (Yokohama City, Kanagawa Prefecture, Nishi- ku)	Other	R&D facilities	Millions of yen	25,655	560	6,841 [7]	-	3,894	36,951	712
			Thousands of U.S. dollars	163,574	3,571	43,618	-	24,828	235,597	
Kakegawa Factory (Kakegawa City, Shizuoka Prefecture)	Other	Production facilities	Millions of yen	7,665	4,316	903 [202]	19	2,071	14,976	651
			Thousands of U.S. dollars	48,871	27,518	5,757	121	13,205	95,486	
Osaka Factory (Osaka-shi, Osaka Prefecture Higashiyodogawa -ku) (Note 4)	Other	Production facilities	Millions of yen	-	1,194	2,461 [36]	0	52	3,709	294
			Thousands of U.S. dollars	-	7,613	15,691	0	332	23,648	
Nasu Factory (Otagawa City, Tochigi Prefecture)	Other	Production facilities	Millions of yen	13,883	13,129	586 [110]	25	665	28,290	450
			Thousands of U.S. dollars	88,517	83,710	3,736	159	4,240	180,375	
Osaka Ibaraki Factory (Ibaraki City, Osaka Prefecture)	Other	Production facilities	Millions of yen	15,622	11,445	14,479 [72]	15	3,402	44,965	367
			Thousands of U.S. dollars	99,605	72,972	92,317	96	21,691	286,693	
Fukuoka Kurume Factory (Kurume City, Fukuoka Prefecture)	Other	Production facilities	Millions of yen	19,295	18,320	1,893 [97]	66	1,236	40,811	352
			Thousands of U.S. dollars	123,023	116,807	12,070	421	7,881	260,208	

Notes:

1. Carrying amount represents amounts based on Japanese GAAP.
2. “Other” in the carrying amount is the sum of tools, furniture and fixtures, construction in progress, and intangible assets excluding goodwill, trademarks, and leased assets.
3. There are no major facilities currently inactive.
4. Figures are net of impairment losses for facilities at Osaka Factory that are scheduled to be disposed due to factory integration. For details, please refer to “16. Impairment of Non-financial Assets” under “5. Financial Information, 1. Consolidated Financial Statements and Notes, (1) Consolidated Financial Statements, Notes to the Consolidated Financial Statements.”

(2) Domestic subsidiaries

As of December 31, 2024

Company name	Site name (Location)	Segment name	Description	Unit	Carrying amount						Number of employees (Persons)
					Buildings and structures	Machinery, equipment and vehicles	Land [thousand m ²]	Right-of-use assets	Other	Total	
Shiseido Japan Co., Ltd.	Head Office and 2 other business divisions, 15 branches and divisions (Minato-ku and others, Tokyo)	Japan Business	Office equipment / Store facilities	Millions of yen	5,243	4	1,472 [11]	14,545	23,074	44,340	7,157
				Thousands of U.S. dollars	33,429	26	9,385	92,738	147,118	282,708	
Shiseido Parlour Co., Ltd.	Ginza Main Store (Chuo-ku, Tokyo)	Other	Store facilities	Millions of yen	1,505	33	1,792 [1]	1,226	100	4,699	283
				Thousands of U.S. dollars	9,596	210	11,426	7,817	638	29,960	
Selan Anonymous Association	Shiodome Office (Minato-ku, Tokyo)	Other	Office equipment	Millions of yen	10,419	0	- [-]	13,508	42	23,970	-
				Thousands of U.S. dollars	66,431	0	-	86,126	268	152,831	

Notes:

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

(3) Overseas subsidiaries

As of December 31, 2024

Company name	Site name (Location)	Segment name	Description	Unit	Carrying amount						Number of employees (persons)
					Buildings and structures	Machinery, equipment and vehicles	Land [thousand m ²]	Right-of- use assets	Other	Total	
Shiseido (China) Co., Ltd.	Head Office (Shanghai, China)	China Business	Store facilities	Millions of yen	-	-	- [-]	2,912	8,726	11,638	776
				Thousands of U.S. dollars	-	-	-	18,567	55,636	74,203	
Shiseido Liyuan Cosmetics Co. Ltd.	Head Office / Beijing Factory (Beijing, China)	China Business	Store facilities / Production facilities	Millions of yen	415	215	- [-]	310	594	1,535	1,907
				Thousands of U.S. dollars	2,646	1,371	-	1,977	3,787	9,787	
Taiwan Shiseido Co., Ltd.	Hsinchu Factor y(Taiwan, Hsinchu)	Asia Pacific Business	Production facilities	Millions of yen	2,389	359	2,201 [66]	432	557	5,940	336
				Thousands of U.S. dollars	15,232	2,289	14,033	2,754	3,551	37,873	
Shiseido America Inc.	East Windsor Factory (Americas, New Jersey)	Americas Business	Production facilities	Millions of yen	5,131	3,556	374 [168]	-	5,761	14,824	328
				Thousands of U.S. dollars	32,715	22,673	2,385	-	36,732	94,517	
Shiseido International France S.A.S.	Gien Factory (France Gien), Val de Loire Factory (France Orm)	EMEA Business	Production facilities	Millions of yen	2,125	2,206	284 [340]	75	719	5,411	513
				Thousands of U.S. dollars	13,549	14,065	1,811	478	4,584	34,500	
Shiseido Cosmetics Manufacturing Co., Ltd.	Shanghai Factory (Shanghai, China)	Other	Production facilities	Millions of yen	1,023	266	- [-]	88	309	1,688	392
				Thousands of U.S. dollars	6,523	1,696	-	561	1,970	10,763	

Notes:

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

3. Plans for New Additions or Disposals of Facilities

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

(1) New additions and renovations

Capital expenditures plan for significant additions and renovation of facilities (Note) during the following year after the current fiscal year is ¥52,000 million (\$331,548 thousand), and the required funds will be covered by the Company's own funds, bonds and borrowings.

The breakdown by reportable segment is as follows:

Segment name	Planned investment		Major contents and purpose of equipment
	Millions of yen	Thousands of U.S. dollars	
Japan Business	8,000	51,007	Investment in marketing of store facilities, etc., software investment
China Business	3,700	23,591	Investment in marketing of store facilities, etc., software investment
Asia Pacific Business	2,800	17,853	Investment in marketing of store facilities, etc., software investment
Americas Business	7,300	46,544	Investment in marketing of store facilities, software investment, factory capital expenditures
EMEA Business	5,100	32,517	Investment in marketing of store facilities, etc., factory capital expenditures
Travel Retail Business	1,700	10,839	Investment in marketing of store facilities, etc.
Other	23,400	149,197	Factory capital expenditures and software investment
Total	52,000	331,548	

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

(2) Disposals

As disclosed in “16. Impairment of Non-Financial Assets” under “5. Financial Information, 1. Consolidated Financial Statements and Notes, (1) Consolidated Financial Statements, Notes to the Consolidated Financial Statements,” the Group plans disposals of the non-current assets that are not expected to be used in the future in conjunction with the integration of the manufacturing operations at the Osaka Factory into the Osaka Ibaraki Factory. The Group recorded impairment losses at the previous and current fiscal year, and the carrying amount of the fixed assets scheduled for disposal is immaterial.

4. Corporate Information on the Company

1. Information on the Company's Shares

(1) Number of shares

1) Total number of shares

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

2) Number of shares issued

Class	Number of shares issued As of December 31, 2024	Number of shares issued As of March 26, 2025 (Insurance date of this Securities Report)	Stock exchanges on which the Company is listed/the name of authorized financial instruments firms association	Description
Common stock	400,000,000	400,000,000	The Prime Market of the Tokyo Stock Exchange	The Company's standard class of shares with no rights limitations. The number of shares constituting one unit of the Company is 100 shares.
Total	400,000,000	400,000,000	-	-

(2) Status of stock acquisition rights

1) Stock option plans

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

	Fiscal Year 2012 Stock Options (30th and 31st Series Stock Acquisition Rights)	Fiscal Year 2013 Stock Options (32nd and 33rd Series Stock Acquisition Rights)	Fiscal Year 2014 Stock Options (34th and 35th Series Stock acquisition rights)
Resolution date	Resolved at the Ordinary General Meeting of Shareholders held on June 26, 2012, and the Board of Directors meeting held on July 31, 2012	Resolved at the Ordinary General Meeting of Shareholders held on June 25, 2013, and the Board of Directors meeting held on July 31, 2013	Resolved at the Ordinary General Meeting of Shareholders held on June 25, 2014, and the Board of Directors meeting held on July 31, 2014
Title and number of grantees	5 Directors of the Company 14 Corporate Officers of the Company	6 Directors of the Company 10 Corporate Officers of the Company	5 Directors of the Company 1 individual who was the Chairman (Representative Director) until the close of the 114th General Meeting of Shareholders 12 Corporate Officers of the Company
Number of stock acquisition rights (units)*	173 (Note 1)	214 (Note 1) [204]	321 (Note 1)
Class, details, and number of shares to be issued upon exercise of share acquisition rights (shares)*	Common stock 17,300 (Note 2)	Common stock 21,400 (Note 2) [20,400]	Common stock 32,100 (Note 2)
Amount paid in upon exercise of stock acquisition rights (yen)	1 (Note 3)	1 (Note 3)	1 (Note 3)
Exercise period of stock acquisition rights*	August 1, 2015- July 31, 2027	August 1, 2016- July 31, 2028	August 1, 2017- July 31, 2029
Issue price and amount credited to equity in the event of issuance of shares upon exercise of stock acquisition rights (yen)*	Issue price: 1,002 (Note 4) Amount credited to equity: 501	Issue price: 1,435 (Note 4) Amount credited to equity: 718	Issue price: 1,899.5 (Note 4) Amount credited to equity: 950
Conditions for exercising stock acquisition rights*	(Note 5)	(Note 5)	(Note 5)
Transfer of stock acquisition rights*	The transfer of stock acquisition rights shall be subject to the approval of the Board of Directors.	The transfer of stock acquisition rights shall be subject to the approval of the Board of Directors.	The transfer of stock acquisition rights shall be subject to the approval of the Board of Directors.
Delivery of stock acquisition rights in the event of the Reorganization*	(Note 6)	(Note 6)	(Note 6)

	Fiscal Year 2015 Stock Options (36th and 37th Series Stock acquisition rights)	Fiscal Year 2016 Stock Options (38th and 39th Series Stock acquisition rights)	Fiscal Year 2017 Stock Options (40th and 41st Series Stock Acquisition Rights)
Resolution date	Resolved at the Ordinary General Meeting of Shareholders held on June 23, 2015, and the Board of Directors meeting held on February 23, 2016	Resolved at the Ordinary General Meeting of Shareholders held on March 25, 2016, and the Board of Directors meeting held on February 23, 2017	Resolved at the Ordinary General Meeting of Shareholders held on March 28, 2017, and the Board of Directors meeting held on March 6, 2018
Title and number of grantees	3 Directors of the Company 13 Corporate Officers of the Company or its wholly owned subsidiaries 2 individuals who were Corporate Officers of the Company until December 31, 2015	3 Directors of the Company 20 Corporate Officers of the Company or its wholly owned subsidiaries 1 employee of a subsidiary of the Company (1 individual who was a Corporate Officer of the Company until December 31, 2016)	3 Directors of the Company 13 Corporate Officers of the Company or its wholly owned subsidiaries 5 individuals who were Corporate Officers of the Company or its wholly owned subsidiaries until December 31, 2017
Number of stock acquisition rights (units)*	151(Note 1)	465(Note 1)	376 (Note 1) [356]
Class, details, and number of shares to be issued upon exercise of stock acquisition rights (shares)*	Common stock 15,100 (Note 2)	Common stock 46,500 (Note 2)	Common stock 37,600 (Note 2) [35,600]
Amount paid in upon exercise of stock acquisition rights (yen)	1 (Note 3)	1 (Note 3)	1 (Note 3)
Exercise period of stock acquisition rights*	September 1, 2018- February 28, 2031	September 1, 2019- February 29, 2032	September 1, 2020- February 28, 2033
Issue price and amount credited to equity in the event of issuance of shares upon exercise of stock acquisition rights (yen)*	Issue price: 2,516.5 (Note 4) Amount credited to equity: 1,259	Issue price: 2,991 (Note 4) Amount credited to equity: 1,496	Issue price: 6,616 (Note 4) Amount credited to equity: 3,308
Conditions for exercising stock acquisition rights*	(Note 5)	(Note 5)	(Note 5)
Transfer of stock acquisition rights*	The transfer of stock acquisition rights shall be subject to the approval of the Board of Directors.	The transfer of stock acquisition rights shall be subject to the approval of the Board of Directors.	The transfer of stock acquisition rights shall be subject to the approval of the Board of Directors.
Delivery of stock acquisition rights in the event of the Reorganization*	(Note 6)	(Note 6)	(Note 6)

	Fiscal Year 2018 Stock Options (42nd and 43rd Series Stock Acquisition Rights)
Resolution date	Resolved at the Ordinary General Meeting of Shareholders held on March 27, 2018, and the Board of Directors meeting held on February 21, 2019
Title and number of grantees	3 Directors of the Company 12 Corporate Officers of the Company or its wholly owned subsidiaries 3 individuals who were Corporate Officers of the Company or its wholly owned subsidiaries until December 31, 2018
Number of stock acquisition rights*	144 (Note 1)
Class, details, and number of shares to be issued upon exercise of stock acquisition rights (Shares)*	Common stock 14,400 (Note 2)
Amount paid in upon exercise of stock acquisition rights (yen)	1 (Note 3)
Exercise period of stock acquisition rights*	September 1, 2021–February 28, 2034
Issue price and amount credited to equity in the event of issuance of shares upon exercise of stock acquisition rights (yen)*	Issue price: 7,865 (Note 4) Amount credited to equity: 3,933
Conditions for exercising stock acquisition rights*	(Note 5)
Transfer of stock acquisition rights*	The transfer of stock acquisition rights shall be subject to the approval of the Board of Directors.
Delivery of stock acquisition rights in the event of the Reorganization*	(Note 6)

* The description above represents the status as of the end of the current fiscal year (December 31, 2024). The details changed between December 31, 2024, and February 28, 2025, which is the end of the month preceding to the filing month, are shown in [] based on the status as of February 28, 2025. The other details have not changed since December 31, 2024.

Notes:

1. The number of shares to be issued upon exercise of one stock acquisition right shall be 100 shares.
2. In the event that the Company implements a stock split (including gratis allocation of the Company's shares) or stock consolidation, the number of shares to be issued upon exercise of stock acquisition rights (the "Number of Subject Shares") shall be adjusted in accordance with the following formula, with any fraction of one share occurring upon such adjustment discarded:

$$\text{Number of Subject Shares after adjustment} = \text{Number of Subject Shares before adjustment} \times \text{Split/consolidation ratio}$$
In addition, upon the occurrence of any unavoidable event that requires adjustment to the Number of Subject Shares, an adjustment shall be made thereto to the extent it is reasonable.
3. The amount of property to be contributed upon exercise of each stock acquisition right shall be the amount of cash to be paid in for each of the shares to be delivered upon exercise thereof, which shall be ¥1, multiplied by the Number of Subject Shares.

4. The issue price is the sum of the amount paid in upon the exercise of each stock acquisition right (¥1 per share) and the fair value of each stock acquisition right (¥1,001 (\$6.38) per share for the 30th and 31st Series; ¥1,434 (\$9.14) per share for the 32nd and 33rd Series; ¥1,898.5 (\$12.10) per share for the 34th and 35th Series; ¥2,515.5 (\$16.04) per share for the 36th and 37th Series; ¥2,990 (\$19.06) per share for the 38th and 39th Series; ¥6,615 (\$42.18) per share for the 40th and 41st Series; and ¥7,864 (\$50.14) per share for the 42nd and 43rd Series) at the grant date.
5. (1) Any allottee of stock acquisition rights shall remain in office as Director or Corporate Officer of the Company when he/she exercises the rights, unless he/she leaves office upon expiration of the term of office or due to any other justifiable reasons.
 (2) If any allottee of stock acquisition rights dies prior to the expiration of the exercise period of the stock acquisition rights, only one heir to such allottee shall be entitled to succeed to his/her rights and no one can succeed to such heir.
 (3) Any other conditions for exercising stock acquisition rights shall be governed by the “contract of allotting stock acquisition rights” agreed between the Company and the relevant allottee of the stock acquisition rights.
6. In the event that the Company is merged (as a result of which, the Company shall be dissolved), or conducts an absorption-type company split, incorporation-type company split, share exchange or share transfer (collectively, the “Reorganization”), the Company shall, with regard to the stock acquisition rights outstanding when the Reorganization becomes effective (the “Outstanding Stock Acquisition Rights”), deliver to any allottee thereof share acquisition rights of relevant corporations (“Reorganizing Companies”) listed in Article 236, paragraph 1, item 8 (a) through (e) of the Companies Act, in accordance with the following conditions. In such case, the Outstanding Share Acquisition Rights shall become null and void and the Reorganizing Companies shall newly issue stock acquisition rights, only if and when the delivery of stock acquisition rights of the Reorganizing Companies is stipulated in accordance with the following conditions in the absorption-type merger agreement, consolidation-type merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement or share transfer plan.
 - (1) Number of stock acquisition rights of the Reorganizing Company to be delivered
 The same number as that of the Outstanding Stock Acquisition Rights held by each allottee thereof shall be delivered.
 - (2) Class of shares of the Reorganizing Company to be issued upon exercise of share acquisition rights
 Ordinary shares of the Reorganizing Company
 - (3) Number of shares of the Reorganizing Company to be issued upon exercise of stock acquisition rights
 The number of such shares shall be determined in accordance with Note 2 above, by taking into account the conditions of the Reorganization.
 - (4) Amount of property to be contributed upon exercise of each stock acquisition right
 The amount of property to be contributed upon exercise of each stock acquisition right to be delivered shall be an amount obtained by multiplying the paid-in amount after the Reorganization set forth below by the number of shares of the Reorganizing Company be issued upon exercise of each of the stock acquisition rights, which shall be determined as set forth in (3) above. The paid-in amount after the Reorganization shall be ¥1 per share of the Reorganizing Company that can be delivered upon exercise of each stock acquisition right exercised.
 - (5) Exercise period of stock acquisition rights
 From later of the first day of the exercise period of the Outstanding Stock Acquisition Rights and the day on which the Reorganization becomes effective, to the last day of the exercise period of the Outstanding Stock Acquisition Rights
 - (6) Matters concerning share capital and legal capital surplus to be increased in the event that the Reorganizing Company issues shares upon exercise of stock acquisition rights
 Such matters shall be determined in accordance with the provisions set forth for the Outstanding Stock Acquisition Rights.
 - (7) Restriction on acquisition of stock acquisition rights by transfer
 Any acquisition of stock acquisition rights by transfer shall be subject to the approval by resolution of the Board of Directors of the Reorganizing Company.
 - (8) Terms and conditions of acquisition of stock acquisition rights
 Such terms and conditions shall be determined in accordance with the terms and conditions specified for the outstanding stock acquisition rights.
 - (9) Other conditions for exercising stock acquisition rights
 Such conditions shall be determined in accordance with the conditions for exercising the outstanding stock acquisition rights.
- 2) Right plans
 Not applicable.
- 3) Other stock acquisition rights
 Not applicable.

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

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

Period	Changes in the number of shares issued (thousand)	Balance of the number of shares issued (thousand)	Unit	Changes in share capital	Balance of share capital	Changes in legal capital surplus	Balance of legal capital surplus
May 21, 2010	(10,000)	400,000	Millions of yen	-	64,506	-	70,258
			Thousands of U.S. dollars	-	411,285	-	447,960

Note: Decrease due to retirement of treasury stock

(5) Details of Shareholders

As of December 31, 2024

As of December 31, 2024

Classification	Status of Shares (Number of shares constituting one unit: 100 shares)								Less-than-one-unit shares (shares)
	National and local governments	Financial institutions	Securities companies	Other corporations	Foreign corporations, etc.		Individuals and others	Total	
					Other than individuals	Individuals			
Number of shareholders (persons)	1	60	61	1,061	811	1,260	113,111	116,365	-
Number of shares held (unit)	40	1,358,985	260,090	161,851	1,548,192	4,621	661,192	3,994,971	502,900
Shareholding ratio (%)	0.00	34.01	6.51	4.05	38.75	0.11	16.55	100.00	-

Notes:

1. Of the 576,863 shares of treasury stock, 5,768 units are included in “Individuals and others,” and the remaining 63 shares are included in the “Less-than-one-unit shares.”
2. “Other corporations” includes one unit of shares held in the name of the Japan Securities Depository Center, Inc (hereinafter, JASDEC).
3. The Company had 131,423 shareholders of record as of December 31, 2024 including shareholders holding only less-than-one-unit shares.

(6) Principal Shareholders

As of December 31, 2024

Shareholders	Address	Number of shares held (thousand shares)	Percentage of shareholding to the total number of shares issued excluding treasury stock (%)
The Master Trust Bank of Japan, Ltd. (Trust Account) (Note 1)	Akasaka Intercity AIR, 8-1, Akasaka 1-chome, Minato-ku, Tokyo	76,196	19.07
Custody Bank of Japan, Ltd. (Trust Account) (Note 1)	8-12, Harumi 1-chome, Chuo-ku, Tokyo	27,073	6.77
JPMorgan Securities Japan Co., Ltd.	Tokyo Building, 7-3, Marunouchi 2-chome, Chiyoda-ku, Tokyo	9,783	2.44
GOVERNMENT OF NORWAY (Standing proxy: N.A., Tokyo Branch, CITIBANK)	BANKPLASSEN 2, 0107 OSLO 1 OSLO 0107 NO (27-30 Shinjuku 6-chome, Shinjuku-ku, Tokyo)	9,442	2.36
STATE STREET BANK AND TRUST COMPANY 505001 (Standing proxy: Settlement Sales Department, Mizuho Bank, Ltd.)	ONE CONGRESS STREET, SUITE 1, BOSTON, MASSACHUSETTS (Shinagawa Intercity Tower A, 15-1, Konan 2-chome, Minato-ku, Tokyo)	8,498	2.12
STATE STREET BANK WEST CLIENT - TREATY 505234 (Standing proxy: Settlement Sales Department, Mizuho Bank, Ltd.)	1776 HERITAGE DRIVE, NORTH QUINCY, MA 02171, U.S.A. (Shinagawa Intercity Tower A, 15-1, Konan 2-chome, Minato-ku, Tokyo)	7,569	1.89
Mizuho Trust & Banking Co., Ltd. re-trusted to Custody Bank of Japan, Ltd. Employees' Pension Trust for Mizuho Bank	8-12, Harumi 1-chome, Chuo-ku, Tokyo	7,000	1.75

Shareholders	Address	Number of shares held (thousand shares)	Percentage of shareholding to the total number of shares issued excluding treasury stock (%)
SMBC Nikko Securities Inc.	3-1, Marunouchi 3-chome, Chiyoda-ku, Tokyo	6,740	1.68
THE BANK OF NEW YORK 134104 (Standing proxy: Settlement Sales Department, Mizuho Bank, Ltd.)	BOULEVARD ANSPACH 1, 1000 BRUSSELS, BELGIUM (Shinagawa Intercity Tower A, 15-1, Konan 2-chome, Minato-ku, Tokyo)	6,338	1.58
Nippon Life Insurance Company (Standing proxy: The Master Trust Bank of Japan, Ltd.)	1-6-6 Marunouchi, Chiyoda-ku, Tokyo (Akasaka Intercity AIR, 8-1, Akasaka 1-chome, Minato-ku, Tokyo)	5,615	1.40
Total	-	164,259	41.12

Notes:

1. All shares held by The Master Trust Bank of Japan, Ltd. (Trust Account) and Custody Bank of Japan, Ltd. (Trust Account) are in connection with the respective bank's trust business.
2. A report of amendment to large shareholdings from Mizuho Bank, Ltd. has been filed with the Director-General of the Kanto Finance Bureau. The report said that on July 7, 2023, it held 21,455 thousand shares through joint holdings (percentage of shareholding: 5.36%), of which 12,435 thousand shares (3.11%) are held by Asset Management One Co., Ltd.
However, Mizuho Bank, Ltd. has been excluded from the above principal shareholders, as the actual number of shares held by said company had not been confirmed by the Company as of the end of the fiscal year.
3. A report of amendment to large shareholdings from Sumitomo Mitsui Trust Bank, Limited has been filed with the Director-General of the Kanto Finance Bureau. The report said that on June 20, 2024, it held 26,325 thousand shares through joint holdings (percentage of shareholding: 6.59%), of which 14,757 thousand shares (3.69%) and 11,567 thousand shares (2.89%) are held by Sumitomo Mitsui Trust Asset Management Co., Ltd. and Nikko Asset Management Co., Ltd., respectively.
However, Sumitomo Mitsui Trust Bank, Limited and Nikko Asset Management Co., Ltd. have 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.
4. A report of amendment to large shareholdings from BlackRock Japan Co., Ltd. has been filed with the Director-General of the Kanto Finance Bureau. The report said that on July 3, 2024, it held 28,097 thousand shares through joint holdings (percentage of shareholding: 7.03%), of which 8,798 thousand shares (2.20%) were held by BlackRock Japan Co., Ltd. and 7,553 thousand shares (1.89%) were held by BlackRock Fund Advisors.
However, BlackRock Japan Co., Ltd. and BlackRock Trust advisers have 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. A report of amendment to large shareholdings from Norges Bank has been filed with the Director-General of the Kanto Finance Bureau. The report said that on November 5, 2024, it held 26,842 thousand shares (percentage of shareholding: 6.72%).
However, Norges Bank 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.
6. A report of amendment to large shareholdings from Nomura Securities Co., Ltd. has been filed with the Director-General of the Kanto Finance Bureau. The report said that on November 7, 2024, it held 27,778 thousand shares through joint holdings (percentage of shareholding: 6.95%), of which 25,974 thousand shares (6.50%) are held by Nomura Asset Management Co., Ltd.
However, Nomura Securities Co., Ltd. and Nomura Asset Management Co., Ltd. have been excluded from the above principal shareholders, as the actual number of shares held by the above two companies had not been confirmed by the Company as of the end of the fiscal year.

(7) Status of voting rights

1) Shares Issued

As of December 31, 2024

Classification	Number of shares (shares)	Number of voting rights (units)	Description
Non-voting shares	-	-	-
Shares with restricted voting rights (Treasury stock, etc.)	-	-	-
Shares with restricted voting rights (Other)	-	-	-
Shares with full voting rights (Treasury stock, etc.)	(Treasury stock held) Common stock 576,800	-	Standard shares without restriction on the content of the rights
Shares with full voting rights (Other) (Note 1)	Common stock 398,920,300	3,989,203	Same as above
Less-than-one-unit shares (Note 2)	Common stock 502,900	-	Less-than-one-unit shares (One unit is 100 shares)
Total number of shares issued	400,000,000	-	-
Total voting rights held by all shareholders	-	3,989,203	-

Notes:

1. “Shares with full voting rights (Other)” includes 100 shares (1 voting right) in the name of JASDEC.
2. “Less-than-one-unit shares” includes 63 shares of treasury stock owned by the Company.

2) Treasury stock, etc.

As of December 31, 2024

Shareholders	Addresses of shareholders	Number of shares held under own name (shares)	Number of shares held under the names of others (shares)	Total number of shares held	Number of shares held to total number of shares issued and outstanding (%)
(Treasury shares held) Shiseido Co., Ltd.	5-5, Ginza 7-chome, Chuo-ku, Tokyo	576,800	-	576,800	0.14
Total	-	576,800	-	576,800	0.14

2. Acquisition of Treasury Stock

Type of shares

Acquisition of common stock under Article 155, Item 3 and Article 155, Item 7 of the Companies Act

(1) Acquisition of treasury stock based on a resolution approved at the annual general meeting of shareholders

Not applicable.

(2) Acquisition of treasury stock based on a resolution approved by the Board of Directors

Classification	Number of shares (shares)	Total amount (yen)	Total amount (U.S. dollars)
Resolution of the Board of Directors (August 7, 2024) Period of acquisition (from August 19 to August 20, 2024)	300,000	1,800,000,000	11,476,664.12
Treasury stock acquired prior to the current fiscal year	-	-	-
Treasury stock acquired during the current fiscal year	300,000	1,043,952,800	6,656,164.24
Total number and amount of the remaining resolved shares	-	756,047,200	4,820,499.87
Unexercised ratio as of the end of current fiscal year (%)	-	42.00	42.00
Treasury stock acquired during the period until the filing date of this Securities Report	-	-	-
Unexercised ratio as of the filing date (%)	-	42.00	42.00

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

Classification	Number of shares (shares)	Total amount (yen)	Total amount (U.S. dollars)
Treasury stock acquired during the current fiscal year	997	3,906,306	24,906.31
Treasury stock acquired during the period until the filing date of this Securities Report	77	205,430	1,309.81

Note: Treasury stock acquired during the period does not include the number of less-than-one-unit shares purchased during the period from March 1, 2025 to the date of the submission of this Annual Securities Report.

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

Classification	Current fiscal year			The period until the filing date of this Securities Report		
	Number of shares (shares)	Total disposition amount (yen)	Total disposition amount (U.S. dollars)	Number of shares (shares)	Total disposition amount (yen)	Total disposition amount (U.S. dollars)
Acquired treasury stock for which subscribers were solicited	-	-	-	-	-	-
Acquired treasury stock that was disposed of	-	-	-	-	-	-
Acquired treasury stock for which transfer of shares were conducted in association with merger/share exchange/share issuance/corporate separation	-	-	-	-	-	-
Other (Transfer due to request for additional purchase of less-than-one-unit shares)	20	80,644	514.18	-	-	-
Other (Transfer by exercise of stock options)	23,600	106,510,377	679,102.12	3,000	12,094,960	77,116.55

Other (Disposal of treasury stock due to Performance linked share-based compensation as long-term incentive compensation)	44,713	206,681,818	1,317,787.67	-	-	-
Treasury stock held	576,863	-	-	573,940	-	-

Note: The number of treasury stock held during the period from January 1, 2025 to March 26, 2025 does not include purchase due to the purchase of less-than-one-unit shares from March 1, 2025 to the date of this Annual Securities Report submission, disposal of treasury stock due to transfer due to request for additional purchase of less-than-one-unit shares, transfer due to exercise of stock options and Performance linked stock awards as long-term incentive compensation.

3. Dividend Policy

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

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

(Dividends)

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

For the current fiscal year (the 125th Fiscal Year), the Company decided to pay an annual dividend of ¥40.00 (\$0.26) per share including an interim dividend of ¥30.00 (\$0.19) and a year-end dividend of ¥10.00 (\$0.06).

Date of resolution	Unit	Total dividend amount	Dividends per share (yen/U.S. dollars)
August 7, 2024 Resolution at the Board of Directors meeting	Millions of yen	11,991	30.00
	Thousands of U.S. dollars	76,454	0.19
March 26, 2025 Resolution at the annual general meeting of shareholders	Millions of yen	3,994	10.00
	Thousands of U.S. dollars	25,465	0.06

4. Corporate governance

(1) Summary of Corporate Governance

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

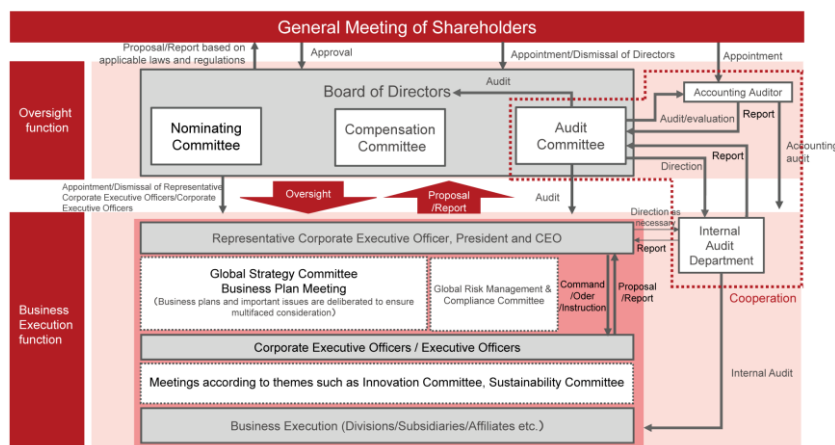
The Company is committed to maintaining and improving management transparency, fairness and speed, by putting into practice and reinforcing the corporate governance, and strives to maximize medium- and long-term corporate and shareholder value through dialogues with all stakeholders: “employees,” “consumers,”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

1) Corporate Governance System

The Company has long been committed to improving the corporate governance through a range of initiatives including the adoption of governance system aligned with the “monitoring board-type system” where the board is putting more focus on oversight responsibilities to ensure transparency and fairness in governance practice, while ensuring effective strategic planning and timely execution thereof. Now, we take this effort a step further, the Company has transited to a company with three statutory committees in order to maximize corporate value based on resolution of the Ordinary General Meeting of Shareholders held on March 26, 2024.

The Board of Directors focus on determining the basic management policy and management strategy while overseeing the implementation thereof, while also delegating significant authority to the Corporate Executive Officers, thereby accelerating the decision-making process for executing the Company’s business and implementation of its business strategies.

The following is the Company’s corporate governance framework:



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

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

Title	Name	Board of Directors	Nominating Committee	Compensation Committee	Audit Committee
Director	Kentaro Fujiwara	○			
Director	Ayako Hirofuji	○			
Director	Hiromi Anno	○			○(Full-time)
Director	Takeshi Yoshida	○			○(Full-time)
External Director	Kanoko Oishi	○	○	○	
External Director	Shinsaku Iwahara	○	◎	○	
External Director	Mariko Tokuno	○	○	○	
External Director	Yoshihiko Hatanaka	◎	○	◎	
External Director	Yasuko Gotoh	○			◎
External Director	Ritsuko Nonomiya	○			○
External Director	Yasuhiro Nakajima	○			○

Notes:

- Committee members are marked with ○, and the chairperson of the board of directors and that of the committees are marked with ◎.
- The legal name of Ms. Hiromi Anno is Hiromi Hara.

(a) Oversight function

(i) Board of Directors

The Board of Directors meetings are held approximately once a month. It focuses on deciding basic management policy and management strategy, and overseeing the implementation thereof to reinforce the oversight function and accelerate overall business execution of the Company in a rapidly changing environment. In addition, the Board of Directors discusses and decides matters stipulated in laws and regulations/the Company's Articles of Incorporation as well as matters provided for in the Regulations of the Board of Directors and delegate the authority to decide on other matters to Representative Corporate Executive Officers or Corporate Executive Officers.

The Company's Board of Directors is composed of 11 Directors including 7 External Directors.

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

We held the Board of Directors meetings 14 times in the current fiscal year.

From the executive side, proposals and reports were made primarily regarding the review of the medium-term management strategy and strategic actions, structural reforms and M&A along with their progress, the progress of the new core system (FOCUS), significant risks of the Shiseido Group, and IR activities (such as sharing investor feedback). In addition to these discussions, regular reports were provided by the nomination, compensation and audit committees. Accordingly, the Board of Directors effectively performed the oversight function. In addition to the abovementioned 14 meetings of the Board of Directors, pursuant to the provisions of Article 370 of the Companies Act and Article 26, Paragraph 2 of the Company's Articles of Incorporation, there were two deemed resolutions where a resolution at a Board of Directors meeting is deemed to have been passed.

Title	Name	Attendance status (Attendance rate)
Director	Masahiko Uotani	Fourteen attendances of all fourteen meetings (100%)
Director	Kentaro Fujiwara	Fourteen attendances of all fourteen meetings (100%)
Director	Hiromi Anno	Fourteen attendances of all fourteen meetings (100%)
Director	Takeshi Yoshida	Fourteen attendances of all fourteen meetings (100%)
Director	Yukari Suzuki	Three attendances of all three meetings (100%)
Director	Norio Tadakawa	Three attendances of all three meetings (100%)
Director	Takayuki Yokota	Three attendances of all three meetings (100%)
External Director	Kanoko Oishi	Fourteen attendances of all fourteen meetings (100%)
External Director	Shinsaku Iwahara	Fourteen attendances of all fourteen meetings (100%)
External Director	Mariko Tokuno	Thirteen attendances of all fourteen meetings (92.8%)
External Director	Yoshihiko Hatanaka	Thirteen attendances of all fourteen meetings (92.8%)
External Director	Hiroshi Ozu	Thirteen attendances of all fourteen meetings (92.8%)
External Director	Yasuko Gotoh	Fourteen attendances of all fourteen meetings (100%)
External Director	Ritsuko Nonomiya	Fourteen attendances of all fourteen meetings (100%)
External Director	Charles D. Lake II	Three attendances of all three meetings (100%)

Notes:

1. As of the close of the 124th Ordinary General Meeting of Shareholders held on March 26, 2024, the Company transitioned from a Company with an Audit & Supervisory Board to a Company with Three Statutory Committees. Therefore, the attendance of Mr. Hiroshi Ozu, Ms. Yasuko Gotoh and Ms. Ritsuko Nonomiya at the meeting of the Board of Directors includes the number of times they attended as external Audit & Supervisory Board members prior to the change in the corporate governance structure.
2. Ms. Yukari Suzuki, Mr. Norio Tadakawa, Mr. Takayuki Yokota, and Mr. Charles D. Lake II resigned from their positions as directors at the conclusion of the 124th Ordinary General Meeting of Shareholders held on March 26, 2024. Accordingly, we have recorded their attendance at the Board of Directors meetings held during their tenure.

(ii) Nominating Committee

The Nominating Committee resolves matters such as proposals regarding appointment and dismissal of Directors to be submitted to General Meetings of Shareholders and matters regarding the succession of Directors. In addition, the Nominating Committee deliberates appointment and dismissal of the Representative Corporate Executive Officers and Corporate Executive Officers, areas for which Corporate Executive Officers take responsibility, appointment and dismissal of the CEO, as well as matters regarding the succession of the CEO, etc. and reports results of the deliberations to the Board of Directors.

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

(Activities of the Nominating Committee for the current fiscal year)

We held the Nominating Committee meetings eight times in the current fiscal year.

It mainly discussed the succession of directors, made resolutions regarding the selection of director candidates to be submitted to the shareholders' meeting, and monitored the implementation status of the CEO succession. Additionally, it deliberated on matters related to the appointment of the CEO, the selection of the Representative Corporate Executive Officer and Corporate Executive Officers, and the determination of the areas of responsibility for the Corporate Executive Officers, providing recommendations to the Board of Directors.

Title	Name	Attendance status (Attendance rate)
External Director	Kanoko Oishi	Seven attendances of all eight meetings (87.5%)
External Director	Shinsaku Iwahara	Eight attendances of all eight meetings (100%)
External Director	Mariko Tokuno	Eight attendances of all eight meetings (100%)
External Director	Yoshihiko Hatanaka	Seven attendances of all eight meetings (87.5%)

(iii) Compensation Committee

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

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

(Activities of the Compensation Committee for the current fiscal year)

We held the Compensation Committee ten times.

It mainly discussed and resolved matters regarding the design of the CEO's compensation, changes to the performance indicators for long-term incentives, and the compensation of Directors and Corporate Executive Officers. Additionally, it oversaw the determination of compensation for Executive Officers other than Directors and Corporate Executive Officers.

Title	Name	Attendance status (Attendance rate)
External Director	Kanoko Oishi	Nine attendances of all ten meetings (90%)
External Director	Shinsaku Iwahara	Ten attendances of all ten meetings (100%)
External Director	Mariko Tokuno	Ten attendances of all ten meetings (100%)
External Director	Yoshihiko Hatanaka	Nine attendances of all ten meetings (90%)

(iv) Audit Committee

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

The committee is composed of three External Directors and two full-time Audit Committee members, and its chairperson is an External Director selected from the committee members with the resolution of the Audit Committee.

(Activity of the Audit Committee for the Current Fiscal Year)

The activities of the Audit Committee for the current fiscal year are described in “Part 1: Information of the Company, Section 4: Corporate Information of the Company, 4: Corporate Governance, (3) Audit Status, (3) Status of Audits, 1) Audits by the Audit Committee Members.”

(b) Business Execution function

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

Title	Name
Representative Corporate Executive Officer	Kentaro Fujiwara
Representative Corporate Executive Officer	Ayako Hirofuji
Corporate Executive Officer	Yoshiaki Okabe
Corporate Executive Officer	Norio Tadakawa
Corporate Executive Officer	Toshinobu Umetsu

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

The major committees are as follows:

(i) Global Strategy Committee

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

(ii) Business Plan Meeting

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

(iii) Global Risk Management & Compliance Committee

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

2) Internal Control System

(a) Development Status of Internal Control System

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(b) Operating status of internal control system

The Company continues to make progress on implementation and operation of its internal control system in accordance with the basic policy for the current fiscal year and has operated the system during the current fiscal year. Overall status of implementation and operation of the internal control system at the Company and its subsidiaries are included in the scope of the audit by the Audit committee and monitored by the internal audit division.

1. System under Which Performance of Duties by Directors, Corporate Executive Officers, 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 the Whole Group's Business Is Ensured

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

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

- The Global Risk Management & Compliance Committee was held in December and discussed material risks for the Shiseido Group and their countermeasures. Matters such as response to major incidents were reported to the Board of Directors (matters for the first half: in August; matters for the second half: in January 2025). In Japan, the HQ/SJ Compliance Committee was held in June and November to discuss issues and actions mainly on disciplinary cases and consultation cases received through the Shiseido Hotline in the Japan region.

- Whistleblowing reports were accepted through the Global Hotline directly managed by the headquarters (HQ) and hotlines managed by each region. The hotline in the Japan region has the Shiseido Hotline, and the Business Partner Hotline to establish the function of a whistleblower contact point.

- Based on 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 operational effectiveness and efficiency, reliability of financial reporting and compliance with applicable laws, regulations, and internal regulations, as well as safeguarding assets. At the same time, the Company assessed the appropriateness and effectiveness of risk management and provided advice and suggestions for its improvement. The results of internal audits are reported on a monthly basis to the Representative Corporate Executive Officer, President and CEO, Representative Corporate Executive Officer, Chief Financial Officer, and full-time Audit Committee members, and every other month to the Audit Committees, and biannually to the Board of Directors.

<Action Plans for Exclusion of Anti-Social Forces>

The pre-screening for antisocial forces was made more rigorous by connecting it to the operation of the NAIS accounting system. In December 2017, the Company introduced a preliminary screening system for new customers of the cosmetics business, and it continuously promotes 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). Moreover, employees in charge of related efforts conduct information gathering through seminars and other means and strive to coordinate with local police departments.

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

- We have long been committed to improving the Company's corporate governance through a range of initiatives including the adaptation of governance system aligned with the "monitoring board type system" where the board is putting more focus on oversight responsibilities to ensure transparency and fairness in governance practice, while ensuring effective strategic planning and timely execution thereof. However, we take this effort a step further, the Company has transitioned to a Company with Three Statutory Committees by resolution of the Ordinary General Meeting of Shareholders held on March 26, 2024 in order to maximize corporate value. The Board of Directors focuses on determining the basic management policy and management strategy and overseeing the implementation thereof, while it has expedited decision making regarding business execution and implementation of business strategies by delegating significant authority to Corporate Executive Officers.

- Corporate Executive Officers and Executive Officers are responsible for the execution of the Company's business through an accelerated decision-making process under the direct supervision of Representative Corporate Executive Officers, with decision-making for important matters and plans taking place after deliberation by the Global Strategy Committee or other important meetings related to business execution. Each Executive Office is in charge of the performance of duties in the areas for which they are responsible, and they submitted reports on their own areas of responsibility to the Global Strategy Committee or other important meetings related to business execution, as necessary.

- Effective January 1, 2025, Yoshihiko Hatanaka, an External Director, has assumed the role of Chairman of the Board of Directors to further strengthen the separation of execution and oversight, thereby enhancing the transparency and objectivity of the Board of Directors.

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

- The minutes of General Meetings of Shareholders, the Board of Directors meetings and meetings of respective committees are prepared by the Corporate Governance Department (the meeting minutes of the Audit Committee are prepared by the Internal Audit Department) and retained permanently, which is a longer duration than the statutory retention period of 10 years. Minutes of important meetings related to the execution of the Global Strategy Committee, etc. are prepared by the Corporate Transformation Acceleration Department and retained for 10 years or permanently, depending on the meeting body. With regard to the protection of information assets, the Company has developed and implemented the "Information System Usage Regulation," "Shiseido Group Information Asset Handling Regulation," "Confidential Information Controlling Regulation," "Shiseido Group 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 and Employees). In addition, the Company has developed and implemented the system for the process for disclosing facts of decisions made and financial results and the system for the process for disclosing facts of actual events. With regard to important reports made by Group companies, the Company has arranged for Executive Officers in charge of a respective Group company to report to the CEO or to the Global Strategy Committee and the Board of Directors in compliance with the "Regulation of the Board of Directors," as well as the "Regulation of the Executive Officers" or other internal rules and regulations.

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

- The newsletters were continuously distributed on an ongoing basis (with two issues editions published annually in fiscal 2024) to provide helpful information to RMO and risk managers across the world. In the Japan region, we conducted a presentation meeting in February and September for newly appointed managers (approximately 40 persons) of the risk managers (114 sections) appointed for the purpose of reinforcing support in our response when an incident occurs. Moreover, in August and September we broadened the scope to include not only risk managers but also the managers who will be responsible for reacting in the event of such an event occurring, and implemented e-learning with the objective of promoting understanding of the basic principles for responding to such incidents.

- In addition, we conducted drills in June for an HQ Emergency Task Force in anticipation of an earthquake directly under Tokyo, and in November the Osaka Emergency Task Force (established as an alternative to the HQ Emergency Task Force) conducted team-specific training, with about 50 participants combined. Furthermore, we implemented e-learning in March to enhance our ability to deal with product recalls.

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

- An Audit Committee Secretariat, which supports the Audit Committee in its duties or performs some of those duties on behalf of the Audit Committee, has been established within the Internal Audit Department under the jurisdiction of the Audit Committee. Three employees have been concurrently assigned to this Secretariat to perform the secretarial work of the Audit Committee, such as gathering information and preparing materials required for the conduct of audits by the Audit Committee. In addition, in order to ensure the independence of the employees from the Corporate Executive Officers, etc. and the effectiveness of directions of the Audit Committee, 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 the Audit Committee.
- The Audit Committee is consulted and its approval obtained on matters pertaining to the Internal Audit Department plan for the fiscal year (including budget).

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

- The Company ensures that the full-time Audit Committee members are offered opportunities to attend important meetings for business execution, such as the meetings of the Global Strategy Committee, and the Global Risk Management & Compliance Committee, as observers. Through these meetings, reports and information are provided to the Audit Committee. When requested by the Audit Committee, Executive Officers in charge of specific areas and heads of departments submit reports or provide materials and information to the Audit Committee.
- A Shiseido Group Audit Committee Whistleblowing System has been established, and in Japan, training is provided to new and mid-career employees at the time of joining the Company, as well as training for employees newly appointed to managerial positions, while e-learning pertaining to harassment is provided to all employees by the HQ. During this training, explanations of the Shiseido Hotline and other consultation contact points and hotlines are given to ensure that employees are fully aware of their existence. We have also formulated Shiseido Group Audit Committee Whistleblowing System Rules that conform to the revised Whistleblower Protection Act, and disadvantageous treatment of employees and others on the grounds that they have being involved in whistleblowing is forbidden.

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

- The Company budgets expenses necessary for the performance of duties 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 can may be made.

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

- The Audit Committee receives reports on the status of audits every other month from the Internal Audit Department that constitutes the department in charge of internal auditing and conveys audit-related instructions and opinions as required. The Audit Committee also receives reports from the Financial Accounting Department, Quality Management Department, Information Security Department, Risk Management Department, and Sustainability Strategy Acceleration Department on the status of activities, issues, and other matters in their respective areas. Moreover, full-time Audit Committee members exchange information with the Internal Audit Department on a weekly basis.
- The Representative Corporate Executive Officer and the Audit Committee members hold opinion exchange meetings as needed. In addition, the accounting auditor and Audit Committee members hold opinion-exchange meetings as needed, and also hold meetings for reporting accounting auditor's audit results on a quarterly basis. Of these quarterly meetings, the external directors also attended the meetings, at the end of the first half and at the end of the fiscal year for sharing of information. In addition, "three-party audit liaison meetings" are held on a quarterly basis to allow full-time Audit Committee members, the accounting auditor, and the Internal Audit Department to share audit information.
- The full-time Audit Committee members attend important meetings related to business execution, such as the Board of Directors, the Global Strategy Committee, to confirm the details of the deliberations.

(c) The Confirmation Procedures for Transactions with Related Parties

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

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

3) Outline of Execution of Liability Limitation Agreements

The Company has entered into an agreement with Ms. Hiromi Anno, Mr. Takeshi Yoshida, Ms. Kanoko Oishi, Mr. Shinsaku Iwahara, Ms. Mariko Tokuno, Mr. Yoshihiko Hatanaka, Ms. Yasuko Gotoh, Ms. Ritsuko Nonomiya, and Mr. Yasuhiro Nakajima to limit their liability for damages under Article 423, paragraph (1) of the Companies Act, based on the provisions of Article 427, paragraph (1) of the said Act and Article 27, paragraph (2) of the Articles of Incorporation of the Company. The limited liability amount for damages based on the agreement is the aggregate of the amounts provided in Article 425, paragraph (1) of the same Act.

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

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

Insureds in the said insurance agreement are Directors, Corporate Executive Officers, Executive Officers of the Company and directors, corporate auditors and other principal executive persons of the Company's subsidiaries and their subsidiaries.

The company bears the full cost of the insurance premiums. However, any damages arising from acts committed with the knowledge of criminal activity or legal violations by the insured parties are excluded from coverage.

5) Provisions of the Company's Articles of Incorporation

The Company's Articles of Incorporation stipulate the following:

- The number of board members

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

- Requirements for the resolution for the election of directors

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

- Matters at the General Meeting of Shareholders that may be resolved by the Board of Directors
(Acquisition of treasury share)

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

(Exemption from liability)

The Articles of Incorporation stipulate that, in accordance with Article 426, paragraph (1) of the Companies Act, the Company may exempt Directors (including former Directors) and Corporate Executive Officers (including former Corporate Executive Officers) from liability for damages attributable to neglect of duty, to the extent permitted by laws and regulations, through a resolution of the Board of Directors.

(Interim dividends)

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

- Special resolution requirements for General Meetings of Shareholders

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

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

1) List of officers

8 men and 6 women (female ratio of 42.9%)

a. Director

Position	Name	Date of Birth	Career profile		Term of office (period)	Number of shares owned (shares)
Director	Kentaro Fujiwara	December 21, 1966	Apr. 1991 Jul. 2004 Nov. 2011 May. 2013 Apr. 2015 Nov. 2015 Jan. 2016 Jan. 2018 Jan. 2020 Jan. 2021 Jan. 2023 Mar. 2023 Sep. 2023 Jan. 2024 Mar. 2024 Jan. 2025	Joined the Company Director, Europe Distribution Center, Shiseido Europe S.A. Director, President, Shiseido Korea Co., Ltd. Director, President, Shiseido Professional Korea Co., Ltd. Vice President, Corporate Strategy Department of the Company Group Leader, Digital Strategy Group of the Company Chairman of the Board, President of Shiseido (China) Co., Ltd. Corporate Officer of the Company, China Region Corporate Officer of the Company, China Region Chief Executive Officer (CEO) Senior Executive Officer of the Company, China Region CEO Executive Officer of the Company [incumbent] President and Chief Operating Officer (COO) of the Company Representative Director of the Company Representative Director, Chairman of Shiseido Japan Co., Ltd. Japan Region CEO of the Company [incumbent] Representative Director, President and CEO of Shiseido Japan Co., Ltd. [incumbent] Director of the Company [incumbent] Representative Corporate Executive Officer of the Company [incumbent] President and CEO of the Company [incumbent]	(Note 2)	6,500
Director	Ayako Hirofuji	October 3, 1979	Apr. 2003 Aug. 2005 Jul. 2014 Jul. 2015 Jan. 2019 Jan. 2022 Jan. 2024 May. 2024 Jul. 2024 Jan. 2025 Mar. 2025	Merrill Lynch Japan Securities Co., Ltd. (currently BofA Securities Japan Co., Ltd.) Joined the Company President of Director, PT SHISEIDO Cosmetics Indonesia President of Director, PT Shiseido Professional Indonesia Vice President, Strategic Finance Department of the Company Vice President, IR Department of the Company Executive Officer of the Company [incumbent] Chief Investor Engagement Officer of the Company Chief DE&I Officer of the Company [incumbent] Deputy Chief Financial Officer of the Company Corporate Executive Officer of the Company Chief Financial Officer of the Company [incumbent] Representative Corporate Executive Officer of the Company [incumbent] Director of the Company [incumbent]	(Note 2)	1,500
Director	Hiromi Anno	July 27, 1970	Apr. 1995 Jan. 2018 Jan. 2020 Jan. 2021 Mar. 2023 Mar. 2024	Joined the Company Department Director, Global Communications Department of the Company Corporate Officer, Chief Public Relations Officer of the Company Executive Officer of the Company Audit & Supervisory Board Member (Full-time) of the Company Director of the Company [incumbent] Member (Full-time), Audit Committee of the Company [incumbent]	(Note 2)	1,400

Position	Name	Date of Birth	Career profile		Term of office (period)	Number of shares owned (shares)
Director	Takeshi Yoshida	October 4, 1961	Aug. 1985 Feb. 1992 Apr. 2009 Apr. 2011 Oct. 2014 Jan. 2016 Jan. 2017 Mar. 2018 Mar. 2024	Joined Okura Keiei Keiri Gakuin Co., Ltd. Joined the Company General Manager of Cosmetics Business Planning Department, General Manager of Business Administration Group, Cosmetics Business Planning Department of the Company Executive Vice President, Shiseido Americas Corp. Department Director, Internal Audit Department of the Company Department Director, Business Planning Department, Shiseido Japan Co., Ltd. Director, Personal Care Planning Department, FT Shiseido Co., Ltd. (currently FineToday Co., Ltd.) Audit & Supervisory Board Member (Full-time) of the Company Director of the Company [incumbent] Member (Full-time), Audit Committee of the Company [incumbent]	(Note 2)	4,200
External Director	Kanoko Oishi	March 24, 1961	Apr. 1983 Aug. 1987 Nov. 1988 Jun. 2000 Jul. 2000 Aug. 2001 Aug. 2002 Jun. 2010 Jun. 2015 Mar. 2016 Apr. 2018 Mar. 2024	Joined Nippon Life Insurance Company McKinsey & Company, Inc. New York Office McKinsey & Company, Inc. Tokyo Office Representative Director, MEDIVA Inc. [incumbent] Representative Director, Seinan MEDIVA Co., Ltd. (currently Seeds 1 Co., Ltd.) [incumbent] Outside Auditor, ASKUL Corporation Outside Director, ASKUL Corporation Outside Director, Astellas Pharma Inc. Outside Director, Ezaki Glico Co., Ltd. [incumbent] External Board Member, Santen Pharmaceutical Co., Ltd. External Director of the Company [incumbent] Chair, Remuneration Advisory Committee of the Company Member, Nominating Committee of the Company [incumbent] Member, Compensation Committee of the Company [incumbent]	(Note 2)	3,900
External Director	Shinsaku Iwahara	December 17, 1952	Aug. 1978 Sep. 1981 Dec. 1982 Sep. 1991 Nov. 1991 Apr. 2003 Jan. 2005 Apr. 2009 Apr. 2010 Apr. 2013 Jun. 2013 Jan. 2015 Jul. 2017 Mar. 2018 Jun. 2019 Sep. 2021 Apr. 2023 Dec. 2023 Mar. 2024	Associate Professor, Faculty of Law, The University of Tokyo Visiting Researcher, Harvard Law School, U.S.A. Visiting Researcher, University of California, Berkeley, School of Law, U.S.A. Visiting Professor, Harvard Law School, U.S.A. Professor, Graduate School of Law and Politics, The University of Tokyo Member, Postal Services Policy Council Member, Business Accounting Council, Financial Services Agency Director, Financial Accounting Standards Foundation Member, Legislative Council, Ministry of Justice, Chair, Corporate Legislation Subcommittee, Legislative Council, Ministry of Justice Professor, Faculty of Law, Waseda University Professor Emeritus, The University of Tokyo [incumbent] Member and Chair, Financial System Council, Financial Services Agency Adviser to Mori Hamada & Matsumoto [incumbent] External Director of the Company [incumbent] Chair, Legislative Council, Ministry of Justice Chair, Nomination & Remuneration Advisory Committee of the Company Emeritus Professor, Waseda University [incumbent] Member, The Japan Academy [incumbent] Chair, Nominating Committee of the Company [incumbent] Member, Compensation Committee of the Company [incumbent]	(Note 2)	1,300

Position	Name	Date of Birth	Career profile		Term of office (period)	Number of shares owned (shares)
External Director	Mariko Tokuno	October 6, 1954	Apr. 1978 Jan. 1994 Apr. 2002 Mar. 2004 Aug. 2010 Jun. 2013 Sep. 2013 Jun. 2016 Jun. 2017 Mar. 2022 Mar. 2024 Jun. 2024	Joined The Bank of Tokyo, Ltd. (currently MUFG Bank, Ltd.) Joined Louis Vuitton Japan K.K. Senior Director, Sales Administration, Louis Vuitton Japan K.K. Vice President, Tiffany & Co., Japan Inc. Representative Director, President, Christian Dior K.K. Outside Director, HAPPINET CORPORATION Representative Director, President and CEO, Ferragamo Japan K.K. Outside Director, Mitsubishi Materials Corporation Outside Director, YAMATO HOLDINGS CO., LTD. [incumbent] External Director of the Company [incumbent] Member, Nominating Committee of the Company [incumbent] Member, Compensation Committee of the Company [incumbent] Outside Director, Nissan Motor Co., Ltd. [incumbent]	(Note 2)	2,100
External Director	Yoshihiko Hatanaka	April 20, 1957	Apr. 1980 Jun. 2005 Apr. 2006 Jun. 2008 Apr. 2009 Jun. 2011 Apr. 2018 Jun. 2019 Mar. 2023 Jun. 2023 Mar. 2024 Jan. 2025	Joined Fujisawa Pharmaceutical Co., Ltd. (currently Astellas Pharma Inc.) Corporate Executive, Vice President, Corporate Planning, Corporate Strategy Division, Astellas Pharma Inc. Corporate Executive, Astellas Pharma Inc. and President & CEO, Astellas US LLC and President & CEO, Astellas Pharma US, Inc. Senior Corporate Executive, Astellas Pharma Inc. and President & CEO, Astellas US LLC and President & CEO, Astellas Pharma US, Inc. Senior Corporate Executive, Chief Strategy Officer and Chief Financial Officer (CSTO & CFO), Astellas Pharma Inc. Representative Director, President and CEO, Astellas Pharma Inc. Representative Director, Chairman of the Board, Astellas Pharma Inc. Outside Director, Sony Corporation (currently SONY GROUP CORPORATION) [incumbent] External Director of the Company [incumbent] Outside Director, Sekisui Chemical Co., Ltd. [incumbent] Member, Nominating Committee of the Company [incumbent] Chair, Compensation Committee of the Company [incumbent] Chair, the Board of Directors of the Company [incumbent]	(Note 2)	700

Position	Name	Date of Birth	Career profile		Term of office (period)	Number of shares owned (shares)
External Director	Yasuko Gotoh	February 19, 1958	Apr. 1980 Jun. 2004 Oct. 2005 Jul. 2008 Jul. 2013 Oct. 2014 Jun. 2015 Jun. 2017 Jun. 2018 Mar. 2019 Jun. 2019 Apr. 2023 Jun. 2023 Oct. 2023 Mar. 2024 Mar. 2025	Joined Ministry of Transport (currently Ministry of Land, Infrastructure, Transport and Tourism (MLIT)) Director, Tourism Promotion Bureau at New York, Tourist Bureau of Japan Deputy Governor, Yamagata Prefecture Director, Regional Transport Bureau of Hokuriku and Shinetsu Regions, MLIT Director General, Policy Research Institute for Land, Infrastructure and Transport and Tourism, MLIT Joined Kyushu Railway Company Managing Director, Kyushu Railway Company, Deputy Director General, Railway Operations Headquarters and Director General, Travel Services Headquarters, Kyushu Railway Company Managing Director, CFO in charge of the Treasury Department, Kyushu Railway Company Director, Audit and Supervisory Committee Member, Kyushu Railway Company External Audit & Supervisory Board Member of the Company Outside Audit & Supervisory Board Member, DENSO CORPORATION [incumbent] Visiting professor, Faculty of Tourism and Community Development, Kokugakuin University [incumbent] Outside Audit & Supervisory Board Member, Mitsui Chemicals, Inc. [incumbent] Audit and Inspection Commissioners, the Tokyo Metropolitan Government [incumbent] External Director of the Company [incumbent] Member, Audit Committee of the Company Chair, Audit Committee of the Company [incumbent]	(Note 2)	1,300
External Director	Ritsuko Nonomiya	November 28, 1961	Sep. 1987 Apr. 1997 Nov. 2000 Jan. 2005 Jul. 2008 Apr. 2013 Dec. 2013 Mar. 2017 Mar. 2020 Jun. 2020 Feb. 2022 Mar. 2024	Joined Pete Murwick Maine Accounting Firm (currently KPMG LLP) Partner, KPMG Corporate Finance Co., Ltd. Joined UBS Warburg Securities Co., Ltd. (currently UBS Securities Japan Co., Ltd.) M&A Advisor, Managing Director, UBS Warburg Securities Co., Ltd. (currently UBS Securities Japan Co., Ltd.) Senior Vice President, Business Development Leader, GE Capital Asia Pacific Senior Executive Officer and Business Development Leader, GE Capital Japan, Japan GE Inc. (currently GE Japan Inc.) Managing Director, GCA Savvian Corporation (currently GCA Corporation) Director, GCA Corporation [incumbent] External Audit & Supervisory Board Member of the Company Outside Director, Nagase & CO., LTD. [incumbent] CEO, Representative Director, Houlihan Lokey Corporation [incumbent] External Director of the Company [incumbent] Member, Audit Committee of the Company [incumbent] Executive Officer, GCA, LLC [incumbent]	(Note 2)	1,000

Position	Name	Date of Birth	Career profile		Term of office (period)	Number of shares owned (shares)
External Director	Yasuhiro Nakajima	October 13, 1961	Apr. 1984 Mar. 1995 Jul. 2007 Jul. 2012 Jul. 2014 Jul. 2017 Apr. 2022 Jul. 2022 Mar. 2023 Mar. 2025	Joined Hitachi Ltd. Certified Public Accountant Representative Partner, PricewaterhouseCoopers Aarata (currently PricewaterhouseCoopers Japan LLC) Executive Officer (Leader of Quality Management), PricewaterhouseCoopers Aarata (currently PricewaterhouseCoopers Japan LLC) General Manager, Nagoya Office, PricewaterhouseCoopers Aarata (currently PricewaterhouseCoopers Japan LLC) Oversight Board Member, PricewaterhouseCoopers Aarata (currently PricewaterhouseCoopers Japan LLC) Project Professor, Graduate School of Business, Osaka Metropolitan University [incumbent] Representative, Nakajima CPA Office [incumbent] Member of the Board as Outside Director, Bridgestone Corporation [incumbent] External Director of the Company [incumbent] Member, Audit Committee of the Company [incumbent]	(Note 2)	0
Total						23,900

Notes:

- Ms. Kanoko Oishi, Mr. Shinsaku Iwahara, Ms. Mariko Tokuno, Mr. Yoshihiko Hatanaka, Ms. Yasuko Gotoh, Ms. Ritsuko Nonomiya, and Mr. Yasuhiko Nakajima serve as External Directors.
- The term of office of Director is from the conclusion of the Ordinary General Meeting of Shareholders for the fiscal year ended December 2024 to the conclusion of the Ordinary General Meeting of Shareholders for the fiscal year ending December 2025.
- The number of shares owned less than one hundred has been omitted, including those held through the Shiseido Board Members' Company Stock Ownership Association.
- The legal name of Ms. Hiromi Anno, a Director, is Hiromi Hara.

b. Corporate Executive Officer

Position	Name	Date of Birth	Career profile		Term of office (period)	Number of shares owned (shares)
Representative Corporate Executive Officer	Kentaro Fujiwara	December 21, 1966	Please see a. Director		(Note 1)	6,500
Representative Corporate Executive Officer	Ayako Hirofuji	October 3, 1979	Please see a. Director		(Note 1)	1,500
Corporate Executive Officer	Yoshiaki Okabe	February 8, 1967	<div>Apr. 1989</div> <div>Apr. 2010</div> <div>Jan. 2014</div> <div>Jan. 2015</div> <div>Apr. 2015</div> <div>Jan. 2016</div> <div>Jan. 2019</div> <div>Jan. 2020</div> <div>Jan. 2021</div> <div>Jan. 2022</div> <div>Jan. 2023</div> <div>Sep. 2023</div> <div>Mar. 2024</div> <div>Jan. 2025</div>	<div>Joined the Company</div> <div>Brand Manager of Clé de Peau BEAUTÉ Marketing Unit of the Company</div> <div>Shiseido China Co., Ltd. General Manager of Prestigious Cosmetics Business Division</div> <div>General Manager of International Marketing Department, International Business Division of the Company</div> <div>Corporate Officer of the Company SHISEIDO Brand Director, Global Business Division of the Company</div> <div>Corporate Officer of the Company Brand Director, SHISEIDO Brand Unit Global Prestige Brands of the Company</div> <div>Corporate Officer of the Company Chief Brand Officer, brand SHISEIDO, Global Prestige Brands of the Company</div> <div>Corporate Officer of the Company Chief Brand Officer, brand SHISEIDO of the Company</div> <div>Senior Executive Officer of the Company</div> <div>Chief Brand Innovation Officer of the Company</div> <div>Chief Technology Officer of the Company</div> <div>Chief Innovation Officer of the Company</div> <div>Executive Officer, Executive Vice President of the Company</div> <div>Chief Marketing & Innovation Officer of the Company [incumbent]</div> <div>Corporate Executive Officer of the Company [incumbent]</div> <div>Executive Officer of the Company [incumbent]</div>	(Note 1)	3,000

Position	Name	Date of Birth	Career profile		Term of office (period)	Number of shares owned (shares)
Corporate Executive Officer	Norio Tadakawa	January 6, 1967	Apr. 1989	Joined the Company	(Note 1)	15,000
			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		
			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		
			Oct. 2020	Japan Region Chief Operating Officer (COO) Representative Director, President and COO, Shiseido Japan Co., Ltd.		
			Jan. 2021	Senior Executive Officer of the Company		
			Jul. 2021	Japan Region Chief Executive Officer (CEO) Representative Director, President and CEO, Shiseido Japan Co., Ltd.		
			Jan. 2024	Chief Strategic Business Development Officer of the Company		
			Mar. 2024	Corporate Executive Officer of the Company [incumbent]		
			Jan. 2025	Executive Officer of the Company [incumbent] Chief Business Transformation Officer of the Company [incumbent] Chief Corporate Communication Officer of the Company [incumbent] Chief Quality Officer of the Company [incumbent]		

Position	Name	Date of Birth	Career profile		Term of office (period)	Number of shares owned (shares)
Corporate Executive Officer	Toshinobu Umetsu	September 4, 1979	Apr. 2002	Joined Beacon Communications K.K.	(Note 1)	500
			Jan. 2011	Business Director, Beacon Communications K.K.		
			Sep. 2011	Joined the Company		
			Jan. 2018	Department Director, Corporate Strategy Department of the Company		
			Jan. 2019	Chief Strategy Officer of the Company		
			Jan. 2020	Corporate Officer of the Company		
				Senior Vice President, Corporate Transformation Acceleration Division		
			Oct. 2020	Director, Shiseido Japan Co., Ltd. Representative Director, EFFECTIM Co., Ltd.		
			Jan. 2021	Executive Officer of the Company [incumbent]		
				Vice President, Inner Beauty Business Development Department of the Company		
			Jul. 2021	Director, Shiseido Interactive Beauty Company, Limited		
			Jan. 2022	Responsible for Professional Business		
	Director, Shiseido Professional Co., Ltd. [incumbent]					
Jan. 2023	China Region CEO [incumbent]					
	Mar. 2024	Corporate Executive Officer of the Company [incumbent]				
Total (Note 3)						18,500

Notes:

1. The term of office of Corporate Executive Officer is from the time of the conclusion of the first meeting of the board of directors held after the conclusion of the ordinary general meeting of shareholders for the year ended December 2024 to the time of the conclusion of the first meeting of the board of directors held after the conclusion of the ordinary general meeting of shareholders for the year ending December 2025.
2. The number of shares owned less than one hundred has been omitted, including those held through the Shiseido Board Members' Company Stock Ownership Association.
3. The total number of shares does not include the number of shares held by Corporate Executive Officer who also serve as Directors.
4. For Executive Officers who do not concurrently serve as Directors, please see "ABOUT US > Global Leadership" (<https://corp.shiseido.com/en/company/executiveofficers/>) on our corporate information site.

2) External Directors

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

	Concurrent Positions at Other Organizations	Relationships Between Such Organizations and the Company				
		Transaction Matter, etc.	Vendor, Recipient of Supporting Money, etc	Purchaser, Provider of Supporting Money, etc.	Percentage of Transaction Value	Value for Comparison
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, 2024
					Less than 1%	Consolidated net sales of Ezaki Glico Co., Ltd. for the fiscal year ended December 31, 2024
External Director Mariko Tokuno	Outside Director of YAMATO HOLDINGS CO., LTD.	Outsourcing business, etc.	YAMATO HOLDINGS Group	Shiseido Group	Less than 1%	Total amount of cost of sales and selling, general and administrative expenses of the Company on a consolidated basis for the fiscal year ended December 31, 2024
					Less than 1%	Consolidated operating revenue of YAMATO HOLDINGS CO., LTD. for the fiscal year ended March 31, 2024
	Outside Director of Nissan Motor Co., Ltd.	Outsourcing business, etc.	Nissan 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, 2024
					Less than 1%	Consolidated net sales of Nissan Motor Co., Ltd. for the fiscal year ended March 31, 2024
External Director Yoshihiko Hatanaka	Outside Director of SONY GROUP CORPORATION	Outsourcing business, etc.	SONY Group	Shiseido Group	Less than 1%	Total amount of cost of sales and selling, general and administrative expenses of the Company on a consolidated basis for the fiscal year ended December 31, 2024
					Less than 1%	Consolidated net sales and financial services revenue of SONY GROUP CORPORATION for the fiscal year ended March 31, 2024
	Outside Director of Sekisui Chemical Co., Ltd	Raw materials, etc.	Sekisui Chemical Group	Shiseido Group	Less than 1%	Total amount of cost of sales and selling, general and administrative expenses of the Company on a consolidated basis for the fiscal year ended December 31, 2024
					Less than 1%	Consolidated net sales of Sekisui Chemical Co., Ltd. for the fiscal year ended March 31, 2024
External Director 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, 2024
					Less than 1%	Consolidated net revenue of DENSO CORPORATION for the fiscal year ended March 31, 2024
	Outside Audit & Supervisory Board Member of Mitsui Chemicals, Inc.	Raw materials, etc.	Mitsui Chemicals Group	Shiseido Group	Less than 1%	Total amount of cost of sales and selling, general and administrative expenses of the Company on a consolidated basis for the fiscal year ended December 31, 2024
					Less than 1%	Consolidated net revenue of Mitsui Chemicals, Inc. for the fiscal year ended March 31, 2024
	Audit and Inspection Commissioner of the Tokyo Metropolitan Government	The Company has no special relationships of interest with the Tokyo Metropolitan Government.				

	Concurrent Positions at Other Organizations	Relationships Between Such Organizations and the Company				
		Transaction Matter, etc.	Vendor, Recipient of Supporting Money, etc.	Purchaser, Provider of Supporting Money, etc.	Percentage of Transaction Value	Value for Comparison
External Director Ritsuko Nonomiya	Outside Director of NAGASE & CO., LTD.	Raw materials, etc.	NAGASE & CO. Group	Shiseido Group	Less than 1%	Total amount of cost of sales and selling, general and administrative expenses of the Company on a consolidated basis for the fiscal year ended December 31, 2024
					Less than 1%	Consolidated net sales of NAGASE & CO., LTD. for the fiscal year ended March 31, 2024
	CEO, Representative Director of Houlihan Lokey Corporation	The Company has no special relationships of interest with Houlihan Lokey Corporation.				
External Director Yasuhiro Nakajima	Certified Public Accountant	There are no special relationships of interest.				
	Outside Director of Bridgestone Corporation	There are no special relationships of interest.				

Notes:

1. This table indicates the existence or non-existence of the relationship between the Company and the organizations in which the Company's External Directors hold important concurrent positions. Where transactions exist between the Company and such organizations, the table indicates that such transactions are minimal in terms of scale, and where competing transactions exist with the organizations, the table indicates that the transactions have no negative impact on the interests of shareholders.
2. The "company group" in the table includes companies in which an External Director holds concurrent positions and "the Shiseido Group" includes the Company, as well as the parent company, consolidated subsidiaries, and equity method associates listed in "4. Information on subsidiaries and associates" under "Part I Overview of the Company, 4. Information on Subsidiaries and Associates" of Annual Securities Report filed in the immediately preceding fiscal year.
3. The Company has established "Criteria for "Important Concurrent Positions" of External Directors." The above information is provided in accordance with the criteria. The criteria are available on our corporate information website: INVESTORS/Corporate Governance/Corporate Governance System (<https://corp.shiseido.com/en/ir/governance/system.html>).

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

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

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

(Summary of Criteria for Independence of External Directors)

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

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

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

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

The Audit Committee receives reports on the status of audits every other month from the Internal Audit Department that constitutes the department in charge of internal auditing and conveys audit-related instructions and opinions as required. The Audit Committee also receives reports from the Financial Accounting Department, Quality Management Department, Information Security Department, Risk Management Department, Sustainability Strategy Acceleration Department and Corporate Governance Department on the status of activities, issues, and other matters in their respective areas. Moreover, full-time Audit Committee members exchange information with the Internal Audit Department on a weekly basis.

The Representative Corporate Executive Officer and the Audit Committee members hold opinion exchange meetings as needed. In addition, the accounting auditor and Audit Committee 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, at the end of the first half and at the end of the fiscal year for sharing of information. In addition, "three-way audit liaison meetings" are held on a quarterly basis to allow full-time Audit Committee members, the accounting auditor, and the Internal Audit Department to share audit information.

The full-time Audit Committee members attend important meetings related to business execution, such as the Global Strategy Committee, to confirm the details of the deliberations.

(3) Status of Audits

1) Audits by Audit Committee members

a. Personnel Composition and Background

The Company has five Audit Committee members: two full-time internal members and three external members with no special interest in the Company.

The chair of the Audit Committee for the current fiscal year is Hiroshi Ozu. Ozu has extensive experience and expertise, mainly in the legal profession, having served in many important positions, including Vice-Minister at the Ministry of Justice and Prosecutor-General of the Supreme Public Prosecutors Office. Committee members Takeshi Yoshida, Yasuko Gotoh, and Ritsuko Nonomiya possess significant expertise in finance and accounting. Takeshi Yoshida is engaged in accounting and business management operations at the Company. He was appointed Senior Vice President of Shiseido Americas Corp. in 2011 and General Manager of the Internal Audit Department in 2014, and assumed the position of Audit & Supervisory Board Member in 2018. Yasuko Gotoh was the first female career bureaucrat in the Ministry of Transport (now the Ministry of Land, Infrastructure, Transport and Tourism) and has held a variety of important positions. She has since held a number of influential roles in the private sector, including Managing Director, CFO, Director, and Audit Committee member. Ritsuko Nonomiya has experience working for accounting firms in the U.S. and Japan and has a high level of financial and accounting knowledge, including involvement in M&A and business development, as well as management knowledge. Committee member Hiromi Anno has experience in corporate governance and compliance, having worked in investor relations and business planning of the Company before serving as Director of the Global Communications Department and later as an Executive Officer of the Company.

In addition, the Company has appointed Anno and Yoshida as full-time Audit Committee members to strengthen our internal controls and governance framework. This is achieved through an audit function that incorporates information obtained via regular audit activities, such as interviews with executive officers, reports from the internal audit department, on-site visits of subsidiaries, and participation in key internal meetings.

To support and assist in tasks related to audits conducted by the Audit Committee, the Company has established an Audit Committee Secretariat, comprising three staff members (as of December 31, 2024).

b. Audit Committee Activities

Audit Policy

The Audit Committee plays a vital role in fulfilling the oversight functions of the Board of Directors. Its fundamental policy is to conduct audits that contribute to “sound and sustainable growth” and “the enhancement of medium- to long-term corporate value” of the Shiseido Group by establishing “a high-quality corporate governance system that earns the trust of our various stakeholders.”

Status of Audit Committee Meetings and Attendance of Audit Committee Members

The Audit Committee convenes regularly prior to the Board of Directors meetings and also convenes as necessary.

At the 124th Annual General Meeting of Shareholders held on March 26, 2024, the Company transitioned from a company with an Audit & Supervisory Board to a company with three statutory committees: the Nominating Committee, Audit Committee, and Compensation Committee. During the current fiscal year, the Audit Committee convened a total of 15 times, including those of the former Audit & Supervisory Board and the newly established Audit Committee, with an average duration of approximately 1 hour and 30 minutes per meeting.

The attendance of each member of the Board of Directors and Audit & Supervisory Board from the beginning of the current fiscal year until the day before the change in the governance structure on March 26, 2024, is as follows.

Title	Name	Board of Directors	Audit & Supervisory Board
Full-time Audit & Supervisory Board member	Hiromi Anno	100% (3 out of 3)	100% (2 out of 2)
Full-time Audit & Supervisory Board member	Takeshi Yoshida	100% (3 out of 3)	100% (2 out of 2)
External Audit & Supervisory Board member	Hiroshi Ozu	100% (3 out of 3)	100% (2 out of 2)
External Audit & Supervisory Board member	Yasuko Gotoh	100% (3 out of 3)	100% (2 out of 2)
External Audit & Supervisory Board member	Ritsuko Nonomiya	100% (3 out of 3)	100% (2 out of 2)

The attendance of each member of the Board of Directors and Audit Committee after the change in the governance structure is as follows.

Title	Name	Board of Directors	Audit Committee
Audit Committee Chairperson (External)	Hiroshi Ozu	91% (10 out of 11)	92% (12 out of 13)
Audit Committee Member (Full-time)	Hiromi Anno	100% (11 out of 11)	100% (13 out of 13)
Audit Committee Member (Full-time)	Takeshi Yoshida	100% (11 out of 11)	100% (13 out of 13)
Audit Committee Member (External)	Yasuko Gotoh	100% (11 out of 11)	100% (13 out of 13)
Audit Committee Member (External)	Ritsuko Nonomiya	100% (11 out of 11)	100% (13 out of 13)

The Audit Committee receives reports, holds discussions, and makes resolutions on important audit-related matters in accordance with laws and regulations, “Audit Committee Rules,” “Audit Committee Auditing Standards,” and “Audit Implementation Standards for the Internal Control System.”

The major agenda items during the current fiscal year were as follows:

Resolutions (including Consent)	<ul style="list-style-type: none"> - Selection of the convener (chair) of the Audit Committee, full-time Audit Committee members, and specified Audit Committee - Audit plan and priority audit items for Audit Committee members - Establishment of rules and regulations for Audit Committee members - Consent to remuneration for accounting auditor; reappointment of accounting auditor - Status of development and operation of internal controls - Audit report of the Audit Committee - Comprehensive pre-commitment scope and individual pre-commitments for non-assurance services in the next fiscal year based on the revised International Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants (IESBA)
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Deliberations	- Evaluation of the effectiveness of the Audit Committee
Reporting	<ul style="list-style-type: none"> - Audit plan and priority audit items for Audit Committee members - Results of a survey of proposals submitted to the General Meeting of Shareholders - Results of on-site visits conducted by Audit Committee members - Status of internal audit, risk management, quality assurance, information security, finance and accounting, and sustainability

In addition to the regular Audit Committee meetings, members convene in conjunction to discuss important issues and exchange views among Audit Committee members.

The evaluation of the effectiveness of the Audit & Supervisory Board, which commenced in the previous fiscal year, has continued following the change in governance structure. The objective of this evaluation is to maintain and enhance the effectiveness of the Audit Committee. To this end, the Committee reviewed its annual audit activities based on the following evaluation criteria and conducted an effectiveness assessment after discussions within the Audit Committee. As a result of our evaluation, we concluded that the Audit Committee functioned effectively during the current fiscal year.

Evaluation Criteria	<ul style="list-style-type: none"> - Composition and size of the Audit Committee (number of members, number of external members, diversity, etc.) - Operation of the Audit Committee (frequency and duration of meetings, agenda, support for the committee chair, etc.) - Culture of the Audit Committee (chair's leadership, mutual communication, active discussion, etc.) - Roles and functions of the Audit Committee - Monitoring of the development and operation of the internal control system - Corporate governance code compliance - Collaboration with directors and Board of Directors - Cooperation with accounting auditors and the Internal Audit Department, as well as a monitoring system using three-way audits, etc.
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Priority Audit Items for Audits by the Audit Committee

The following have been designated as priority audit items for the current fiscal year by the Audit Committee. Each matter has been thoroughly reviewed and discussed at Audit Committee meetings and related forums, with reports submitted to the Board of Directors on a semi-annual basis.

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

Priority Audit Items for Fiscal Year 2024	Main Points of the Audit
Accelerate the Growth Momentum of Core Brands	<ul style="list-style-type: none">- Build the global brand portfolio, strengthen brand equity, and expand market share- Strengthen product innovation based on skin research- Bolster commercial innovation leveraging existing products
Transition to a Balanced Regional Portfolio	<ul style="list-style-type: none">- Restructure the profit base in Japan, China, and Travel Retail- Develop growth strategies in Europe, Americas, and Asia
Improving Profitability through cost structure reform	<ul style="list-style-type: none">- Company-wide cost structural reforms and efforts to maximize gross profit
Rebuilding the Business Foundation	<ul style="list-style-type: none">- Establish and operate a global supply network (merchandise cost reduction / production and logistics systems)- Integrate sustainability into management practices- Boost productivity by integrating new people strategies and reorganizing global organizational capabilities, HRDX, and related frameworks
Internal Controls and Governance	<ul style="list-style-type: none">- Implement internal controls and governance at HQ, regional headquarters, and subsidiaries- Integrate and embed global IT governance and introduce FOCUS (including ICOFR compliance)- Ensure global implementation and integration of quality assurance governance

The status of audit activities is as follows:

Attendance at Board of Directors meetings and other important meetings and committees	Auditors utilize their extensive experience and expertise in their respective fields to offer independent advice, recommendations, and opinions and review the execution of duties. Global Strategy Committee, Global Risk Management & Compliance Committee, HQ & SJ Compliance Committee, etc.
Meetings with Representative Corporate Executive Officers	Exchange opinions on important management issues and share issues based on annual audit activities. Twice a year
Interviews and on-site visits with executive officers, department heads, and office managers, among others	<ul style="list-style-type: none">- Exchange opinions on the management and business environment—57 times domestically, 33 times overseas
Confirm status of internal audit	Audit Committee—7 times Full-time Audit Committee members—weekly

The Audit Committee shares information and exchanges views with the accounting auditor on major key audit matters (KAM) that are considered to have a significant impact on areas of the financial statements due to important decisions made by Company management.

Promotion of Organizational Audits

The Audit Committee has implemented measures to enhance the effectiveness of the three-way audit framework, which involves the Audit Committee, the Internal Audit Department, and the accounting auditor. As part of this initiative, the accounting auditor provides reports on the status of audits on a quarterly basis. Additionally, the Audit Committee holds biannual discussions on key management issues and convenes three-way audit liaison meetings. These efforts ensure audit findings and responses are shared among the three parties in a timely manner to improve the overall effectiveness of the audit process under the leadership of the Audit Committee.

The Audit Committee oversees the Internal Audit Department, receiving regular reports on the progress and outcomes of internal audits based on the internal audit plan. When necessary, the Audit Committee provides directives to the Internal Audit Department regarding internal audit matters. Furthermore, the Audit Committee organizes the “Subsidiary Auditor Liaison Meeting,” which comprises auditors from group subsidiaries that have auditors, to facilitate the sharing of management issues and information on internal control risks from each subsidiary. It also monitors the status of business execution across the Group.

In addition, the Audit Committee has established the “Shiseido Group Audit Committee Whistleblower Hotline” as an internal reporting channel for cases involving suspected misconduct by Directors, Corporate Executive Officers, or other members of the leadership team. The committee conducts thorough investigations while ensuring the protection of whistleblowers.

2) Status of Internal Audit

a. Internal Audit Objectives and Policies

The Group's internal audits aim to contribute to sustainable growth and the enhancement of corporate value through the promotion of appropriate control and improvement activities based on THE SHISEIDO PHILOSOPHY (Note). Conducted in accordance with “The Internal Audit Rules” established by the Internal Audit Department, these audits comprehensively examine the state of our Group's internal controls from the perspectives of operational effectiveness and efficiency, reliability of reporting, compliance with relevant laws and internal regulations, and asset preservation. Additionally, the department assesses the appropriateness and effectiveness of risk management and provides advice and recommendations for improvements.

The Representative Corporate Executive Officer and CEO recognizes that robust governance and proper internal controls are essential to enhance the corporate value of the Shiseido Group and achieve trustworthiness in our business. With significant changes in internal and external environments, the importance of internal audits has grown, and the CEO is committed to providing the Internal Audit Department with the necessary resources to conduct effective audit activities that ensure the adequacy of the Group's governance and internal controls. The internal audit function serves as a driving force for the Company's continuous evolution into an organization guided by strong ethics and integrity, striving to earn the trust of all stakeholders.

Note: 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/>).

b. Organization and Personnel Structure

Following the resolution at the General Meeting of Shareholders on March 26, 2024 regarding “Transition to a Company with Three Statutory Committees,” the Internal Audit Department has been restructured to include a dual reporting line to both the Audit Committee and the Representative Corporate Executive Officer and CEO. The department maintains its independence and objectivity, regularly reporting the status and results of internal audits to the Audit Committee and the Board of Directors, alongside monthly reports to the Representative Corporate Executive Officer and CEO and Representative Corporate Executive Officer and CFO and weekly reports to the full-time Audit Committee members.

In the event of conflicting instructions or decisions between the Representative Corporate Executive Officer and CEO and the Audit Committee, the opinion of the Audit Committee shall prevail.

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

As of December 31, 2024, we have 21 members of the Internal Audit Department at the headquarters and six members of the Internal Audit Department at offices belonging to the regional headquarters in China, Asia, the Americas and Europe (mainly locally hired). Approximately half of our employees hold professional certifications such as Certified Internal Auditor (CIA), Certified Information Systems Auditor (CISA), Certified Fraud Examiner (CFE), or Certified Public Accountant in Japan and the U.S., and we encourage those who do not hold these certifications to obtain them as we aim to build trust as a highly professional organization. In addition, members of the department have an average of five years of experience in the Company's internal auditing and possess extensive knowledge and expertise in the field. The Internal Audit Department also maintains and reviews a skills matrix to ensure a well-balanced composition of personnel. Where specialized expertise is lacking within the department, staff with the required skills are brought in from other departments to strengthen the team's capabilities. When resources are insufficient in terms of in-house expertise and number of staff, outside experts are utilized as needed.

In addition to the above, we have 17 full-time auditing staff with reporting lines to local management at major subsidiaries in Japan and overseas, depending on the risk base, to form a system capable of responding quickly to local situations.

To improve the quality of our internal audits, several CIAs experienced in conducting external quality evaluations conducted internal audit quality evaluations based on the International Standards for the Professional Practice of Internal Auditing (2017 Standards) of the Institute of Internal Auditors (IIA), and we are continuously improving our departmental management and operations to prepare for periodic external evaluations in the future. As we unify core IT systems at the global level, we are taking this opportunity to enhance data analysis capabilities in the Internal Audit Department to improve audit quality.

c. Major activities of Internal Audit Department members

The results of the main organizational and functional reports and information exchanged during the current fiscal year are as follows. In addition to the information below, as described in the “Status of Audits by Audit Committee,” the Company builds mutual cooperation among accounting auditors, Audit Committee members, and the Internal Audit Department through regular exchanges of information. The Internal Audit Department works closely with the Audit Committee on an ongoing and flexible basis, supporting its activities and conducting organizational audits(Note).

Note: For more information on organizational audits, please see “Promotion of Organizational Audits” in the section titled “Status of Audits by the Audit Committee.”

Regular Reports from the Internal Audit Department

Meeting	Frequency	Attendees
Board of Directors	Twice a year	Directors
Audit Committee	Every other month	Audit Committee Members
Full-time Audit Committee Members Report	Weekly	Full-time Audit Committee Members
CEO/CFO Report	Monthly	CEO and CFO

The Internal Audit Department conducts comprehensive risk assessments that consider risk awareness from the Global Risk Management & Compliance Committee, other risks identified both inside and outside the Company, and the frequency of audits for the target organizations. Considering the resources available, including the Internal Audit Department personnel, priorities are set to select the organizations and themes for audit, upon which internal audits are carried out. The annual audit plan is approved by the Audit Committee at the beginning of the fiscal year. Any subsequent changes to the plan are subject to approval by the Audit Committee, following regular discussions and exchanges.

As a result, in the current fiscal year, we conducted internal audits covering 19 departments and themes. After internal audits are conducted, we regularly follow up on the status of the suggested improvements and progress being made and reports that progress to the Audit Committee and Representative Corporate Executive Officer and CEO.

	Domestic Locations	Overseas Locations	Theme audits	Total
Number of Audits	3	5	11	19

In specialized areas such as information security and product quality, global policies are created for each area to ensure the proper front-line and second-line application. Risk assessments are conducted, along with monitoring through both technology-driven off-site monitoring and on-site visits.

The Internal Audit Department provides advice and recommendations as needed for issues either identified by the department itself or raised by first- and second-line departments. These recommendations are based on insights gained through evaluations of business processes and internal controls.

In addition, we share information on the results of audits conducted by the full-time auditing departments of our major domestic and overseas subsidiaries. Furthermore, joint audits are planned and conducted by each functional and subsidiary audit department and the Internal Audit Department.

Going forward, we plan to introduce an audit management tool in fiscal year 2025 to enhance and standardize audit quality among Internal Audit Department members both in Japan and overseas, aiming to conduct more effective audits.

We will also collaborate with the Sustainability Strategy Acceleration Department, the DE&I Strategy Acceleration Department, and the regional headquarters to contribute to the development and operation of internal controls from an assurance perspective, in response to growing societal demands for enhanced disclosure of non-financial information.

3) Status of Accounting Audit

a. Name of the Auditing Firm

KPMG AZSA LLC

b. Years of Continuous Service as Accounting Auditor

The Company appointed KPMG AZSA LLC as its accounting auditor on June 29, 2006, and the current fiscal year marks 19 years since the appointment.

c. Certified Public Accountants Engaged in the Financial Statements Audit

Masakazu Hattori (years of continuous service: five years)

Kentaro Hayashi (years of continuous service: five years)

Yuki Kodaka (years of continuous service: one year)

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

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

d. Composition of Assistants Involved in the Audit

Assistants involved in the audit consisted of 17 certified public accountants, 10 successful applicants who have passed the Certified Public Accountant Examination, and 42 others (tax and IT auditing).

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

At the Company, the appointment and dismissal of the accounting auditor by the Audit Committee is implemented based on unanimous agreement. The decision is made through evaluations by the Representative Corporate Executive Officer and CFO, as well as the heads of departments related to financial accounting and auditing and discussions involving all Audit Committee members.

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

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

The Audit Committee evaluated the accounting audit for the 124th fiscal year and confirmed the appropriateness of the auditor, quality control, independence and professional competence of the audit team, appropriateness of the audit plan, communication with the Audit Committee and other relevant parties, status of the accounting auditor's remuneration, and processes, and resolved to reappoint the accounting auditor for the 125th Fiscal Year.

4) Details of remuneration for the Accounting Auditor

a. Remuneration for Certified Public Accountants.

Classification	Previous fiscal year		Current fiscal year			
	Remuneration for auditing and attestation (Millions of yen)	Remuneration for non-audit services (Millions of yen)	Remuneration for auditing and attestation (Millions of yen)	Remuneration for non-audit services (Millions of yen)	Remuneration for auditing and attestation (Thousands of U.S. dollars)	Remuneration for non-audit services (Thousands of U.S. dollars)
Submitting Company	242	-	255	2	1,626	13
Consolidated subsidiaries	45	-	46	-	293	-
Total	288	-	301	2	1,919	13

The Company's non-audit services in the current fiscal year consisted of preparation of the comfort letter from the auditor to the managing underwriting company in connection with the issuance of corporate bonds.

There was an additional remuneration of 10 million yen related to audit attestation services for the previous fiscal year, apart from the amounts mentioned above.

b. Remuneration to Entities Within the Same Network as the Audited Certified Public Accountants (excluding a.)

Classification	Previous fiscal year		Current fiscal year			
	Remuneration for auditing and attestation (Millions of yen)	Remuneration for non-audit services (Millions of yen)	Remuneration for auditing and attestation (Millions of yen)	Remuneration for non-audit services (Millions of yen)	Remuneration for auditing and attestation (Thousands of U.S. dollars)	Remuneration for non-audit services (Thousands of U.S. dollars)
Submitting Company	-	-	-	-	-	-
Consolidated subsidiaries	799	47	919	33	5,859	210
Total	799	47	919	33	5,859	210

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

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

c. Content of other important remuneration

Not applicable.

d. Policy on determining remuneration for the Accounting Auditor

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

e. Reasons why the Audit Committee has consented to remuneration for the Accounting Auditor

The Audit Committee reviewed and verified the basis for the remuneration of the accounting auditor, as proposed by the Representative Corporate Executive Officer and CEO. This review included an examination of the actual time spent on audit work during the current fiscal year, as well as the estimated time required for additional audit matters anticipated in the next fiscal year. Based on this assessment, the Audit Committee concluded that the proposed remuneration was appropriate and granted its approval.

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

Details of the remuneration

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

(From January to March 2024)

Millions of yen

Position and number of Directors and Audit & Supervisory Board members (persons)	Breakdown of Remuneration, etc. by type				Total [(a)+(b)]
	Basic Remuneration, etc.	Annual Incentive	Total of the cash remunerations (a)	Long-Term Incentive (Share Compensation) (b)	
Directors (10 persons)	103	32	136	24	160
Of which, External Directors (5 persons)	18	-	18	-	18
Audit & Supervisory Board Members (5 persons)	26	-	26	-	26
Of which, External Audit & Supervisory Board Members (3 persons)	9	-	9	-	9
Total	130	32	162	24	186

Thousands of U.S. dollars

Position and number of Directors and Audit & Supervisory Board members (persons)	Breakdown of Remuneration, etc. by type				Total [(a)+(b)]
	Basic Remuneration, etc.	Annual Incentive	Total of the cash remunerations (a)	Long-Term Incentive (Share Compensation) (b)	
Directors (10 persons)	657	204	867	153	1,020
Of which, External Directors (5 persons)	115	-	115	-	115
Audit & Supervisory Board Members (5 persons)	166	-	166	-	166
Of which, External Audit & Supervisory Board Members (3 persons)	57	-	57	-	57
Total	829	204	1,033	153	1,186

Notes:

- Based on the resolution of the 124th Ordinary General Meeting of Shareholders held on March 26, 2024, the Company has transitioned from a Company with an Audit & Supervisory Board to a Company with Three Statutory Committees, effective the same day. The table above shows the remuneration of Directors and Audit & Supervisory Board members who were in office before the Company transitioned to a Company with Three Statutory Committees.
- The total amount of the basic remuneration and annual incentive for Directors has a ceiling of ¥2.0 billion (\$12.8 million) annually (including a total of ¥0.2 billion (\$1.3 million) or less for External Directors) as per the resolution of the 118th ordinary general meeting of shareholders held on March 27, 2018. The number of Directors at the conclusion of the said general meeting of shareholders was six (three of whom were External Directors). Basic remuneration for Audit & Supervisory Board members has a ceiling of ¥10 million (\$64 thousand) per month as per the resolution of the 105th ordinary general meeting of shareholders held on June 29, 2005. The number of Audit & Supervisory Board members at the conclusion of the said general meeting of shareholders was five.
- The annual incentive of Directors for the current fiscal year indicated above represent the amounts that will be paid upon the resolution of the Board of Directors based on the resolution of the 118th ordinary general meeting of shareholders, as stated in note (c) Performance-linked targets, actual performance and payment percentage, etc. of annual incentive paid to Directors excluding External Directors and Corporate Executive Officers..
- The amount of long-term incentive-type remuneration (stock compensation) indicated above represents the total amount of the expenses recognized and measured in accordance with IFRS 2 “Share-based Payment” for the current fiscal year, on the performance-linked stock compensation (performance share units) 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 ¥(5) million (\$32 thousand) in adjustment to the expenses recognized based on the achievement rate of performance indicator of the delivered long-term incentive-type remuneration (stock compensation).
- In addition, an adjustment of ¥(0.4) million (\$3 thousand) was recorded to the expenses recognized for prior years, on the performance-linked stock compensation (performance share units) delivered to one Director of the Company, at the time the Directors served as Executive Officers or employee not holding the office of directors.

(From April to December 2024)

Millions of yen

Position and number of Directors and Corporate Executive Officers (persons)	Breakdown of Remuneration, etc. by type				Total [(a)+(b)]
	Basic Remuneration, etc.	Annual Incentive	Total of the cash remunerations (a)	Long-Term Incentive (Share Compensation) (b)	
Directors (9 persons)	155	-	155	(5)	149
Of which, External Directors 7 persons)	94	-	94	-	94
Corporate Executive Officers (7 persons)	359	137	496	123	620
Total	514	137	652	117	769

Thousands of U.S. dollars

Position and number of Directors and Corporate Executive Officers (persons)	Breakdown of Remuneration, etc. by type				Total [(a)+(b)]
	Basic Remuneration, etc.	Annual Incentive	Total of the cash remunerations (a)	Long-Term Incentive (Share Compensation) (b)	
Directors (9 persons)	988	-	988	(32)	950
Of which, External Directors (7 persons)	599	-	599	-	599
Corporate Executive Officers (7 persons)	2,289	874	3,162	784	3,953
Total	3,277	874	4,157	746	4,903

Notes:

1. The Company does not pay Directors' remuneration to Directors who concurrently serve as Corporate Executive Officers. Therefore, the remuneration of the two Directors who concurrently serve as Corporate Executive Officers is included in the "Corporate Executive Officers" not the "Directors" category.
2. The amount of long-term incentive-type remuneration (stock compensation) indicated above represents the total amount of the expenses recognized and measured in accordance with IFRS 2 "Share-based Payment" for the current fiscal year, on the performance-linked stock compensation (performance share units) in consideration of duties executed by Directors and Corporate Executive Officers. In addition, the amount of long-term incentive-type remuneration (stock compensation) for Directors includes the expenses recognized for the current fiscal year related to the unvested portion of performance-linked stock compensation (performance share units) for Directors who retired in March 2024. In addition, 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 ¥(15) million (\$96 thousand) in adjustment to the expenses recognized based on the achievement rate of performance indicator of the delivered long-term incentive-type remuneration (stock compensation).
3. In addition, an adjustment of ¥(4) million (\$26 thousand) was recorded to the expenses recognized for the previous fiscal year, on the performance-linked stock compensation (performance share units) delivered to four Corporate Executive Officers of the Company, at the time the Corporate Executive Officers held the position of Executive Officer or Employee without concurrently serving as a Director or Corporate Executive Officer.
4. Of the above, the basic remuneration, etc. paid in local currency was translated into Japanese yen using the average internal exchange rate during the current fiscal year.

(b) Amounts of remuneration, etc. to Directors and Corporate Executive Officers whose total amount of remuneration, etc. is ¥100 million (\$638 thousand) or more for the current fiscal year.

Title and Name	Unit	Breakdown of Remuneration, etc. by type				Total [(a)+(b)]
		Basic Remuneration, etc.	Annual Incentive	Total of the cash remunerations (a)	Long-Term Incentive (Stock Compensation) (b)	
Masahiko Uotani, Chairman and CEO	Millions of yen	169	79	248	68	316
	Thousands of U.S. dollars	1,078	504	1,581	434	2,015
Kentaro Fujiwara, President and COO	Millions of yen	70	26	96	36	133
	Thousands of U.S. dollars	446	166	612	230	848
Toshinobu Umetsu, China Region CEO (Note.3)	Millions of yen	70	22	93	14	108
	Thousands of U.S. dollars	446	140	593	89	689

Notes:

1. The amounts of remuneration, etc. to Directors and Corporate Executive Officers whose total amount of remuneration, etc. is ¥100 million (\$638 thousand) or more for the current fiscal year are shown by type of remuneration, etc. The “Title” indicates the name of the position in the current fiscal year.
2. The amount of long-term incentive-type remuneration (stock compensation) for Directors and Corporate Executive Officers indicated above represents the total amount of the expenses recognized and measured in line with IFRS 2 “Share-based Payment” for the current fiscal year, on the performance-linked stock compensation (performance share units) granted in consideration of duties executed by Directors and Corporate Executive Officers. The said amount of the expenses recognized includes an adjustment of ¥(13) million (\$83) thousand to the expenses recognized based on the achievement rate of performance indicator of the delivered long-term incentive-type remuneration (stock compensation).
3. The above amount, concerning additional expenses, etc. incurred due to Mr. Umetsu being stationed abroad, includes the tax adjustments, etc. associated with the international transfer to ensure that the remuneration that would be expected if the Corporate Executive Officer was not stationed overseas is reflected.
4. Of the above, the remuneration paid in local currency was translated into Japanese yen using the average internal exchange rate during the current fiscal year.
5. No Director and Corporate Executive Officer above were paid remuneration other than described above (including those described in Note 2, 3 and 4).

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

Performance Evaluation Indicators	Fluctuation Range of Payment Percentage	Targets for Payment Factor at 100%		Actual Performance		Achievement Rate	Payment Factor Calculated Based on the Target Achievement Rate
		Billions of yen	Millions of U.S. dollars	Billions of yen	Millions of U.S. dollars		
Net Sales	0%–200%	1,000.0	6,375.9	990.6	6,315.9	99.1%	(Note 1) 56.0%
Core Operating Profit		55.0	350.7	36.4	231.8	66.2%	(Note 1) 0.0%
Profit Attributable to Owners of Parent	-	(Note 2)		(10.8)	(68.9)	-	(Note 2)
Performance of Business in Charge	0%–200%	(Note 3)					
Personal Performance Evaluation		(Note 4)		-	-	-	(Note 4) 90.0% (Average)

Total payment rate	(Note 5) 47.8 %
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Notes:

1. With regard to consolidated net sales and core operating profit, in the calculation of the payment factor, adjustments are made to exclude the impact of business transfers, foreign exchange and other factors on targets and actual performance set at the beginning

of the period, in order to compare the targets and the actual performance in the practically same situation. The payment factors reflect those adjustments.

2. The Company has set profit attributable to owners of parent as a benchmark for the Compensation Committee to discuss the notion of lowering the payment percentage of the annual incentive based on company-wide performance in the event that profit attributable to owners of parent falls below certain thresholds set. For the fiscal 2024, the profit attributable to owners of parent fell under the thresholds. Following the deliberations of the Compensation Committee, it was decided that the annual incentive calculated with the payment percentage based on performance should be paid. The Committee determined that a sound connection between performance, which should be emphasized for the annual incentive, and the remuneration to be disbursed is secured.
3. 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.
4. 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 capabilities.
5. The total payment rate is the ratio of the actual amount paid to the target amount of annual incentive for Directors and Corporate Executive Officers.

(d) Performance-linked targets, actual performance and payment percentage, etc. of long term incentive-type remuneration granted for the fiscal year ended December 31, 2021 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
Compound average growth rate (CAGR) of consolidated net sales		50%–150% (including fixed portion 50.0%)	30.0%	Compound average growth rate (CAGR) from 2019: 7.0%	(1.2)%	0.0%	15.0%
Consolidated Operating Profit Margin			60.0%	Consolidate Operating Profit Margin in the final fiscal year of the evaluation period: Operating profit margin: 15.0%	2.9%	0.0%	30.0%
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	40%	100.0%	3.0%
	Ratio of female leaders in overseas		2.0%	50% in the final fiscal year of the three-year period	57%	100.0%	3.0%
	MSCI Japan Empowering Women Select Index		1.0%	Continuing adoption as main stock in the final fiscal year of the three-year period	Continued adoption	100.0%	1.5%
	Dow Jones Sustainability Indices (DJSI)		5.0%	Difference from top rated companies of DJSI World and DJSI Asia Pacific in the final fiscal year of the three-year period: Average 90 to 100 percentiles	100%iles	100.0%	7.5%
Consolidated ROE		thresholds	-	Threshold target: Average of 5.0% or more in the past 10 years	7.2%	Achieved	-

Total payment rate	60.0% (including fixed portion 50.0%)
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Notes:

1. The period of evaluation for the performance-linked stock remuneration (performance share units) granted for the fiscal year ended December 31, 2021 is from January 1, 2021 to December 31, 2023.
2. As for performance evaluation indicators, from the perspective of creating corporate value from both aspects of economic and social values, the Company has adopted the compound average growth rate (CAGR) of consolidated net sales and the consolidated operating profit margin as indicators related to economic value among corporate value, and the multiple internal and external indicators pertaining to the environment, society and corporate governance (ESG) as benchmarks on creation of social value.
3. Since the fixed portion (50%) is set, the fluctuation range of the total payment percentage, which is the sum of the fixed portion and the performance-linked portion, is from 50% to 150%.
4. Consolidated ROE is set as a benchmark for the Compensation Committee to discuss the notion of lowering the percentage amount of payment of the performance-linked portion in the event that consolidated ROE falls below certain thresholds set.
5. The payment ratio is calculated by applying the actual results for each item to the prescribed payment percentage table. Of the performance evaluation indicators, the actual performance ratio of the ESG indicator is calculated by rounding off to the nearest whole number.

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

In the current fiscal year, there were three meetings held for Nomination & Compensation Advisory Committee, after the transition to a Company with three statutory committees, eight times for Nomination Committee and ten times for Compensation Committee. The committee discussed annual incentive for Directors, Corporate Executive Officers and Executive Officers for the previous fiscal year, as well as the remuneration policy for Directors, Corporate Executive Officers and Executive Officers, and remuneration for said individuals for the current fiscal year.

Regarding individual remuneration, etc. of Individual Director and Corporate Executive Officers for the current fiscal year, the Compensation Committee discussed and determined according to the specific remuneration system and indicators which were designed based on the decision policy for individual remuneration, etc. of Individual Directors and Corporate Executive Officers while considering social and economic situations surrounding the Company, therefore the decided remuneration, etc. is judged to be in line with the aforementioned decision policy.

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

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

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

The remuneration policy to Directors and Corporate 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, Corporate Executive Officers and Executive Officers, and differentiate remuneration according to the level of strategic target accomplished (achievements).

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

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

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

(Overall picture)

The remuneration of Corporate Executive Officers (including those who concurrently assume the position of Directors) 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 by taking the Company's financial condition into consideration. Matters including the remuneration, etc. of individual Directors and Corporate Executive Officers are deliberated on and determined by the Compensation Committee based on the specific remuneration structure and the indicator which is designed based on the decision policy for individual remuneration of Director and Corporate Executive Officer while taking into consideration the social conditions and economic situation surrounding the Company. In addition, Directors' remuneration is not paid to Directors who concurrently serve as Corporate Executive Officers of the Company.

In addition, Directors who do not concurrently serve as Corporate Executive Officer of the Company receive only basic remuneration and do not receive variable remuneration such as performance-linked remuneration.

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

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

Title of Corporate Executive Officers	Composition of Remuneration for Corporate Executive Officers			
	Basic Remuneration	Performance-linked Remuneration		Total
		Annual Incentive	Long-Term Incentive-Type Remuneration	
President and CEO	20.0%	20.0%	60.0%	100%
Corporate Executive Officers excluding President and CEO	42.0%	29.0%	29.0%	

Notes:

1. The proportions shown in the above table may change depending on the Company's performance and/or its stock price's fluctuation, as financial value of performance-linked remuneration is shown at target where the Company pays 100%.
2. There is no differentiated proportion of each remuneration element for Corporate Executive Officers pegged to having a representation right.

(Basic remuneration)

Basic remuneration is deliberated and determined by the Compensation Committee and is paid in equal installments every month.

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

Regarding the basic remuneration for Directors who do not concurrently serve as Corporate Executive Officers, they only receive fixed remuneration, which is set 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 Corporate Executive Officers of the Company 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 of responsibility of executive officers as described in the following table, in addition to the achievement rate of target consolidated net sales and core operating profit which are financial indicators, as common performance indicators across all Corporate Executive Officers, and the range of changes in the percentage amount of payment is set between 0% and 200%. Although it is essential that the entire management team remains aware of matters involving profit attributable to owners of parent, it is crucial that management not let the benchmark weigh too heavily on proactive efforts particularly involving future growth-oriented investment and resolving challenges with our sights set on achieving long-term growth. As such, upon the Compensation Committee deliberation, the Company has preliminarily established certain performance standards (thresholds) as described in the table below, with the evaluation framework designed so that the Compensation Committee will consider the possibility of lowering the percentage amount of the annual incentive payment attributable to the whole group performance component of the total annual incentive, if results fall below the thresholds. In determining the achievement rate of each target and threshold for consolidated net sales, core operating profit and profit attributable to owners of parent, actual performance may be adjusted based on the deliberations and decisions by the Compensation Committee. In cases where such adjustments are made, it shall be stated in the disclosure materials of the actual remuneration of Corporate Executive Officers.

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

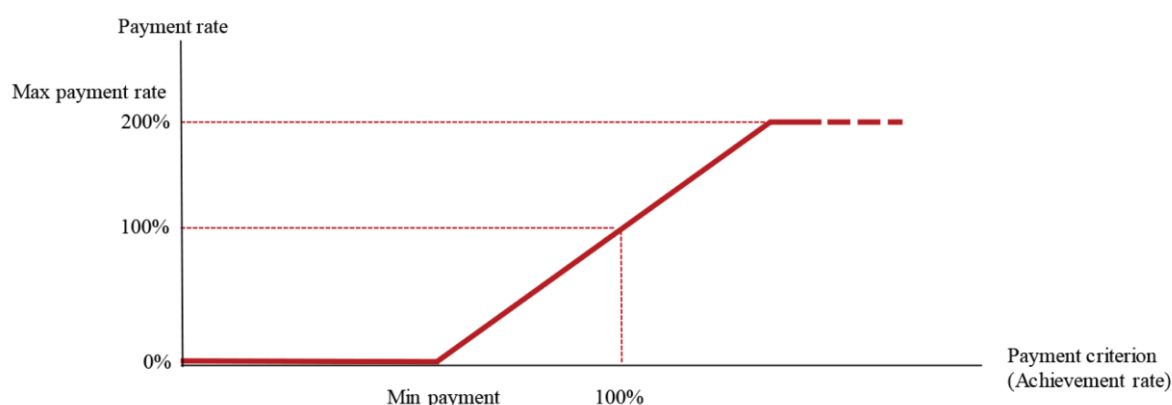
Annual incentive is paid once a year.

[Performance indicators and evaluation weights for annual incentive for Corporate Executive Officers determined by the area of responsibility]

Evaluation Item	Performance Indicators	Evaluation Weight							
		President and CEO		Corporate Executive Officers in Charge of Businesses				Corporate Executive Officers Other than Those in Charge of Businesses	
				Regional Headquarters President		Others		Corporate Functions	
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 Compensation 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 evaluation	-		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 and own growth goals							

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

[Model of annual incentive payment rate]



(Long-term incentive-type remuneration)

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

Purposes of introducing the LTI

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

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

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

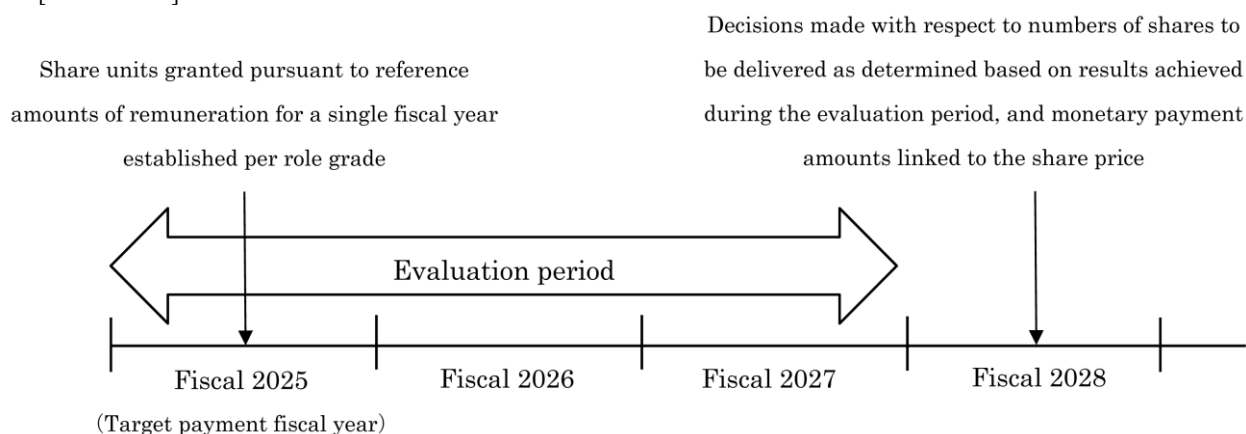
Regarding evaluation indicators for the long-term incentive-type remuneration in fiscal year 2025, as an indicator for economic value of corporate value, the Company has set relative TSR (Total Shareholder's Return) from fiscal year 2025 to fiscal year 2027 with a global peer group, which is an indicator of shareholder value enhancement and ROIC (Return On Invested Capital) which is an indicator of the capital efficiency metric. 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.

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

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

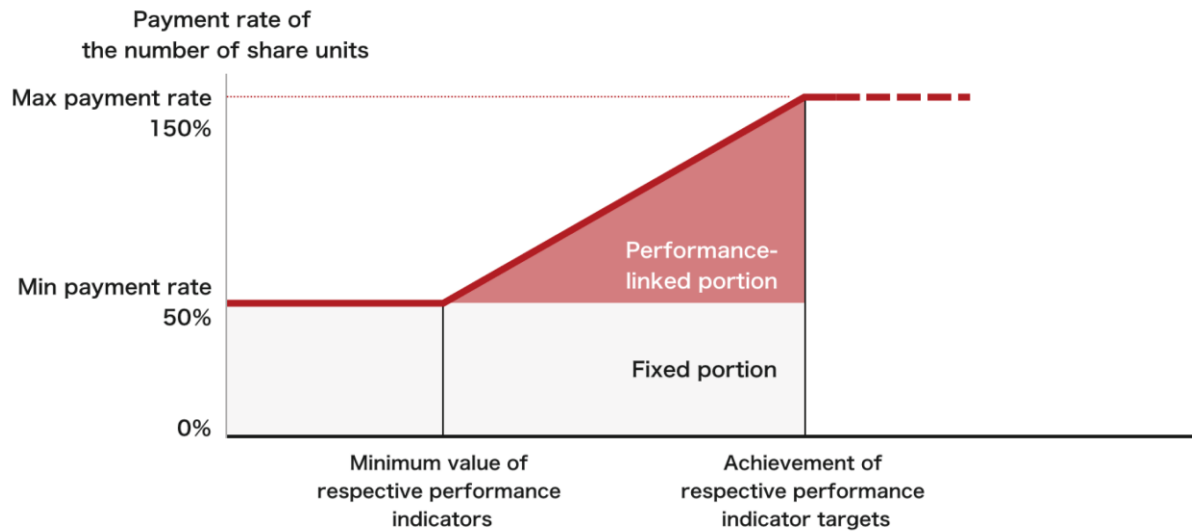
The long-term incentive-type remuneration is also paid to principal executive persons in and outside Japan to realize a "Global One Team" by fostering a sense of solidarity among global management teams and instilling the consciousness of participating in the running of the Company.

[LTI schedule]



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

Evaluation Item	Performance Indicators		Evaluation Weight	
Economic Value	Relative TSR		50%	100%
	ROIC in the final fiscal year of the evaluation period		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		



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

In the Company's Directors and Corporate Executive Officers remuneration policy, personal performance evaluation of each individual as a Corporate Executive Officer has a significant impact on the determination of the amount of remuneration including basic remuneration and annual incentive for Corporate Executive Officers. 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 Compensation Committee, which comprises only External Directors and plays an extensive role in determining incentives, conducts overall business evaluation including the performance evaluation for the CEO. At the same time, regarding personal performance evaluation of Corporate Executive Officers excluding the CEO, the CEO makes a proposal to the Compensation Committee and the Compensation Committee monitors the evaluation process and the evaluation approach and makes a decision.

(5) Shares Held by the Company

1) Criteria and Concepts for Classification of Investment Shares

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

2) Investment shares held for purposes other than pure investment

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

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

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

b. Number of shares and balance sheet amount

	Number of issuers	Amount on Balance Sheet (Millions of yen)	Amount on Balance Sheet (Thousands of U.S. dollars)
Unlisted shares	21	1,520	9,691
Shares other than unlisted shares	3	1,405	8,958

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

	Number of issuers	Total acquisition cost related to increase in number of shares (Millions of yen)	Total acquisition cost related to increase in number of shares (Thousands of U.S. dollars)	Reason for increase in number of shares
Unlisted shares	-	-	-	-
Shares other than unlisted shares	-	-	-	-

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

	Number of issuers	Total amount of sale price related to the decrease in the number of shares (Millions of yen)	Total amount of sale price related to the decrease in the number of shares (Thousands of U.S. dollars)
Unlisted shares	3	3	19
Shares other than unlisted shares	-	-	-

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

Specified investment shares

Company	Current Fiscal Year		Previous Fiscal Year	Purpose of holding, quantitative holding effects, and reasons for increase in the number of shares	Holding of the Company's shares
	Number of Shares (thousand shares)		Number of Shares (thousand shares)		
	Amount on Balance Sheet (Millions of yen)	Amount on Balance Sheet (Thousands of U.S. dollars)	Amount on Balance Sheet (Millions of yen)		
AEON CO., LTD. (Note)	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
	751	4,788	640		
Perfect Corp.	1,300		1,300	The Company pursues collaboration in the digital area with this company primarily for the development of virtual makeup and beauty platforms. In order to further strengthen the relationship with this company, the Company holds its shares in accordance with "The Company's Policy with Regard to Reduction of Strategic Shareholdings." While quantitative holding effects are not stated from the viewpoint of business information management and other related factors, the Company determines as at the end of the fiscal year that there is reasonability of holdings based on the policy and verification as described above.	No
	577	3,679	571		
TNL Mediagene	62		-	The Company engages in transactions related to beauty information content with the subsidiary of this company and holds shares of this company in line with the "The Company's Policy with Regard to Reduction of Strategic Shareholdings." Although the Company held said shares as unlisted shares for some time, they were newly listed in December 2024. As a result, the shares are now categorized as specified investment shares for the current fiscal year.	No
	77	491	-		

Note: The amount on the balance sheet exceeds 1% of the Company's share capital amount.

Deemed Holding Shares

Not applicable.

3) Investment shares whose purpose of holding is pure investment

Not applicable.

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

Not applicable.

5) Securities for which the purpose of holding investment shares was changed from other than pure investment purposes to pure investment purposes during the current fiscal year
Not applicable.

5. Financial Information

1. Preparation methods of consolidated financial statements and non-consolidated financial statements

- (1) The Company's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (hereinafter "IFRS") pursuant to Article 312 of the "Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements" (Ministry of Finance Regulation No. 28 of 1976, hereinafter "the Regulation on Consolidated Financial Statements").
- (2) The Company's non-consolidated financial statements are prepared in accordance with the "Ordinance on Terminology, Forms, and Preparation Methods of Financial Statements, etc." (Ministry of Finance Ordinance No. 59 of 1963, hereinafter "the Regulation on Financial Statements").

The Company is classified as a company submitting special financial statements, and thus prepares its financial statements in accordance with the provisions of Article 127 of the Regulation on Financial Statements.

2. Audit certification

The consolidated financial statements for the fiscal year (January 1, 2024 to December 31, 2024) and non-consolidated financial statements for the fiscal year (January 1, 2024 to December 31, 2024) are audited by KPMG AZSA LLC, pursuant to Paragraph 1, Article 193-2 of the Financial Instruments Exchange Act.

3. Particular efforts to ensure the appropriateness of the consolidated financial statements and the development of a system to ensure the appropriate preparation of the consolidated financial statements in accordance with IFRS

The Company has made particular efforts to ensure the appropriateness of the consolidated financial statements and other documents and has developed a system to ensure the appropriate preparation of the consolidated financial statements in accordance with IFRS. The details are as follows:

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

1. Consolidated Financial Statements and Notes

(1) Consolidated Financial Statements

1) Consolidated Statement of Financial Position

	Notes	Millions of yen		Thousands of U.S. dollars
		As of December 31, 2023	As of December 31, 2024	As of December 31, 2024
Assets				
Current assets				
Cash and cash equivalents	9	104,685	98,479	627,895
Trade and other receivables	10,28,36	149,688	154,305	983,837
Inventories	12	149,646	160,507	1,023,381
Other financial assets	11,36	21,956	28,382	180,961
Other current assets	13	44,038	36,125	230,330
Total current assets		470,014	477,800	3,046,417
Non-current assets				
Property, plant and equipment	14,39	301,838	294,411	1,877,142
Goodwill	8,15	62,143	108,013	688,683
Intangible assets	5,15,39	137,663	179,390	1,143,777
Right-of-use assets	22,34	100,548	104,876	668,681
Investments accounted for using equity method	17	18,449	2,908	18,541
Other financial assets	11,28,36	95,321	89,556	571,002
Retirement benefit asset	23	-	10,261	65,423
Deferred tax assets	18	61,187	54,782	349,286
Other non-current assets	13	8,331	9,848	62,790
Total non-current assets		785,483	854,048	5,445,346
Total assets		1,255,497	1,331,848	8,491,762

	Notes		Millions of yen	Thousands of U.S. dollars
		As of December 31, 2023	As of December 31, 2024	As of December 31, 2024
Liabilities and equity				
Liabilities				
Current liabilities				
Trade and other payables	19,36	178,526	152,199	970,409
Bonds and borrowings	20,34,36	50,000	107,000	682,224
Lease liabilities	34,36	21,916	21,223	135,316
Other financial liabilities	21,36	5,385	6,391	40,749
Income taxes payable		3,553	3,413	21,761
Provisions	24	5,847	4,527	28,864
Other current liabilities	25,28	103,116	103,807	661,866
Total current liabilities		368,345	398,562	2,541,201
Non-current liabilities				
Bonds and borrowings	20,34,36	110,559	131,620	839,199
Lease liabilities	34,36	98,506	103,317	658,741
Other financial liabilities	8,21,36	6,482	20,630	131,535
Retirement benefit liability	23	15,055	5,037	32,116
Provisions	24	1,227	1,852	11,808
Deferred tax liabilities	18	2,870	3,640	23,208
Other non-current liabilities		12,056	12,544	79,980
Total non-current liabilities		246,758	278,642	1,776,600
Total liabilities		615,104	677,205	4,317,808
Equity				
Share capital	26	64,506	64,506	411,285
Capital surplus	26	74,000	74,138	472,698
Treasury shares	26	(1,591)	(2,325)	(14,824)
Retained earnings	26,27	380,208	356,877	2,275,421
Other components of equity	26	101,624	139,277	888,020
Total equity attributable to owners of parent		618,748	632,474	4,032,606
Non-controlling interests		21,644	22,169	141,348
Total equity		640,392	654,643	4,173,954
Total liabilities and equity		1,255,497	1,331,848	8,491,762

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

	Notes	Millions of yen		Thousands of U.S. dollars
		Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024	Fiscal year ended December 31, 2024
Net sales	7,28	973,038	990,586	6,315,902
Cost of sales	7,12, 16,22,29	259,674	237,394	1,513,606
Gross profit		713,364	753,191	4,802,289
Selling, general and administrative expenses	7,16, 22,29,35	696,625	751,444	4,791,150
Other operating income	7,23,30	21,023	8,561	54,584
Other operating expenses	7,30,37	9,629	2,733	17,425
Operating profit	5,7	28,133	7,575	48,298
Finance income	22,31,36	6,734	8,292	52,869
Finance costs	22,31,36	7,574	6,402	40,819
Loss allowance for long-term loans receivable	36	-	12,784	81,510
Share of profit of investment accounted for using equity method	17,37	3,744	2,052	13,083
Profit (loss) before tax		31,037	(1,265)	(8,066)
Income tax expense	18	6,860	8,028	51,186
Profit (loss)		24,177	(9,294)	(59,258)
Profit (loss) attributable to				
Owners of parent		21,749	(10,813)	(68,943)
Non-controlling interests		2,427	1,518	9,679
Profit (loss)		24,177	(9,294)	(59,258)
Earnings per share				
Basic earnings (loss) per share (yen/U.S. dollars)	33	54.43	(27.06)	(0.17)
Diluted earnings (loss) per share (yen/U.S. dollars)	33	54.40	(27.06)	(0.17)

Consolidated Statement of Comprehensive Income

	Notes		Millions of yen	Thousands of U.S. dollars
		Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024	Fiscal year ended December 31, 2024
Profit (loss)		24,177	(9,294)	(59,258)
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Financial assets measured at fair value through other comprehensive income	32	(823)	(273)	(1,741)
Remeasurements of defined benefit plans	32	6,568	11,816	75,338
Share of other comprehensive income of investments accounted for using equity method	32	68	7	45
Total of items that will not be reclassified to profit or loss		5,813	11,550	73,642
Items that may be reclassified to profit or loss				
Exchange differences on translation of foreign operations	32	30,007	39,722	253,264
Cash flow hedges	32	43	-	-
Share of other comprehensive income of investments accounted for using equity method	32	(553)	(835)	(5,324)
Total of items that may be reclassified to profit or loss		29,497	38,886	247,934
Other comprehensive income, net of tax		35,311	50,437	321,583
Comprehensive income		59,488	41,142	262,318
Comprehensive income attributable to				
Owners of parent		55,801	38,375	244,676
Non-controlling interests		3,687	2,767	17,642
Comprehensive income		59,488	41,142	262,318

3) Consolidated Statement of Changes in Equity

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

Millions of yen

	Notes	Equity attributable to owners of parent					Other components of equity	
		Share capital	Capital surplus	Treasury shares	Retained earnings		Exchange differences on translation of foreign operations	Financial assets measured at fair value through other comprehensive income
Balance as of January 1, 2023		64,506	73,560	(2,089)	394,877		73,447	-
Profit (loss)					21,749			
Other comprehensive income							28,176	(706)
Total comprehensive income		-	-	-	21,749		28,176	(706)
Purchase of treasury shares				(8)				
Disposal of treasury shares			17	506				
Dividends	27				(41,954)			
Changes in ownership interest in subsidiaries			(0)					
Change in scope of consolidation								
Share-based payment transactions			422		48			
Transfer to retained earnings					5,831			706
Other			0		(343)			
Total transactions with owners		-	440	498	(36,419)		-	706
Balance as of December 31, 2023		64,506	74,000	(1,591)	380,208		101,624	-

		Equity attributable to owners of parent					
		Other components of equity					
	Notes	Cash flow hedges	Remeasurements of defined benefit plans	Total	Total	Non-controlling interests	Total
Balance as of January 1, 2023		(43)	-	73,404	604,259	21,494	625,754
Profit (loss)				-	21,749	2,427	24,177
Other comprehensive income		43	6,537	34,051	34,051	1,259	35,311
Total comprehensive income		43	6,537	34,051	55,801	3,687	59,488
Purchase of treasury shares				-	(8)		(8)
Disposal of treasury shares				-	524		524
Dividends	27			-	(41,954)	(1,451)	(43,406)
Changes in ownership interest in subsidiaries				-	(0)	0	-
Change in scope of consolidation				-	-	(4)	(4)
Share-based payment transactions				-	470		470
Transfer to retained earnings			(6,537)	(5,831)	-		-
Other				-	(343)	(2,081)	(2,424)
Total transactions with owners		-	(6,537)	(5,831)	(41,312)	(3,537)	(44,849)
Balance as of December 31, 2023		-	-	101,624	618,748	21,644	640,392

Current fiscal year (From January 1, 2024 to December 31, 2024)

Millions of yen

	Notes	Equity attributable to owners of parent					Other components of equity	
		Share capital	Capital surplus	Treasury shares	Retained earnings		Exchange differences on translation of foreign operations	Financial assets measured at fair value through other comprehensive income
Balance as of January 1, 2024		64,506	74,000	(1,591)	380,208		101,624	-
Profit (loss)					(10,813)			
Other comprehensive income							37,652	(245)
Total comprehensive income		-	-	-	(10,813)		37,652	(245)
Purchase of treasury shares				(1,047)				
Disposal of treasury shares			(17)	313	(15)			
Dividends	27				(23,981)			
Changes in ownership interest in subsidiaries			(0)					
Share-based payment transactions			155		380			
Transfer to retained earnings					11,535			245
Other					(437)			
Total transactions with owners		-	138	(734)	(12,517)		-	245
Balance as of December 31, 2024		64,506	74,138	(2,325)	356,877		139,277	-

	Notes	Equity attributable to owners of parent			Non-controlling interests	Total	
		Other components of equity					
		Cash flow hedges	Remeasurements of defined benefit plans	Total			
Balance as of January 1, 2024		-	-	101,624	618,748	21,644	640,392
Profit (loss)				-	(10,813)	1,518	(9,294)
Other comprehensive income			11,781	49,188	49,188	1,248	50,437
Total comprehensive income		-	11,781	49,188	38,375	2,767	41,142
Purchase of treasury shares				-	(1,047)		(1,047)
Disposal of treasury shares				-	280		280
Dividends	27			-	(23,981)	(1,917)	(25,898)
Changes in ownership interest in subsidiaries				-	(0)	0	-
Share-based payment transactions				-	536		536
Transfer to retained earnings			(11,781)	(11,535)	-		-
Other				-	(437)	(325)	(762)
Total transactions with owners		-	(11,781)	(11,535)	(24,650)	(2,242)	(26,892)
Balance as of December 31, 2024		-	-	139,277	632,474	22,169	654,643

Current fiscal year (From January 1, 2024 to December 31, 2024)

Thousands of U.S. dollars

	Notes	Equity attributable to owners of parent					Other components of equity	
		Share capital	Capital surplus	Treasury shares	Retained earnings		Exchange differences on translation of foreign operations	Financial assets measured at fair value through other comprehensive income
Balance as of January 1, 2024		411,285	471,818	(10,144)	2,424,178		647,947	-
Profit (loss)					(68,943)			
Other comprehensive income							240,066	(1,562)
Total comprehensive income		-	-	-	(68,943)		240,066	(1,562)
Purchase of treasury shares				(6,676)				
Disposal of treasury shares			(108)	1,996	(96)			
Dividends	27				(152,901)			
Changes in ownership interest in subsidiaries			(0)					
Share-based payment transactions			988		2,423			
Transfer to retained earnings					73,546			1,562
Other					(2,786)			
Total transactions with owners		-	880	(4,680)	(79,807)		-	1,562
Balance as of December 31, 2024		411,285	472,698	(14,824)	2,275,421		888,020	-

		Equity attributable to owners of parent					
		Other components of equity					
	Notes	Cash flow hedges	Remeasurements of defined benefit plans	Total	Total	Non-controlling interests	Total
Balance as of January 1, 2024		-	-	647,947	3,945,091	138,001	4,083,091
Profit (loss)				-	(68,943)	9,679	(59,258)
Other comprehensive income			75,115	313,619	313,619	7,957	321,583
Total comprehensive income		-	75,115	313,619	244,676	17,642	262,318
Purchase of treasury shares				-	(6,676)		(6,676)
Disposal of treasury shares				-	1,785		1,785
Dividends	27			-	(152,901)	(12,223)	(165,124)
Changes in ownership interest in subsidiaries				-	(0)	0	-
Share-based payment transactions				-	3,417		3,417
Transfer to retained earnings			(75,115)	(73,546)	-		
Other				-	(2,786)	(2,072)	(4,858)
Total transactions with owners		-	(75,115)	(73,546)	(157,167)	(14,295)	(171,461)
Balance as of December 31, 2024		-	-	888,020	4,032,606	141,348	4,173,954

4) Consolidated Statement of Cash Flows

	Notes		Millions of yen	Thousands of U.S. dollars
		Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024	Fiscal year ended December 31, 2024
Cash flows from operating activities:				
Profit (loss) before tax		31,037	(1,265)	(8,066)
Depreciation and amortization		75,492	75,666	482,441
Impairment losses (reversal of impairment losses)	7, 16	8,485	(1,008)	(6,427)
Loss (gain) on disposal of non-current assets	7	(11,357)	1,186	7,562
Loss on sale of business	7, 37	6,945	-	-
Loss allowance for long-term loans receivable	36	-	12,784	81,510
Increase or decrease in retirement benefit asset or liability		(546)	(3,070)	(19,574)
Interest and dividend income		(6,088)	(7,306)	(46,583)
Interest expenses		3,038	4,053	25,842
Share of profit of investments accounted for using equity method		(3,744)	(2,052)	(13,083)
Decrease (increase) in trade receivables		35,142	(10,464)	(66,718)
Decrease (increase) in inventories		(2,223)	1,195	7,619
Increase (decrease) in trade payables		(23,690)	(30,138)	(192,158)
Other		(24,154)	8,214	52,372
Subtotal		88,337	47,792	304,718
Interest and dividends received		2,350	6,603	42,100
Interest paid		(2,761)	(2,781)	(17,731)
Income taxes refund (paid)		1,099	(3,210)	(20,467)
Net cash provided by (used in) operating activities		89,026	48,403	308,614
Cash flows from investing activities:				
Payments into time deposits		(14,137)	(32,784)	(209,028)
Proceeds from withdrawal of time deposits		10,692	29,358	187,184
Purchase of property, plant and equipment		(26,703)	(24,859)	(158,499)
Proceeds from sales of property, plant and equipment, and intangible assets		14,804	1,456	9,283
Purchase of intangible assets		(28,972)	(25,849)	(164,811)
Payments for acquisition of subsidiaries	8	-	(48,902)	(311,795)
Proceeds from sale of business	37	68	1,531	9,762
Payments for sale of business	37	(1,700)	-	-
Proceeds from sale of shares of associates		8,500	12,755	81,325
Other		1,912	3,555	22,666
Net cash provided by (used in) investing activities:		(35,536)	(83,738)	(533,907)

	Notes		Millions of yen	Thousands of U.S. dollars
		Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024	Fiscal year ended December 31, 2024
Cash flows from financing activities				
Net increase (decrease) in short-term borrowings and commercial papers	34	19,918	42,000	267,789
Proceeds from long-term borrowings	34	554	51,000	325,172
Repayments of long-term borrowings	34	(15,915)	(30,000)	(191,278)
Proceeds from issuance of bonds	34	-	15,000	95,639
Redemption of bonds	34	(10,000)	-	-
Purchase of treasury shares		(8)	(1,047)	(6,676)
Proceeds from disposal of treasury shares		0	0	0
Dividends paid		(41,908)	(23,979)	(152,888)
Dividends paid to non-controlling interests		(1,410)	(1,960)	(12,497)
Repayments of lease liabilities	34	(26,432)	(26,376)	(168,171)
Other		(440)	(1,277)	(8,142)
Net cash provided by (used in) financing activities		(75,642)	23,357	148,922
Net change in cash and cash equivalents (decrease)		(22,152)	(11,976)	(76,358)
Cash and cash equivalents at beginning of period	9	119,036	104,685	667,464
Effect of exchange rate changes on cash and cash equivalents		7,280	5,770	36,789
Net change in cash and cash equivalents included in assets held for sale		521	-	-
Cash and cash equivalents at end of period	9	104,685	98,479	627,895

Notes to the Consolidated Financial Statements

1. Reporting Entity

Shiseido Company, Limited (hereinafter “the Company”) is a company incorporated in Japan. The Company’s consolidated financial statements as of and for the fiscal year ended December 31, 2024 comprise the accounts of the Company and its consolidated subsidiaries (hereinafter collectively, “the Group”), as well as its share of interests in associates. Information on the lines of business and main activities of the Group is presented in “7. Operating Segments” of the Notes.”

2. Basis of Preparation

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

The Group’s consolidated financial statements are prepared in accordance with IFRS pursuant to Article 312 of the “Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements” (Ministry of Finance Regulation No. 28 of 1976) on the grounds that it satisfies the requirements of a “specified company complying with designated international accounting standards” prescribed in Article 1-2 No. 1 of the Regulation.

The Group’s accounting policies are in accordance with IFRS that were effective as of December 31, 2024, except for those which the Group has not early adopted.

The translated consolidated financial statements were approved by Kentaro Fujiwara, Representative Corporate Executive Officer, President and CEO, and Ayako Hirofuji, Representative Corporate Executive Officer, CFO (Chief Financial Officer), on March 26, 2025.

(2) Basis of measurement

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

(3) Functional currency and presentation currency

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

Amounts in U.S. dollars are included solely for the convenience of the reader. The rate of ¥156.84 = US\$1 prevailing on December 31, 2024 has been used in translating the consolidated financial statements expressed in Japanese yen into U.S. dollars. Such translations should not be construed as representations that the Japanese yen amounts could be readily converted, realized or settled in U.S. dollars at this rate. Fractions resulting from the translations are rounded.

3. Material Accounting Policies

(1) Basis of consolidation

1) Subsidiaries

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

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

Partial disposals of interests in subsidiaries are accounted for as equity transactions if control continues. The difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration is recognized directly in equity as equity attributable to owners of parent.

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

2) Associates

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

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

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

(2) Business combinations

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

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

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

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

(3) Foreign currency translation

1) Foreign currency denominated transactions

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

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

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

2) Financial statements of foreign operations

Assets and liabilities of foreign operations are translated into Japanese yen at the exchange rate at the reporting date, and revenues and expenses are translated into Japanese yen at the average exchange rate unless the exchange rate fluctuates significantly. Translation differences arising from the translation of financial statements of foreign operations are recognized in other comprehensive income, the accumulated amount of which is recognized as other components of equity. Upon disposal of a subsidiary resulting in loss of control, the entire cumulative amount of translation differences related to the foreign operation is reclassified to profit or loss.

(4) Financial instruments

1) Non-derivative financial assets

(i) Initial recognition and measurement

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

Financial assets are classified at initial recognition as follows:

(a) Financial assets measured at amortized cost

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

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

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

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

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

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

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

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

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

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

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

(ii) Subsequent measurement

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

(a) Financial assets measured at amortized cost

Financial assets measured at amortized cost are measured at amortized cost using the effective interest method, with interest recognized in profit or loss. When necessary, a loss allowance 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 as part of finance income, unless such dividends clearly represent a recovery of the cost of the investment.

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

(iii) Derecognition

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

(iv) Impairment of financial assets

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

The Group assesses whether the credit risk associated with each financial asset has increased significantly since the initial recognition at each reporting date, and when the credit risk has not increased significantly, the Group recognizes the 12-month expected credit losses as loss allowance. When the credit risk has increased significantly since the initial recognition, the Group recognizes the amount equal to the lifetime expected credit losses as loss allowance.

For trade and lease receivables that do not contain a significant financial component, the Group always recognizes a loss allowance in an amount equal to the lifetime expected credit losses, regardless of whether credit risk has increased significantly since the initial recognition.

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

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

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

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

A loss allowance on financial assets is recognized in profit or loss. When an event that reduces the amount of loss allowance occurs, a reversal of the loss allowance is recognized in profit or loss.

2) Non-derivative financial liabilities

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

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

3) Derivatives and hedge accounting

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

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

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

(i) Cash flow hedges

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

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

(ii) Derivatives not designated as hedges

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

(5) Cash and cash equivalents

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

(6) Inventories

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

(7) Property, plant and equipment

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

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

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

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

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

(8) Goodwill

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

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

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

(9) Intangible assets

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

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

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

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

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

Software:	5–15 years
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Intangible assets with indefinite useful lives and intangible assets that are not yet available for use are not amortized. Such intangible assets are tested for impairment individually or at the level of each cash-generating unit in each fiscal year and whenever there is any indication of impairment.

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

(10) Leases

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

1) Lessee

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

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

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

2) Lessor

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

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

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

(11) Impairment of non-financial assets

For carrying amounts of non-financial assets of the Group other than inventories and deferred tax assets, it is determined at the end of 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 higher of value in use or fair value less costs of disposal. In the calculation of value in use, estimated future cash flows are discounted to the present value using a pre-tax discount rate that reflects time value of money and risks inherent in the asset. Assets that are not tested individually for impairment are aggregated to the smallest cash-generating unit which generates cash inflows from continuing use that are largely independent of cash inflows from other assets or asset groups. When goodwill is tested for impairment, cash-generating units to which the goodwill is allocated are aggregated so that the level at which impairment is tested reflects the lowest level to which the goodwill relates. Goodwill acquired through business combinations is allocated to the cash-generating unit expected to benefit from synergies of the combinations.

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

Previously recognized impairment losses, except for goodwill, are assessed at the end of fiscal year for whether or not there is any indication that the loss no longer exists or decreased, and reversed up to the carrying amount after deducting necessary depreciation and amortization that would have been determined in the case where the impairment losses had not been recognized.

(12) Employee benefits

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

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

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

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

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

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

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

(13) Share-based payments

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

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

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

(14) Provisions

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

(15) Revenue

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

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

(16) Governmental subsidies

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

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

(17) Income taxes

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

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

Deferred taxes are recognized for temporary differences, which are differences between tax base of assets and liabilities and their carrying amount at period date, unused tax losses and unused tax credits.

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

- Taxable temporary differences arising from initial recognition of goodwill
- Temporary differences arising from initial recognition of assets and liabilities generated from transactions that affect neither accounting profit nor taxable income for tax purposes (tax loss) at the time of the transaction, and that do not give rise to an equal amount of taxable temporary differences and deductible temporary differences, except for business combination transactions
- As for deductible temporary differences related to investments in subsidiaries and associates, cases where it is probable that the temporary difference will not be reversed in the foreseeable future, or where it is less likely that taxable income will be earned against which the temporary difference will be used
- As for taxable temporary differences related to investments in subsidiaries and associates, cases where the timing of the reversal of temporary difference can be controlled and it is probable that the temporary difference will not be reversed in the foreseeable future

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

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

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.

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

(18) Earnings per share

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

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

(19) Non-current assets held for sale

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

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

(20) Equity and other equity items

1) Ordinary share

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

2) Treasury shares

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

3) Dividends

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

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

Application of the group tax sharing system

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

4. Significant Accounting Estimates and Judgments

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

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

Valuation of Goodwill related to each operating segment cash-generating unit

The Group has identified a significant estimate risk for the valuation of goodwill related to each operating segment cash-generating unit.

Since we began to expand sales of Drunk Elephant worldwide from the current fiscal year and the management resource allocation decision and business performance evaluation have been changed from units by the brand to units by each operating segment, there was a change in the cash-generating units. The previous Shiseido Americas Corp. cash-generating unit has been renamed to the Americas Business cash-generating unit, and the Drunk Elephant cash-generating units for the segments other than the Americas have been changed to cash-generating units for each operating segment.

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

For the current fiscal year, because the recoverable amount for each operating segment 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 value in use is estimated based on the future business plan of each cash-generating unit and long-term market growth rate, and incorporates as primary assumptions, the long-term market growth rate of the cosmetics market, and improvement of sales and profit margin through the sales expansion plans. In addition, discount rate which considers the risk premium and risk-free rate in each country is used.

Management determined that the estimates for the value in use on this test are reasonable, however it is possible that the recoverable amount declines and impairment losses occurs due to unpredictable changes in the future business assumptions.

The carrying amount of each cash-generating unit and the calculation method of the recoverable amount of the goodwill is described in "15. Goodwill and Intangible Assets" of the Notes.

5. Change in Accounting Estimates

(Change in useful lives of intangible assets)

The Group has, from the current fiscal year, changed the useful lives of certain software based on the expected economic useful lives, which are more in line with actual conditions.

Due to the change, "Operating profit" increased by ¥2,368 million (\$15,098 thousand) and "Loss before tax" decreased by ¥2,368 million (\$15,098 thousand) for the current fiscal year.

The impact on the segments is described in "7. Operating Segments" of the Notes.

6. Published Standards and Interpretations Not Yet Adopted

Among the new standards or interpretations that have been established or revised by the date of approval for the issuance of the consolidated financial statements, the following is the main standard that early application has not been adopted. The impact on the consolidated financial statements is currently being assessed.

Standard	The title of Standard	Mandatory adoption (from the fiscal year beginning)	To be adopted by the Group from	Detail
IFRS 18	Presentation and Disclosure in Financial Statements	January 1, 2027	Fiscal year ending December 31, 2027	The new standard that replaces IAS 1, the current accounting standards on presentation of financial statements and disclosure

7. Operating Segments

(1) Overview of reportable segments

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

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

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

(Changes of reportable segments, etc.)

Due to a partial revision of the categories used for the Group's business performance management, a part of the business results of "Japan Business" is included in the "Other" segment from the fiscal year ended December 31, 2024.

Segment information for the fiscal year ended December 31, 2023 has been restated to reflect the reclassification.

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

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

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

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

(3) Segment revenue and business result

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

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

Millions of yen

	Reportable Segment					Travel Retail Business
	Japan Business	China Business	Asia Pacific Business	Americas Business	EMEA Business (Note 1)	
Net sales						
Sales to external customers	259,900	247,921	67,283	110,294	116,949	132,525
Intersegment sales or transfer	906	3,750	4,286	5,558	6,778	243
Total	260,806	251,671	71,569	115,853	123,727	132,768
Segment profit (loss) i.e. Core operating profit	1,333	6,967	5,069	11,200	3,345	17,111
Other information						
Depreciation and amortization	12,543	9,415	4,302	8,688	6,326	1,939
Impairment losses	40	-	-	1,328	-	-
Reversal of impairment losses	-	-	-	-	-	-
	Other (Note 2,4)	Total	Adjustments (Note 3)	Consolidation		
Net sales						
Sales to external customers	38,163	973,038	-	973,038		
Intersegment sales or transfer	214,153	235,676	(235,676)	-		
Total	252,316	1,208,715	(235,676)	973,038		
Segment profit (loss) i.e., Core operating profit	(22,824)	22,205	17,636	39,842		
Other information						
Depreciation and amortization	32,275	75,492	-	75,492		
Impairment losses	7,116	8,485	-	8,485		
Reversal of impairment losses	-	-	-	-		

Notes:

1. The EMEA Business includes the Middle East and Africa regions.
2. The Other segment includes head office administration departments, IPSA Co., Ltd., manufacturing operations and the restaurant business, etc.
3. Segment profit (loss) adjustment is mainly intersegment transaction eliminations.
4. Net sales from the Personal Care Business in the Other segment are no longer recorded with some exceptions from April 1, 2023 due to the transfer of Shiseido Kuki Factory.
5. Amounts of segment assets and segment liabilities are not presented as they are not subject to regular review for the purpose of making decisions about the allocation of management resources and assessing the Group's business performance.

Current fiscal year (From January 1, 2024 to December 31, 2024)

Millions of yen

	Reportable Segment					Travel Retail Business
	Japan Business	China Business	Asia Pacific Business	Americas Business	EMEA Business (Note 1)	
Net sales						
Sales to external customers	283,776	249,952	71,650	118,547	132,665	107,834
Intersegment sales or transfer	898	4,155	3,848	5,818	8,773	440
Total	284,675	254,107	75,499	124,365	141,439	108,274
Segment profit (loss) i.e. Core operating profit (Note 4)	28,072	12,271	6,006	242	3,677	5,006
Other information						
Depreciation and amortization	12,985	8,099	4,001	10,425	7,012	2,010
Impairment losses	-	-	-	-	-	-
Reversal of impairment losses	-	-	-	-	-	-
	Other (Note 2)	Total	Adjustments (Note 3)	Consolidation		
Net sales						
Sales to external customers	26,158	990,586	-	990,586		
Intersegment sales or transfer	217,087	241,022	(241,022)	-		
Total	243,246	1,231,608	(241,022)	990,586		
Segment profit (loss) i.e. Core operating profit (Note 4)	(24,912)	30,364	5,995	36,359		
Other information						
Depreciation and amortization	31,131	75,666	-	75,666		
Impairment losses	136	136	-	136		
Reversal of impairment losses	1,145	1,145	-	1,145		

Thousands of U.S. dollars

	Reportable Segment					
	Japan Business	China Business	Asia Pacific Business	Americas Business	EMEA Business (Note 1)	Travel Retail Business
Net sales						
Sales to external customers	1,809,334	1,593,675	456,835	755,847	845,862	687,541
Intersegment sales or transfer	5,726	26,492	24,535	37,095	55,936	2,805
Total	1,815,066	1,620,167	481,376	792,942	901,804	690,347
Segment profit (loss) i.e. Core operating profit (Note 4)	178,985	78,239	38,294	1,543	23,444	31,918
Other information						
Depreciation and amortization	82,791	51,639	25,510	66,469	44,708	12,816
Impairment losses	-	-	-	-	-	-
Reversal of impairment losses	-	-	-	-	-	-
	Other (Note 2)	Total	Adjustments (Note 3)	Consolidation		
Net sales						
Sales to external customers	166,781	6,315,902	-	6,315,902		
Intersegment sales or transfer	1,384,130	1,536,738	(1,536,738)	-		
Total	1,550,918	7,852,640	(1,536,738)	6,315,902		
Segment profit (loss) i.e. Core operating profit (Note 4)	(158,837)	193,599	38,224	231,822		
Other information						
Depreciation and amortization	198,489	482,441	-	482,441		
Impairment losses	867	867	-	867		
Reversal of impairment losses	7,300	7,300	-	7,300		

Notes:

1. The EMEA Business includes the Middle East and Africa regions.
2. The Other segment includes head office administration departments, IPSA Co., Ltd., manufacturing operations, the restaurant business, and the healthcare business (sale of health & beauty foods.)
3. Segment profit (loss) adjustment is mainly intersegment transaction eliminations.
4. As stated in "5. Change in accounting estimates," the Group has, from the current fiscal year, changed the useful lives of certain software based on the expected economic useful lives, which are more in line with actual conditions.
Due to the change, the segment profit for the current fiscal year increased by ¥115 million (\$733 thousand) in Japan Business, ¥77 million (\$491 thousand) in China Business, ¥215 million (\$1,371 thousand) in Asia Pacific Business, ¥228 million (\$1,454 thousand) in Americas Business, ¥221 million (\$1,409 thousand) in Travel Retail Business, and ¥1,509 million (\$9,621 thousand) in Other, respectively.
5. Amounts of segment assets and liabilities are not presented as they are not subject to regular review for the purpose of making decisions about the allocation of management resources and assessing the Group's business performance.

Adjustments from segment profit to operating profit are as follows:

		Millions of yen	Thousands of U.S. dollars
	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024	Fiscal year ended December 31, 2024
Segment profit	39,842	36,359	231,822
Gain on sale of businesses	822	-	-
Loss on sale of businesses	(7,767)	-	-
Structural reform expenses	(7,317)	(26,560)	(169,345)
Government grant income on COVID-19	32	-	-
Impairment losses	(8,342)	(136)	(867)
Reversal of impairment losses	-	1,145	7,300
Gain on sale of non-current assets	13,253	725	4,623
Acquisition related costs	(428)	(325)	(2,072)
One time costs related to internal system changes	-	(1,999)	(12,745)
Others	(1,960)	(1,632)	(10,406)
Operating profit	28,133	7,575	48,298

“Gain on sale of business” for the fiscal year ended December 31, 2023 includes the gain on sale of assets from three of the Company’s subsidiaries operating the Professional Business in Asia Pacific (Taiwan Shiseido Co., Ltd., FLELIS International Inc., and Shiseido Malaysia Sdn. Bhd.) to Henkel AG & Co. KGaA Group companies. The gain on sale of business is included in “Other operating income” in the consolidated statement of profit or loss.

“Loss on sale of business” for the fiscal year ended December 31, 2023 is due to transfer of Shiseido Kuki Factory and Shiseido Vietnam Inc. operating the manufacturing operations of personal care products to FineToday Holdings Co., Ltd. The loss on these transfers is included in “Other operating expenses” in the consolidated statement of profit or loss.

“Structural reform expenses” for the fiscal year ended December 31, 2023 are mainly the costs associated with the conclusion of an agreement to transfer the Personal Care Manufacturing Business operated at Shiseido Kuki Factory and Shiseido Vietnam Factory. The expenses are included in “Cost of sales,” “Selling, general and administrative expenses” and “Other operating expenses” in the consolidated statement of profit or loss.

“Structural reform expenses” for the fiscal year ended December 31, 2024 are mainly the costs associated with the Early Retirement Incentive Plan as part of the business transformation of Shiseido Japan Co., Ltd. and related gain on settlement of retirement benefit obligations. The expenses are included in “Cost of sales,” “Selling, general and administrative expenses,” “Other operating income” and “Other operating expenses” in the consolidated statement of profit or loss.

“Impairment losses” for the fiscal year ended December 31, 2023 are the impairment losses of the groups of assets associated with the conclusion of an agreement to transfer the manufacturing operations of personal care products at Shiseido Kuki Factory and Shiseido Vietnam Factory, the impairment losses due to decline in profitability of offices subleased by Shiseido Americas Corp. and the impairment losses of the groups of assets associated with the integration of manufacturing operation at Shiseido Osaka Factory into Shiseido Osaka Ibaraki Factory. The impairment losses are included in “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statement of profit or loss.

“Reversal of impairment losses” for the fiscal year ended December 31, 2024 is the reversal of impairment losses related to the manufacturing facilities at Shiseido Osaka Factory, for which impairment losses were recognized in the previous fiscal year, and which has since recovered in profitability. The income is included in “Other operating income” in the consolidated statement of profit or loss.

“Gain on sale of non-current assets” for the fiscal year ended December 31, 2023 is the income arising from the sales of the real estate owned by the Company and its subsidiaries. The income is included in “Other operating income” in the consolidated statement of profit or loss.

“Gain on sale of non-current assets” for the fiscal year ended December 31, 2024 is mainly the income arising from the sales of the real estate owned by its subsidiary. The income is included in “Other operating income” in the consolidated statement of profit or loss.

“Acquisition related costs” for the fiscal year ended December 31, 2024 is the direct costs associated with the acquisition of DDG Skincare Holdings LLC. Such expenses were previously included in “Structural Reform Expenses,” however these are separately presented from the fiscal year ended December 31, 2024. The expenses are included in “Selling, general and administrative expenses” in the consolidated statement of profit or loss.

“One time costs related to internal system changes” for the fiscal year ended December 31, 2024 is included in “Selling, general and administrative expenses” in the consolidated statement of profit or loss.

(4) Information about Products and Services

Since sales to external customers for cosmetics business comprises nearly all “Net sales” in the consolidated statement of profit or loss, the information is omitted.

(5) Information by geographic areas

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

Net sales

		Millions of yen	Thousands of U.S. dollars
	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024	Fiscal year ended December 31, 2024
Japan	302,388	315,743	2,013,154
Americas	114,834	115,571	736,872
[U.S.A. within the Americas]	[96,402]	[100,966]	[643,752]
EMEA	125,932	153,969	981,695
Asia and Oceania	429,882	405,302	2,584,175
[China within Asia and Oceania]	[337,472]	[308,877]	[1,969,376]
Total	973,038	990,586	6,315,902

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

Non-current assets

		Millions of yen	Thousands of U.S. dollars
	As of December 31, 2023	As of December 31, 2024	As of December 31, 2024
Japan	376,839	380,294	2,424,726
Americas	164,201	244,995	1,562,070
[U.S.A. within the Americas]	[163,400]	[242,584]	[1,546,697]
EMEA	26,163	25,845	164,786
Asia and Oceania	43,319	45,404	289,492
[China within Asia and Oceania]	[19,634]	[22,932]	[146,213]
Total	610,524	696,540	4,441,086

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

(6) Information about major customers

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

8. Business Combination Through Acquisition

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

Not applicable.

Current fiscal year (From January 1, 2024 to December 31, 2024)

(1) Overview of business combination

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

(2) Name and business description of the Acquiree

Name: DDG Skincare Holdings LLC

Business description: Cosmetics sales

(3) Reason for business combination

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

(4) Form of business combination

Acquisition of shares by cash consideration

(5) Date of acquisition

February 5, 2024

(6) Percentage of equity acquired

100%

Note: Holding indirectly as of the date of acquisition, and holding directly as of the date of submission of the Annual Securities Report in Japanese.

(7) Fair value of consideration transferred

Cash: ¥65,321 million (\$416,482 thousand) (After adjustment for net operating capital, etc.)

The consideration transferred has been revised from the initial provisional amounts by ¥708 million (\$4,514 thousand). For the payment on the date of acquisition, the Company took out the short-term borrowings of ¥48,000 million (\$306,044 thousand) on February 2, 2024.

(8) Transactions recognized separately from the business combination

The Company incurred acquisition-related costs of ¥392 million (\$2,499 thousand) for the current fiscal year which is included in “Selling, general and administrative expenses.”

The total bonus of \$16 million (¥2,423 million) to be paid under certain conditions after the business combination is recognized separately from the business combination and will be included in “Selling, general and administrative expenses” for a certain period of time from the current fiscal year.

(9) Fair value of assets acquired and liabilities assumed at the acquisition date

Fair value of the assets acquired and liabilities assumed as of the date of acquisition was previously disclosed as provisional amount due to the allocation of acquisition cost not having been completed, but such allocation was completed in the current fiscal year. After the completion of allocation, the fair value of assets acquired and liabilities assumed on the date of acquisition

are as follows. The main revisions to the initial provisional amounts were an increase in current liabilities of ¥65 million (\$414 thousand) and a decrease in non-current liabilities of ¥61 million (\$389 thousand).

	Millions of yen	Thousands of U.S. dollars
Breakdown of assets at the acquisition date		
Current assets (Note)	5,756	36,700
Non-current assets	25,938	165,379
Breakdown of liabilities at the acquisition date		
Current liabilities	2,566	16,361
Non-current liabilities	855	5,451

Note: Of the fair value of ¥1,148 million (\$7,320 thousand) for Trade and other receivables acquired, the total amount of the contract is the same as fair value, and the amount of uncollectible estimated is ¥34 million (\$217 thousand).

(10) Payments for acquisition of subsidiaries

	Millions of yen	Thousands of U.S. dollars
Acquisition consideration in cash	65,321	416,482
Cash and cash equivalents of newly consolidated subsidiaries	1,803	11,496
Other payables	14,615	93,184
Payments for acquisition of subsidiaries	48,902	311,795

(11) Amount of recognized goodwill and reason for recognition

The goodwill arising from the business combination is mainly due to the effects of synergies with existing businesses and excess earning power that are expected to arise from the acquisition, amounting to ¥37,048 million (\$236,215 thousand). The amount expected to be deductible for tax purposes is ¥29,294 million (\$186,776 thousand). The initial provisional amounts have been revised as follows.

	Millions of yen	Thousands of U.S. dollars
Goodwill (before revision)	37,374	238,294
Revision to goodwill amount		
Adjustment to acquisition consideration	(329)	(2,098)
Current liabilities	65	414
Non-current liabilities	(61)	(389)
Goodwill (after revision)	37,048	236,215

(12) Impact on business performance

Net sales and loss for the current fiscal year arising from the business combination after the date of acquisition amounted to ¥15,899 million (\$101,371 thousand) and ¥(279) million (\$1,779 thousand), respectively. Net sales and loss for the current fiscal year as though the business combination had been taken place at the beginning of the current fiscal year would have been ¥991,949 million (\$6,324,592 thousand) and ¥(9,213) million (\$58,741 thousand). Such proforma information has not been audited.

9. Cash and Cash Equivalents

The breakdown of cash and cash equivalents is as follows:

		Millions of yen	Thousands of U.S. dollars
	As of December 31, 2023	As of December 31, 2024	As of December 31, 2024
Cash and deposits	104,685	98,479	627,895
Total	104,685	98,479	627,895

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

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

10. Trade and Other Receivables

The breakdown of trade and other receivables is as follows and amounts are shown net of loss allowance.

		Millions of yen	Thousands of U.S. dollars
	As of December 31, 2023	As of December 31, 2024	As of December 31, 2024
Notes and accounts receivable	129,593	146,835	936,209
Others	20,094	7,469	47,622
Total	149,688	154,305	983,837

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

11. Other Financial Assets

(1) Breakdown of other financial assets

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

		Millions of yen	Thousands of U.S. dollars
	As of December 31, 2023	As of December 31, 2024	As of December 31, 2024
Other financial assets (current)			
Financial assets measured at amortized cost			
Deposits	19,682	24,435	155,796
Others	1,067	1,413	9,009
Financial assets measured at fair value through profit or loss			
Derivative assets	1,206	2,533	16,150
Total	21,956	28,382	180,961
Other financial assets (non-current)			
Financial assets measured at amortized cost			
Deposits	1	1	6
Long-term loans receivable	46,304	43,142	275,070
Leasehold and guarantee deposits	24,522	23,150	147,603
Others	6,537	6,253	39,869
Financial assets measured at fair value through profit or loss			
Investments in capital	4,092	4,604	29,355
Others	3,816	3,684	23,489
Financial assets measured at fair value through other comprehensive income			
Shares and investments in capital	10,045	8,718	55,585
Total	95,321	89,556	571,002

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

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

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

	Millions of yen		Thousands of U.S. dollars
	As of December 31, 2023	As of December 31, 2024	As of December 31, 2024
Shares and investments in capital classified as Level 1			
AEON CO., LTD.	699	821	5,235
Perfect Corp.	571	577	3,679
TNL Mediagene (Note)	-	77	491
Others	3,867	2,110	13,453
Shares and investments in capital classified as Level 2, 3			
Unlisted shares and investments in capital	4,907	5,132	32,721
Total	10,045	8,718	55,585

Note: Due to the investee's listing on the exchange, the Company's shares were transferred from Level 3 to Level 1 in the fiscal year ended December 31, 2024. The fair value in the previous fiscal year was ¥0 million (\$0 thousand).

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

Fiscal year ended December 31, 2023		Fiscal year ended December 31, 2024		Fiscal year ended December 31, 2024	
Investments derecognized during the period	Investments held at end of period	Investments derecognized during the period	Investments held at end of period	Investments derecognized during the period	Investments held at end of period
5	70	0	66	0	421

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

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

Fiscal year ended December 31, 2023		Fiscal year ended December 31, 2024		Fiscal year ended December 31, 2024	
Fair value	Cumulative gains or losses on sale	Fair value	Cumulative gains or losses on sale	Fair value	Cumulative gains or losses on sale
151	83	1,402	536	8,939	3,417

The Group recognizes gains or losses from changes in fair value after initial recognition and from derecognition in other comprehensive income, and the cumulative amounts thereof are immediately reclassified to retained earnings after being recognized in other components of equity. The amounts (after tax) of other components of equity reclassified to retained earnings in the previous fiscal year and the current fiscal year were ¥(706) million and ¥(245) million (\$ (1,562) thousand), respectively.

12. Inventories

The breakdown of inventories is as follows:

		Millions of yen	Thousands of U.S. dollars
	As of December 31, 2023	As of December 31, 2024	As of December 31, 2024
Merchandise and finished goods	83,137	97,285	620,282
Work in process	7,966	8,823	56,255
Raw materials and supplies	58,542	54,398	346,838
Total	149,646	160,507	1,023,381

The amounts of inventories recognized as expenses in the previous fiscal year and the current fiscal year were ¥243,932 million and ¥228,748 million (\$1,458,480 thousand), respectively, and these amounts were included in cost of sales.

Furthermore, the amounts of inventory write-downs recognized as expenses in the previous fiscal year and the current fiscal year were ¥30,584 million and ¥16,923 million (\$107,900 thousand), respectively. There were no material reversals of write-downs in the previous or current fiscal years.

There were no inventories pledged as collateral for liabilities.

13. Other Assets

The breakdown of other assets is as follows:

		Millions of yen	Thousands of U.S. dollars
	As of December 31, 2023	As of December 31, 2024	As of December 31, 2024
Other current assets			
Prepaid expenses	13,338	12,195	77,754
Consumption taxes refund receivable	21,715	19,065	121,557
Others	8,984	4,864	31,012
Total	44,038	36,125	230,330
Other non-current assets			
Investment property	3,720	3,724	23,744
Long-term prepaid expenses	1,646	2,065	13,166
Others	2,965	4,058	25,874
Total	8,331	9,848	62,790

14. Property, Plant and Equipment

(1) Schedule of changes

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

[Cost]

Millions of yen

	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Balance as of January 1, 2023	261,212	138,377	129,665	45,702	5,425	580,383
Purchase	1,041	435	8,902	-	17,284	27,663
Sale or disposal	(5,807)	(17,461)	(14,032)	(1,358)	(481)	(39,141)
Reclassification	4,606	5,650	9,223	(2,263)	(16,823)	393
Exchange differences on translation of foreign operations	3,746	3,346	5,205	247	190	12,736
Others	(7)	5	(11)	7	(63)	(70)
Balance as of December 31, 2023	264,791	130,352	138,954	42,335	5,532	581,965
Purchase	1,654	1,046	7,614	-	14,444	24,759
Acquisition through business combination	-	-	151	-	-	151
Sale or disposal	(3,531)	(6,035)	(15,183)	(292)	(558)	(25,602)
Reclassification	2,183	3,486	6,785	-	(12,518)	(62)
Exchange differences on translation of foreign operations	3,889	2,714	5,926	138	249	12,918
Others	383	(385)	(34)	-	(16)	(52)
Balance as of December 31, 2024	269,371	131,178	144,213	42,181	7,132	594,077

Thousands of U.S. dollars

	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Balance as of December 31, 2023	1,688,287	831,115	885,960	269,925	35,272	3,710,565
Purchase	10,546	6,669	48,546	-	92,094	157,862
Acquisition through business combination	-	-	963	-	-	963
Sale or disposal	(22,513)	(38,479)	(96,806)	(1,862)	(3,558)	(163,236)
Reclassification	13,919	22,226	43,261	-	(79,814)	(395)
Exchange differences on translation of foreign operations	24,796	17,304	37,784	880	1,588	82,364
Others	2,442	(2,455)	(217)	-	(102)	(332)
Balance as of December 31, 2024	1,717,489	836,381	919,491	268,943	45,473	3,787,790

[Accumulated depreciation and accumulated impairment losses]

Millions of yen

	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Balance as of January 1, 2023	105,475	68,905	86,930	732	-	262,043
Depreciation	9,733	7,377	17,635	-	-	34,745
Impairment losses	2,847	3,109	348	-	684	6,990
Sale or disposal	(4,500)	(16,434)	(13,248)	-	(506)	(34,689)
Reclassification	-	(24)	2,185	-	-	2,160
Exchange differences on translation of foreign operations	2,308	2,606	3,835	-	-	8,749
Others	140	8	(22)	-	-	126
Balance as of December 31, 2023	116,004	65,548	97,664	732	177	280,127
Depreciation	10,933	7,322	16,977	-	-	35,233
Impairment losses	47	52	1	-	34	136
Reversal of impairment losses	(15)	(1,080)	(49)	-	-	(1,145)
Sale or disposal	(3,131)	(5,681)	(14,557)	-	(6)	(23,377)
Exchange differences on translation of foreign operations	2,427	2,028	4,429	-	-	8,885
Others	212	(329)	82	-	(161)	(195)
Balance as of December 31, 2024	126,479	67,860	104,548	732	44	299,665

Thousands of U.S. dollars

	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Balance as of December 31, 2023	739,633	417,929	622,698	4,667	1,129	1,786,069
Depreciation	69,708	46,685	108,244	-	-	224,643
Impairment losses	300	332	6	-	217	867
Reversal of impairment losses	(96)	(6,886)	(312)	-	-	(7,300)
Sale or disposal	(19,963)	(36,222)	(92,814)	-	(38)	(149,050)
Exchange differences on translation of foreign operations	15,474	12,930	28,239	-	-	56,650
Others	1,352	(2,098)	523	-	(1,027)	(1,243)
Balance as of December 31, 2024	806,421	432,670	666,590	4,667	281	1,910,641

Notes:

1. Depreciation of property, plant and equipment is included in “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statement of profit or loss.
2. Impairment losses on property, plant and equipment are included in “Cost of sales” and “Selling, general and administrative expenses,” and reversals of impairment losses on property, plant and equipment are included in “Other operating income” in the consolidated statement of profit or loss.
3. There are no tangible assets pledged as collateral for liabilities.
4. Contractual commitments related to the purchase of property, plant and equipment are presented in “39. Commitments” of the Notes.

[Carrying amount]

	Millions of yen					
	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Balance as of January 1, 2023	155,736	69,472	42,735	44,970	5,425	318,339
Balance as of December 31, 2023	148,787	64,804	41,289	41,602	5,354	301,838
Balance as of December 31, 2024	142,892	63,317	39,665	41,448	7,087	294,411

	Thousands of U.S. dollars					
	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Balance as of December 31, 2024	911,069	403,704	252,901	264,269	45,186	1,877,142

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

15. Goodwill and Intangible Assets

(1) Schedule of changes

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

[Cost]

Millions of yen

	Goodwill	Intangible assets			Total
		Trademarks	Software	Others	
Balance as of January 1, 2023	57,879	48,783	117,755	4,714	171,253
Purchase	-	0	28,403	128	28,532
Sale or disposal	-	-	(9,382)	(31)	(9,414)
Exchange differences on translation of foreign operations	4,263	3,485	2,445	223	6,153
Others	-	-	(983)	21	(962)
Balance as of December 31, 2023	62,143	52,269	138,237	5,056	195,563
Purchase	-	-	25,465	72	25,537
Acquisition through business combination	37,048	17,739	-	7,834	25,574
Sale or disposal	-	-	(15,677)	(13)	(15,691)
Exchange differences on translation of foreign operations	8,821	6,428	2,993	734	10,155
Others	-	-	1,130	(9)	1,121
Balance as of December 31, 2024	108,013	76,437	152,150	13,674	242,262

Thousands of U.S. dollars

	Goodwill	Intangible assets			Total
		Trademarks	Software	Others	
Balance as of December 31, 2023	396,219	333,263	881,389	32,237	1,246,895
Purchase	-	-	162,363	459	162,822
Acquisition through business combination	236,215	113,103	-	49,949	163,058
Sale or disposal	-	-	(99,955)	(83)	(100,045)
Exchange differences on translation of foreign operations	56,242	40,984	19,083	4,680	64,748
Others	-	-	7,205	(57)	7,147
Balance as of December 31, 2024	688,683	487,357	970,097	87,184	1,544,644

[Accumulated amortization and accumulated impairment losses]

Millions of yen

	Goodwill	Intangible assets			
		Trademarks	Software	Others	Total
Balance as of January 1, 2023	-	2,836	43,274	1,926	48,036
Amortization	-	691	15,803	699	17,193
Impairment losses	-	-	77	-	77
Sale or disposal	-	-	(8,886)	(29)	(8,915)
Exchange differences on translation of foreign operations	-	105	1,271	105	1,481
Others	-	-	24	2	26
Balance as of December 31, 2023	-	3,632	51,564	2,703	57,900
Amortization	-	728	15,020	2,182	17,931
Sale or disposal	-	-	(15,460)	(10)	(15,471)
Exchange differences on translation of foreign operations	-	225	1,348	260	1,835
Others	-	-	676	-	676
Balance as of December 31, 2024	-	4,587	53,148	5,135	62,871

Thousands of U.S. dollars

	Goodwill	Intangible assets			
		Trademarks	Software	Others	Total
Balance as of December 31, 2023	-	23,157	328,768	17,234	369,166
Amortization	-	4,642	95,766	13,912	114,327
Sale or disposal	-	-	(98,572)	(64)	(98,642)
Exchange differences on translation of foreign operations	-	1,435	8,595	1,658	11,700
Others	-	-	4,310	-	4,310
Balance as of December 31, 2024	-	29,246	338,868	32,740	400,861

Notes:

1. Amortization of intangible assets is included in “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statement of profit or loss.
2. Impairment losses on intangible assets are included in “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statement of profit or loss.
3. There are no intangible assets pledged as collateral for liabilities.
4. Contractual commitments related to the purchase of intangible assets are presented in “39. Commitments” of the Notes.

[Carrying amount]

	Millions of yen				
	Goodwill	Intangible assets			Total
		Trademark rights	Software	Others	
Balance as of January 1, 2023	57,879	45,947	74,480	2,788	123,217
Balance as of December 31, 2023	62,143	48,636	86,673	2,353	137,663
Balance as of December 31, 2024	108,013	71,849	99,001	8,538	179,390

	Thousands of U.S. dollars				
	Goodwill	Intangible assets			Total
		Trademark rights	Software	Others	
Balance as of December 31, 2024	688,683	458,104	631,223	54,438	1,143,777

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

Expenditures for R&D activities recognized as expenses during the previous fiscal year and the current fiscal year were ¥27,557 million and ¥27,185 million (\$173,330 thousand), respectively.

(2) Significant goodwill and intangible assets

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

	Millions of yen		Thousands of U.S. dollars	
	Carrying amount			
	As of December 31, 2023	As of December 31, 2024	As of December 31, 2024	Remaining amortization period
Goodwill (Note 1,2)				
Americas Business	29,439	58,420	372,482	Unamortized
EMEA Business	7,113	13,246	84,455	Unamortized
China Business	6,468	10,414	66,399	Unamortized
Travel Retail Business	7,840	9,713	61,929	Unamortized
Trademarks (Note 3)				
Drunk Elephant	42,510	47,052	300,000	Unamortized
Dr. Dennis Gross Skincare	-	18,820	119,995	Unamortized

Notes:

1. The cash-generating units are changed for the current fiscal year. For details, please refer to “4. Significant Accounting Estimates and Judgments” of the Notes.
2. Goodwill increase due to acquisition of DDG Skincare Holdings LLC for the current fiscal year. For details, please refer to “8. Business Combination Through Acquisition” of the Notes.
3. The trademarks of Drunk Elephant and Dr. Dennis Gross Skincare are included in the Americas Business cash-generating unit for impairment testing.

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

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

The carrying amounts of goodwill and intangible assets with indefinite useful lives that are individually immaterial as of the end of the previous fiscal year and the current fiscal year are ¥14,570 million, and ¥19,845 million (\$126,530 thousand), respectively.

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

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

	As of December 31, 2023	As of December 31, 2024
Discount rate:	10.9% - 12.5%	10.4% - 11.8%
Growth rate:	2.0% - 4.0%	1.5% - 2.1%

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

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

16. Impairment of Non-Financial Assets

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

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

(1) Impairment losses

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

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

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

The carrying amount was reduced to the recoverable amount in connection with the conclusion of an agreement to transfer the manufacturing operations of personal care products at Shiseido Kuki Factory and Shiseido Vietnam Factory. The assets are measured at the lower of the carrying amount or fair value less costs to sell. The impairment losses recognized are included in “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statement of profit or loss.

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

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

Current fiscal year (From January 1, 2024 to December 31, 2024)

In connection with the integration of the Company's manufacturing operation at Shiseido Osaka Factory operated by the Company into Shiseido Osaka Ibaraki Factory, the Company changed the cash-generating unit for some assets for business use, and the carrying amount was reduced to the recoverable amount. The recoverable amount is measured at value in use, which is calculated by using a discount rate of 4.7%. The impairment losses recognized are included in "Cost of sales" in the consolidated statement of profit or loss.

Reportable segment	Location	Use	Type	Millions of yen	Thousands of U.S. dollars
Other	Osaka-shi, Osaka Pref., Japan	Assets for business use	Buildings and structures	47	300
			Machinery, equipment and vehicles	52	332
			Others	36	230
			Total	136	867
				136	867

(2) Reversal of impairment losses

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

Not applicable.

Current fiscal year (From January 1, 2024 to December 31, 2024)

At the Shiseido Osaka Factory, a portion of the manufacturing equipment for which impairment losses were previously recognized has seen a recovery in profitability. As a result, an impairment loss reversal of ¥1,145 million (\$7,300 thousand) has been recorded, limited to the book value that would have been recognized had no impairment loss been recorded. The recoverable amount is measured at value in use, which is calculated by using a discount rate of 4.7%. The recognized impairment loss reversal is included in "Other Operating Income" in the consolidated statement of profit or loss.

Reportable segment	Location	Use	Type	Millions of yen	Thousands of U.S. dollars
Other	Osaka-shi, Osaka Pref., Japan	Assets for business use	Machinery, equipment and vehicles	1,080	6,886
			Others	65	414
			Total	1,145	7,300
				1,145	7,300

17. Investments Accounted for Using Equity Method

(1) Significant associates

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

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

The Company held 20.1% stake in FTH in the previous fiscal year.

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

	Millions of yen
	As of December 31, 2023
Current assets	82,363
Non-current assets	143,219
Current liabilities	30,814
Non-current liabilities	116,879
Total equity	77,888
Group’s share of total equity	
Amount equivalent to	15,647
Goodwill and consolidation adjustment (Note)	-
Carrying amount of investments	15,647

	Millions of yen
	Fiscal year ended December 31, 2023
Net sales	100,308
Profit	12,056
Other comprehensive income	1,368
Comprehensive income	13,424

The Group’s share

Profit	2,427
Other comprehensive income	278
Comprehensive income	2,705

In addition to the above, during the previous fiscal year, the Group recognized a gain of ¥738 million from the partial transfer of shares, etc., which is included in “Share of profit of investments accounted for using equity method” in the consolidated statement of profit or loss.

There were no dividends received from FTH for the previous fiscal year.

Current fiscal year (From January 1, 2024 to December 31, 2024)

FTH was excluded from the scope of application of the equity method due to the transfer of all shares of FTH during the first six months of fiscal year 2024. Therefore, there are no affiliates that are significant to the Group. Prior to the transfer, the Company had received a dividend from FTH and reduced the book value of its investment in FTH.

(2) Immaterial associates

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

	Millions of yen	Thousands of U.S. dollars
	As of December 31, 2023	As of December 31, 2024
Total carrying amount	2,802	18,541

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

	Millions of yen	Thousands of U.S. dollars
	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024
Profit (Note)	577	13,083
Other comprehensive income (Note)	4	4,967
Comprehensive income	582	18,050

Note: Due to the transfer of all shares of FTH during the first six months of fiscal year 2024, profit and other comprehensive income of FTH immediately prior to the transfer of all shares of FTH are included in associates that are individually immaterial for the current fiscal year.

18. Income Taxes

(1) Deferred tax assets and deferred tax liabilities

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

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

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

Current fiscal year (From January 1, 2024 to December 31, 2024)

	Millions of yen				
	January 1, 2024	Amount recognized through profit or loss	Amount recognized through other comprehensive income	Others	December 31, 2024
Deferred tax assets					
Inventories	15,131	(3,066)	-	405	12,470
Property, plant and equipment and intangible assets	4,537	(488)	-	32	4,082
Other current liabilities	14,449	(1,325)	-	105	13,230
Lease liabilities	17,335	1,285	-	38	18,660
Retirement benefit liability	3,814	(608)	(2,355)	25	876
Tax losses carried forward	34,165	2,945	-	1,894	39,004
Others	13,076	2,326	-	(624)	14,777
Total	102,510	1,068	(2,355)	1,877	103,102
Deferred tax liabilities					
Property, plant and equipment and intangible assets	13,151	2,532	-	1,141	16,825
Right-of-use assets	23,528	833	-	702	25,065
Undistributed earnings of subsidiaries and associates	4,002	(686)	-	22	3,338
Other financial assets	1,690	(58)	239	12	1,883
Retirement benefit Asset	-	-	3,171	-	3,171
Others	1,820	(159)	-	15	1,677
Total	44,193	2,462	3,410	1,894	51,960

Thousands of U.S. dollars					
	January 1, 2024	Amount recognized through profit or loss	Amount recognized through other comprehensive income	Others	December 31, 2024
Deferred tax assets					
Inventories	96,474	(19,549)	-	2,582	79,508
Property, plant and equipment and intangible assets	28,928	(3,111)	-	204	26,027
Other current liabilities	92,126	(8,448)	-	669	84,353
Lease liabilities	110,527	8,193	-	242	118,975
Retirement benefit liability	24,318	(3,877)	(15,015)	159	5,585
Tax losses carried forward	217,833	18,777	-	12,076	248,687
Others	83,372	14,830	-	(3,979)	94,217
Total	653,596	6,809	-15,015	11,968	657,371
Deferred tax liabilities					
Property, plant and equipment and intangible assets	83,850	16,144	-	7,275	107,275
Right-of-use assets	150,013	5,311	-	4,476	159,813
Undistributed earnings of subsidiaries and associates	25,516	(4,374)	-	140	21,283
Other financial assets	10,775	(370)	1,524	77	12,006
Retirement benefit Asset	-	-	20,218	-	20,218
Others	11,604	(1,014)	-	96	10,692
Total	281,771	15,698	21,742	12,076	331,293

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

		Millions of yen	Thousands of U.S. dollars
	As of December 31, 2023	As of December 31, 2024	As of December 31, 2024
Deductible temporary difference	31,813	36,548	233,027
Tax losses carried forward	20,599	25,873	164,964
Tax credits carried forward	2,832	3,826	24,394
Total	55,244	66,248	422,392

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

		Millions of yen	Thousands of U.S. dollars
	As of December 31, 2023	As of December 31, 2024	As of December 31, 2024
Tax losses carried forward			
1st year	-	-	-
2nd year	-	2	13
3rd year	2	672	4,285
4th year	335	51	325
5th year and beyond	20,260	25,146	160,329
Total	20,599	25,873	164,964

		Millions of yen	Thousands of U.S. dollars
	As of December 31, 2023	As of December 31, 2024	As of December 31, 2024
Tax credits carried forward			
1st year	322	798	5,088
2nd year	247	1,186	7,562
3rd year	1,332	1,197	7,632
4th year	1	0	0
5th year and beyond	926	644	4,106
Total	2,832	3,826	24,394

The total amount of taxable temporary differences related to investments in subsidiaries, etc. for which deferred tax liabilities were not recognized were ¥98,458 million and ¥111,401 million (\$710,284 thousand) for the previous and the current fiscal year, respectively. The Group does not recognize deferred tax liabilities because the Group is able to control the timing of the reversal of the temporary differences and it is probable that these temporary differences will not reverse in the foreseeable future.

(2) Income tax expense

The breakdown of income tax expense is as follows:

		Millions of yen	Thousands of U.S. dollars
	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024	Fiscal year ended December 31, 2024
Current tax expense	6,829	6,635	42,304
Deferred tax expense	30	1,393	8,882
Total	6,860	8,028	51,186

Current tax expense included top-up tax which was estimated related to Pillar Two Model Rules. The amount for the current fiscal year was ¥193 million (\$1,231 thousand).

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

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

		%
	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024
Statutory effective tax rate	31.0	31.0
Permanently non-deductible expenses	8.7	(119.6)
Permanently non-taxable income	(7.4)	24.5
Tax credits	(6.2)	33.3
Differences in effective tax rates	(6.0)	(35.4)
Effect of assessment of recoverability of deferred tax assets	2.0	(530.9)
Withholding tax on dividends, etc. from overseas subsidiaries	0.5	(16.8)
Prior year corporate income tax	0.0	(12.6)
Others	(0.5)	(7.8)
Average actual tax rate	22.1	(634.2)

19. Trade and Other Payables

The breakdown of trade and other payables is as follows:

	Millions of yen		Thousands of U.S. dollars
	As of December 31, 2023	As of December 31, 2024	As of December 31, 2024
Notes and accounts payable	27,196	22,343	142,457
Electronically recorded obligations - operating	41,684	28,204	179,827
Other payables	78,160	70,850	451,734
Refund liabilities	31,451	30,752	196,072
Others	34	49	312
Total	178,526	152,199	970,409

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

20. Bonds and Borrowings

The breakdown of bonds and borrowings is as follows:

	Millions of yen		Thousands of U.S. dollars	%	
	As of December 31, 2023	As of December 31, 2024	As of December 31, 2024	Average interest rate	Repayment due
Current liabilities					
Short-term borrowings	20,000	62,000	395,307	0.44	-
Current portion of long-term borrowings	30,000	5,000	31,880	0.47	-
Current portion of bonds payable	-	40,000	255,037	0.10	-
Total	50,000	107,000	682,224		
Non-current liabilities					
Long-term borrowings	50,559	96,620	616,042	0.50	2027 – 2031
Bonds	60,000	35,000	223,157	0.75	2027 – 2029
Total	110,559	131,620	839,199		

Notes:

1. Average interest rates are the weighted average interest rates for balances at the end of the current fiscal year.
2. Bonds and borrowings are classified as financial liabilities measured at amortized cost.

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

			Millions of yen		Thousands of U.S. dollars	%		
Company name	Issue	Issue date	As of December 31, 2023	As of December 31, 2024	As of December 31, 2024	Interest rate	Collateral	Redemption date
Shiseido Co., Ltd.	10th Unsecured straight bonds	February 26, 2020	20,000 [-]	20,000 [20,000]	127,518 [127,518]	0.080	None	February 26, 2025
Shiseido Co., Ltd.	12th Unsecured straight bonds	December 17, 2020	20,000 [-]	20,000 [20,000]	127,518 [127,518]	0.120	None	December 17, 2025
Shiseido Co., Ltd.	13th Unsecured straight bonds	December 8, 2022	20,000 [-]	20,000 [-]	127,518 [-]	0.450	None	December 8, 2027
Shiseido Co., Ltd.	14th Unsecured straight bonds	December 12, 2024	- [-]	15,000 [-]	95,639 [-]	1.139	None	December 12, 2029
Total			60,000 [-]	75,000 [40,000]	478,194 [255,037]			

Note: Figures in [] represent the current portion.

21. Other Financial Liabilities

The breakdown of other financial liabilities is as follows:

		Millions of yen	Thousands of U.S. dollars
	As of December 31, 2023	As of December 31, 2024	As of December 31, 2024
Other financial liabilities (current)			
Financial liabilities measured at amortized cost			
Deposits received	3,659	3,212	20,479
Others	80	257	1,639
Financial liabilities measured at fair value through profit or loss			
Derivative liabilities	1,645	2,921	18,624
Total	5,385	6,391	40,749
Other financial liabilities (non-current)			
Financial liabilities measured at amortized cost			
Long-term other payables	5,038	19,699	125,599
Others	578	581	3,704
Financial liabilities measured at fair value through profit or loss			
Derivative liabilities	515	-	-
Others	350	350	2,232
Total	6,482	20,630	131,535

22. Leases

(1) As lessee

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

1) Breakdown of right-of-use assets

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

		Millions of yen	Thousands of U.S. dollars
	As of December 31, 2023	As of December 31, 2024	As of December 31, 2024
Right-of-use assets for which buildings and structures are the underlying assets	64,404	69,802	445,052
Right-of-use assets for which machinery, equipment and vehicles are the underlying assets	9,998	9,434	60,150
Right-of-use assets for which tools, furniture and fixtures are the underlying assets	2,795	2,583	16,469
Right-of-use assets for which land is the underlying asset	23,111	22,926	146,174
Others	238	128	816
Total	100,548	104,876	668,681

Increases in right-of-use assets for the previous fiscal year and the current fiscal year were ¥11,271 million and ¥26,823 million (\$171,021 thousand), respectively.

2) Lease liabilities

Information on maturity analysis of lease liabilities is presented in “36. Financial Instruments (2) Financial risk management 2) Liquidity risk management” of the Notes.

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

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

		Millions of yen	Thousands of U.S. dollars
	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024	Fiscal year ended December 31, 2024
Depreciation of right-of-use assets			
Right-of-use assets for which buildings and structures are the underlying assets	18,697	18,156	115,761
Right-of-use assets for which machinery, equipment and vehicles are the underlying assets	1,453	1,307	8,333
Right-of-use assets for which tools, furniture and fixtures are the underlying assets	2,101	1,719	10,960
Right-of-use assets for which land is the underlying asset	1,138	1,164	7,422
Others	124	113	720
Total depreciation	23,514	22,461	143,210
Interest expenses on lease liabilities	1,480	1,679	10,705
Lease expenses subject to exemptions for short-term leases	2,917	1,147	7,313
Lease expenses subject to exemptions for leases of low-value assets	2,035	1,666	10,622
Variable lease payments not included in measurement of lease liabilities	1,626	2,177	13,880
Income from sublease of right-of-use assets	(571)	(894)	(5,700)

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

Cash outflows associated with leases are as follows:

		Millions of yen	Thousands of U.S. dollars
	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024	Fiscal year ended December 31, 2024
Cash outflows associated with leases	34,491	33,047	210,705

(2) As lessor

The Group mainly leases buildings, land, etc.

23. Employee Benefits

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

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

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

Due to the business transformation plan “Mirai Shift NIPPON 2025,” defined benefit obligations and plan assets decreased by ¥8,039 million (\$51,256 thousand) and ¥6,866 million (\$43,777 thousand), respectively, in the current fiscal year, and the differences are recognized as gains due to settlements in profit or loss. The gains due to settlements recognized in profit or loss for the current fiscal year amounted to ¥1,173 million (\$7,479 thousand) and are included in “Other operating income” in the consolidated statement of profit or loss.

(1) Defined benefit plans

1) Reconciliation of defined benefit obligations and plan assets

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

		Millions of yen	Thousands of U.S. dollars
	As of December 31, 2023	As of December 31, 2024	As of December 31, 2024
Present value of funded defined benefit obligations	230,848	207,375	1,322,207
Fair value of plan assets	(216,661)	(213,439)	(1,360,871)
Subtotal	14,187	(6,064)	(38,664)
Present value of unfunded defined benefit obligations	868	839	5,349
Net defined benefit liability (asset)	15,055	(5,224)	(33,308)
Amount recognized in the consolidated statement of financial position			
Retirement benefit liability	15,055	5,037	32,116
Retirement benefit asset	-	(10,261)	(65,423)
Net defined benefit liability (asset) recognized in the consolidated statement of financial position	15,055	(5,224)	(33,308)

2) Reconciliation of present value of defined benefit obligations

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

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024	Fiscal year ended December 31, 2024
Beginning balance of present value of defined benefit obligations	239,654	231,716	1,477,404
Service costs	5,999	5,607	35,750
Interest costs	3,879	3,928	25,045
Remeasurements			
Actuarial differences arising from changes in demographic assumptions	(362)	(840)	(5,356)
Actuarial differences arising from changes in financial assumptions	(2,941)	(12,488)	(79,623)
Actuarial differences arising from experience adjustments	1,162	533	3,398
Past service costs	-	54	344
Gains or losses due to settlements	-	(1,173)	(7,479)
Retirement benefits paid	(13,444)	(19,235)	(122,641)
Effects of business combinations and disposals	(2,714)	(24)	(153)
Other	483	137	867
Ending balance of present value of defined benefit obligations	231,716	208,214	1,327,557

For the benefit plans of the Company and its major domestic subsidiaries, which account for a significant portion of the Group's defined benefit obligations, the weighted average duration of the defined benefit obligations for the previous and the current fiscal year was 13.8 years, and 13.3 years, respectively.

3) Reconciliation of fair value of plan assets

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

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024	Fiscal year ended December 31, 2024
Beginning balance of fair value of plan assets	214,308	216,661	1,381,414
Interest income	3,440	3,691	23,534
Remeasurements			
Return on plan assets	7,740	4,548	28,998
Contribution from employers	6,446	7,668	48,891
Retirement benefits paid	(12,909)	(18,984)	(121,041)
Effects of business combinations and disposals	(2,480)	(16)	(102)
Other	116	(129)	(822)
Ending balance of fair value of plan assets	216,661	213,439	1,360,871

The Group plans to contribute ¥5,983 million (\$38,147 thousand) in the following fiscal year.

4) Components of plan assets

Major components of plan assets are as follows:

	Millions of yen						Thousands of U.S. dollars		
	As of December 31, 2023			As of December 31, 2024			As of December 31, 2024		
	Publicly quoted market price in active markets			Publicly quoted market price in active markets			Publicly quoted market price in active markets		
	Yes	No	Total	Yes	No	Total	Yes	No	Total
Cash and cash equivalents	8,277	-	8,277	9,156	-	9,156	58,378	-	58,378
Commingled investment fund									
Equity instruments	-	36,423	36,423	-	39,279	39,279	-	250,440	250,440
Debt instruments	-	94,068	94,068	-	88,488	88,488	-	564,193	564,193
Alternative investments	-	71,290	71,290	-	69,822	69,822	-	445,180	445,180
General account of life insurance companies	-	6,601	6,601	-	6,691	6,691	-	42,661	42,661
Total	8,277	208,383	216,661	9,156	204,282	213,439	58,378	1,302,487	1,360,871

Note: The commingled investment fund for equity instruments has invested approximately 10% of its funds in domestic shares and approximately 90% in foreign shares in both the previous and the current fiscal year.

The commingled investment fund for debt instruments has invested approximately 10% of its funds in domestic bonds and approximately 90% in foreign bonds in both the previous and the current fiscal year.

Alternative investments include hedge funds, etc.

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

5) Major actuarial assumptions

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

	%	
	As of December 31, 2023	As of December 31, 2024
Discount rate	1.7	2.1

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

6) Sensitivity analysis

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

	Millions of yen		Thousands of U.S. dollars
	As of December 31, 2023	As of December 31, 2024	As of December 31, 2024
0.5 percentage point increase in discount rate	(13,630)	(11,650)	(74,280)
0.5 percentage point decrease in discount rate	15,054	12,910	82,313

(2) Defined contribution plans

The amounts of expenses recognized for defined contribution plans for the previous fiscal year and the current fiscal year were ¥4,789 million and ¥5,568 million (\$35,501 thousand), respectively.

24. Provisions

The breakdown of and changes in provisions are as follows:

	Millions of yen		
	Asset retirement obligations	Provision for structural reform	Other provisions
Balance as of January 1, 2024	1,451	926	4,696
Increase during the period	1,318	18,231	2,741
Interest expenses for discount calculation during the period	12	-	-
Decrease during the period (intended use)	(263)	(18,640)	(2,893)
Decrease during the period (reversal)	(166)	(144)	(1,271)
Exchange differences on translation of foreign operations	19	6	355
Balance as of December 31, 2024	2,372	379	3,627

	Thousands of U.S. dollars		
	Asset retirement obligations	Provision for structural reform	Other provisions
Balance as of January 1, 2024	9,251	5,904	29,941
Increase during the period	8,403	116,239	17,476
Interest expenses for discount calculation during the period	77	-	-
Decrease during the period (intended use)	(1,677)	(118,847)	(18,446)
Decrease during the period (reversal)	(1,058)	(918)	(8,104)
Exchange differences on translation of foreign operations	121	38	2,263
Balance as of December 31, 2024	15,124	2,416	23,125

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

	Millions of yen		Thousands of U.S. dollars
	As of December 31, 2023	As of December 31, 2024	As of December 31, 2024
Current liabilities	5,847	4,527	28,664
Non-current liabilities	1,227	1,852	11,808
Total	7,074	6,379	40,672

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

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

Other provisions mainly include provisions for losses arising from expenses related to litigation risk and product liability risk, etc. The timing of payment of these expenses is expected to be within one year from the end of the current fiscal year.

25. Other Liabilities

The breakdown of other liabilities is as follows:

		Millions of yen	Thousands of U.S. dollars
	As of December 31, 2023	As of December 31, 2024	As of December 31, 2024
Other current liabilities			
Accrued expenses	44,071	45,865	292,432
Accrued consumption taxes	9,105	11,937	76,109
Accrued bonuses	27,746	24,355	155,286
Accrued paid absences	12,002	11,262	71,806
Contract liabilities	6,879	7,312	46,621
Others	3,310	3,073	19,593
Total	103,116	103,807	661,866
Other non-current liabilities			
Deferred revenues	6,390	6,978	44,491
Cash-settled share-based payment expenses	640	508	3,239
Others	5,025	5,057	32,243
Total	12,056	12,544	79,980

26. Equity and Other Equity Items

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

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

	As of December 31, 2023	Shares As of December 31, 2024
Number of shares authorized		
Ordinary share	1,200,000,000	1,200,000,000
Total number of shares issued		
Beginning balance	400,000,000	400,000,000
Change during the period	-	-
Ending balance	400,000,000	400,000,000

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

(2) Treasury shares

Changes in the number of treasury shares are as follows:

	As of December 31, 2023	Shares As of December 31, 2024
Beginning balance	452,452	344,199
Change during the period	(108,253)	232,664
Ending balance	344,199	576,863

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

(3) Capital surplus

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

Furthermore, the Company operates a share option plan and a performance share unit plan, and the portion accounted for as equity-settled share-based payment is recognized as capital surplus. Contract terms, amounts, etc. are presented in “35. Share-based Payments.”

(4) Other components of equity

1) Exchange differences on translation of foreign operations

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

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

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

3) Cash flow hedges

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

4) Remeasurements of defined benefit plans

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

(5) Retained earnings

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

27. Dividends

The amounts of dividends paid are as follows:

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

Resolution date	Type of shares	Millions of yen	Yen	Record date	Effective date
		Total amount of dividends	Dividend per share		
March 24, 2023 General Meeting of Shareholders	Ordinary shares	29,966	75.00	December 31, 2022	March 27, 2023
August 8, 2023 Board of Directors meeting	Ordinary shares	11,988	30.00	June 30, 2023	September 7, 2023

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

Current fiscal year (From January 1, 2024 to December 31, 2024)

Resolution date	Type of shares	Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars	Record date	Effective date
		Total amount of dividends	Dividend per share	Dividend per share	Dividend per share		
March 26, 2024 General Meeting of Shareholders	Ordinary shares	11,989	76,441	30.00	0.19	December 31, 2023	March 27, 2024
August 7, 2024 Board of Directors meeting	Ordinary shares	11,991	76,454	30.00	0.19	June 30, 2024	September 5, 2024

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

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

Resolution date	Type of shares	Millions of yen	Yen	Record date	Effective date
		Total amount of dividends	Dividend per share		
March 26, 2024 General Meeting of Shareholders	Ordinary shares	11,989	30.00	December 31, 2023	March 27, 2024

Current fiscal year (From January 1, 2024 to December 31, 2024)

Resolution date	Type of shares	Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars	Record date	Effective date
		Total amount of dividends	Dividend per share	Dividend per share	Dividend per share		
March 26, 2025 General Meeting of Shareholders	Ordinary shares	3,994	25,465	10.00	0.06	December 31, 2024	March 27, 2025

28. Net Sales

(1) Contract balances

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

	As of December 31, 2023	Millions of yen As of December 31, 2024	Thousands of U.S. dollars As of December 31, 2024
Receivables arising from contracts with customers			
Notes and accounts receivable	133,512	150,720	960,979
Contract liabilities	6,879	7,312	46,621

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

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

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

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

(2) Transaction price allocated to remaining performance obligations

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

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

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

29. Breakdown of Expenses by Nature

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

		Millions of yen	Thousands of U.S. dollars
	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024	Fiscal year ended December 31, 2024
Purchase costs of raw materials and merchandise	160,623	162,306	1,034,851
Changes in finished goods and work in process	19,714	(797)	(5,082)
Employee benefit expenses	266,538	283,690	1,808,786
Depreciation and amortization	75,492	75,666	482,441
Outsourced processing expenses	19,917	18,436	117,547
Media expenses	108,732	112,527	717,464
Sample and sales equipment expenses	43,025	50,041	319,058
Others	262,253	286,968	1,829,686
Total	956,299	988,838	6,304,756

30. Other Operating Income and Operating Expenses

The breakdown of other operating income is as follows:

		Millions of yen	Thousands of U.S. dollars
	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024	Fiscal year ended December 31, 2024
Rental income from buildings	497	501	3,194
Subsidy income	4,656	2,489	15,870
Gain on sale of non-current assets	13,870	2,117	13,498
Reversal of impairment losses	-	1,145	7,300
Gain on sale of businesses	822	-	-
Gain on settlement of retirement benefit	-	1,173	7,479
Others	1,177	1,134	7,230
Total	21,023	8,561	54,584

Details of gain on sale of non-current assets in the previous and the current fiscal year are mainly related to sales of real estate.

Details of reversal of impairment losses in the current fiscal year are presented in “7. Operating Segments, (3) Segment revenue and business result” and “16. Impairment of Non-Financial Assets, (2) Reversal of impairment losses” of the Notes.

Details of gain on sale of businesses in the previous fiscal year are presented in “7. Operating Segments, (3) Segment revenue and business result” and “37. Major Subsidiaries” of the Notes.

Details of gain on settlement of benefit obligations in the current fiscal year are presented in “23. Employee Benefits” of the Notes.

The breakdown of other operating expenses is as follows:

		Millions of yen	Thousands of U.S. dollars
	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024	Fiscal year ended December 31, 2024
Structural reform expenses	1,861	1,876	11,961
Loss on sale of businesses	7,767	-	-
Others	-	856	5,458
Total	9,629	2,733	17,425

Details of loss on sale of businesses in the previous fiscal year are presented in “7. Operating Segments, (3) Segment revenue and business result” and “37. Major Subsidiaries” of the Notes.

31. Finance Income and Finance Costs

The breakdown of finance income is as follows:

		Millions of yen	Thousands of U.S. dollars
	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024	Fiscal year ended December 31, 2024
Interest income			
Financial assets measured at amortized cost	5,911	6,851	43,681
Lease receivables	101	388	2,474
Dividend income			
Financial assets measured at fair value through other comprehensive income	75	66	421
Financial assets measured at fair value through profit or loss	0	0	0
Gain on revaluation of fair value			
Financial assets measured at fair value through profit or loss	467	-	-
Others	179	986	6,287
Total	6,734	8,292	52,869

The breakdown of finance costs is as follows.

		Millions of yen	Thousands of U.S. dollars
	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024	Fiscal year ended December 31, 2024
Interest expenses			
Financial liabilities measured at amortized cost	1,108	2,125	13,549
Lease liabilities	1,480	1,679	10,705
Retirement benefit liability	439	236	1,505
Unwinding of provisions due to passage of time	10	12	77
Foreign exchange losses	3,449	1,894	12,076
Others	1,086	453	2,888
Total	7,574	6,402	40,819

Financial liabilities measured at amortized cost in the amounts of interest expenses include the amounts reclassified from cash flow hedge reserve arising from derivatives to profit or loss (refer to “36. Financial Instruments” of the Notes.).

32. Other Comprehensive Income

The amounts arising during the year, reclassification adjustments to profit and loss, and the tax effects for each item of other comprehensive income are as follows:

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024	Fiscal year ended December 31, 2024
Items that will not be reclassified to profit or loss:			
Financial assets measured at fair value through other comprehensive income			
Amount arising during the year	(512)	(34)	(217)
Tax effect	(310)	(239)	(1,524)
Amount after tax effect adjustment	(823)	(273)	(1,741)
Remeasurements of defined benefit plans			
Amount arising during the year	9,881	17,343	110,578
Tax effect	(3,313)	(5,526)	(35,233)
Amount after tax effect adjustment	6,568	11,816	75,338
Share of other comprehensive income of investments accounted for using equity method			
Amount arising during the year	68	7	45
Tax effect	-	-	-
Amount after tax effect adjustment	68	7	45
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations			
Amount arising during the year	31,861	40,167	256,102
Reclassification adjustments	(1,853)	(445)	(2,837)
Amount before tax effect adjustment	30,007	39,722	253,264
Tax effect	-	-	-
Amount after tax effect adjustment	30,007	39,722	253,264
Cash flow hedges			
Amount arising during the year	3	-	-
Reclassification adjustments	59	-	-
Amount before tax effect adjustment	62	-	-
Tax effect	(19)	-	-
Amount after tax effect adjustment	43	-	-
Share of other comprehensive income of investments accounted for using equity method			
Amount arising during the year	214	771	4,916
Reclassification adjustments	(767)	(1,607)	(10,246)
Amount before tax effect adjustment	(553)	(835)	(5,324)
Tax effect	-	-	-
Amount after tax effect adjustment	(553)	(835)	(5,324)
Total other comprehensive income:			
Amount arising during the year	41,516	58,255	371,429
Reclassification adjustments	(2,562)	(2,052)	(13,083)
Amount before tax effect adjustment	38,954	56,203	358,346
Tax effect	(3,643)	(5,766)	(36,764)
Amount after tax effect adjustment	35,311	50,437	321,583

33. Earnings Per Share

(1) Basis for the calculation of basic earnings per share

		Millions of yen	Thousands of U.S. dollars
	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024	Fiscal year ended December 31, 2024
Profit (loss) attributable to owners of parent	21,749	(10,813)	(68,943)
Profit (loss) not attributable to ordinary shareholders of parent	-	-	-
Profit (loss) used for calculating basic earnings per share	21,749	(10,813)	(68,943)
Weighted-average number of ordinary shares (thousands of shares)	399,615	399,570	
Basic earnings (loss) per share (yen/U.S. dollars)	54.43	(27.06)	(0.17)

(2) Basis for the calculation of diluted earnings per share

		Millions of yen	Thousands of U.S. dollars
	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024	Fiscal year ended December 31, 2024
Profit (loss) used for calculating basic earnings per share	21,749	(10,813)	(68,943)
Profit adjustment	-	-	-
Profit (loss) used for calculating diluted earnings per share	21,749	(10,813)	(68,943)
Weighted-average number of ordinary shares (thousands of shares)	399,615	399,570	
Increase in ordinary share			
Share acquisition rights (thousands of shares)	235	-	
Diluted weighted-average number of ordinary shares (thousands of shares)	399,851	399,570	
Diluted earnings (loss) per share (yen/U.S. dollars)	54.40	(27.06)	(0.17)

In the current fiscal year, there are 195 thousand dilutive potential ordinary shares. However, as they have an anti-dilutive effect, they have been excluded from the calculation of diluted loss per share.

34. Cash Flow Information

(1) Changes in liabilities related to financing activities are as follows:

Millions of yen

	January 1, 2023	Changes involving cash flows	Changes not involving cash flows			December 31, 2023
			New leases	Exchange differences on translation of foreign operations	Others	
Short-term borrowings and commercial papers	75	19,918	-	5	-	20,000
Long-term borrowings (including current portion)	95,915	(15,360)	-	5	-	80,559
Bonds (including current portion)	70,000	(10,000)	-	-	-	60,000
Lease liabilities (Note)	131,198	(26,432)	12,437	5,142	(1,923)	120,422
Total	297,189	(31,874)	12,437	5,154	(1,923)	280,982

Note: "Others" in lease liabilities mainly represents decreases resulting from the revision of considerations due to lease modifications.

Millions of yen

	January 1, 2024	Changes involving cash flows	Changes not involving cash flows			December 31, 2024
			New leases	Exchange differences on translation of foreign operations	Others	
Short-term borrowings and commercial papers	20,000	42,000	-	-	-	62,000
Long-term borrowings (including current portion)	80,559	21,000	-	60	-	101,620
Bonds (including current portion)	60,000	15,000	-	-	-	75,000
Lease liabilities (Note)	120,422	(26,376)	27,428	5,791	(2,725)	124,541
Total	280,982	51,623	27,428	5,852	(2,725)	363,161

Thousands of U.S. dollars

	January 1, 2024	Changes involving cash flows	Changes not involving cash flows			December 31, 2024
			New leases	Exchange differences on translation of foreign operations	Others	
Short-term borrowings and commercial papers	127,518	267,789	-	-	-	395,307
Long-term borrowings (including current portion)	513,638	133,894	-	383	-	647,921
Bonds (including current portion)	382,555	95,639	-	-	-	478,194
Lease liabilities (Note)	767,802	(168,171)	174,879	36,923	(17,374)	794,064
Total	1,791,520	329,144	174,879	37,312	(17,374)	2,315,487

Note: "Others" in lease liabilities mainly represents decreases resulting from the revision of considerations due to lease modifications.

(2) Non-cash transactions

The amount of assets related to newly recognized lease transactions is as follows:

	Millions of yen		Thousands of U.S. dollars
	As of December 31, 2023	As of December 31, 2024	As of December 31, 2024
Right-of-use assets	11,271	26,823	171,021

(3) Loss of control of subsidiaries

Information about the loss of control of subsidiaries is presented in "37. Major Subsidiaries" of the Notes.

35. Share-Based Payments

(1) Share option plan

1) Details of share option plan

The Company adopts a share option plan. Share options are granted to Directors and Corporate Officers of the Company and its subsidiaries with an aim to incentivize and motivate them to increase corporate value. All share options issued by the Company are equity-settled share-based compensation. The exercise period is specified in the allotment contract, and the options will be forfeited if they are not exercised within that period. New share options are no longer issued due to the introduction of performance-linked compensation from the fiscal year ended December 31, 2019.

Details of share options issued by the Company are as follows:

- Vesting conditions:

Continuous service from the grant date to the vesting date (the day before the date of start of the exercise period) (The person must maintain the position of a director or an Executive Officer of the Company at the time of exercise of rights. However, this shall not apply in the case of resignation due to expiration of term of office, mandatory retirement, or when there are other justifiable reasons.)

- Exercise period:

12 years from the first day of the month containing the day on which three years have passed since the grant date (for the FY2011 - FY2014 portion of grants) or 12 years and six months from the first day of the month containing the day on which two years and six months have passed since the grant date (for the FY2015 - FY2018 portion of grants)

Note: For the details of the share option plan, please refer to “4. Corporate Information on the Company 1. Information on the Company’s shares, (2) Status of stock acquisition rights, 1) Share option plans.”

2) Number and weighted average exercise price of share options

	Fiscal year ended December 31, 2023		Fiscal year ended December 31, 2024	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
	Shares	Yen	Shares	Yen
Outstanding at beginning of period	274,400	1	208,000	1
Granted	-	-	-	-
Exercised	(66,400)	1	(23,600)	1
Forfeited	-	-	-	-
Outstanding at end of period	208,000	1	184,400	1
Exercisable at end of period	208,000	1	184,400	1

Notes:

1. The weighted average share price at the time of exercise of share options during the previous fiscal year and the current fiscal year was ¥6,091 and ¥4,096 (\$26.12), respectively.
2. The exercise price of share options outstanding as of the end of the previous fiscal year and the current fiscal year was both ¥1.
3. The weighted average remaining contract years of share options outstanding as of the end of the previous fiscal year and the current fiscal year were 7.0 years and 6.2 years, respectively.

3) Share-based payment expenses

No expenses were incurred in the previous and current fiscal years, as no new share options have been issued since the fiscal year ended December 31, 2019 and the vesting of outstanding share options had been completed by the end of the fiscal year ended December 31, 2021.

(2) Performance-linked share compensation plan

1) Details of performance-linked share compensation plan

The Company adopts a performance share unit plan under which shares in the Company or money are granted according to the rate of achievement of several predetermined evaluation indicators and other factors. This plan provides an effective incentive for generating and maintaining corporate value over the long term and is designed to encourage its personnel to share with its shareholders an awareness of the importance of sustainably generating profits.

Each fiscal year, the Company grants share units (one unit = one share) to eligible members (Corporate Executive Officers, Executive Officers, and employees). Multiple evaluation indicators are determined in advance, with three fiscal years, including the fiscal year subject to grant, set as the period subject to evaluation. After the end of the evaluation period, the Company calculates a payout ratio within the range of 50% to 150% based on the achievement rate of each evaluation indicator. After adjusting the number of share units based on the payout ratio, the Company grants monetary compensation claims and money for the delivery of the Company's ordinary shares in proportion to the number of such share units to each grantee. All such monetary compensation claims are to be contributed in kind in order to deliver the Company's ordinary shares to each grantee.

2) Method of measuring the fair unit price of the Company's shares granted during the period based on the performance-linked share compensation plan

The fair value of the Company's shares granted during the period is determined based on the share price on the grant date.

The number of share units granted during the period and their fair values are as follows:

		Yen	U.S. dollars
	As of December 31, 2023	As of December 31, 2024	As of December 31, 2024
Number of units granted during the period (units)	202,094	241,263	
Weighted average fair value (yen/ U.S. dollars)	5,920	5,732	36.55

3) Share-based payment expenses

Share-based payment expenses included in "Selling, general and administrative expenses" in the consolidated statement of profit or loss are as follows:

		Millions of yen	Thousands of U.S. dollars
	As of December 31, 2023	As of December 31, 2024	As of December 31, 2024
Equity-settled	1,019	1,032	6,580
Cash-settled	27	0	0

Total liabilities arising from share-based payment transactions are as follows:

		Millions of yen	Thousands of U.S. dollars
	As of December 31, 2023	As of December 31, 2024	As of December 31, 2024
Total carrying amount of liabilities	753	645	4,112
Total intrinsic value of vested liabilities	753	645	4,112

36. Financial Instruments

(1) Capital management

The Group's basic capital management policy is to endeavor to maintain its shareholders' equity at an appropriate level as well as to improve its capital efficiency in order to achieve sustainable growth and maximize its corporate value.

Major indicators used by the Group to manage its capital are net debt-to-EBITDA ratio, net debt-to-equity ratio, return on equity (hereinafter "ROE"), and return on invested capital (hereinafter "ROIC").

The Group's net debt-to-EBITDA ratio, net debt-to-equity ratio, ROE, and ROIC are as follows:

	As of December 31, 2023	As of December 31, 2024
Net debt-to-EBITDA ratio (times) (Note 1)	0.39	1.29
Net debt-to-equity ratio (times) (Note 2)	0.06	0.18
ROE (%) (Note 3)	3.6	(1.7)
ROIC based on the new definition (%) (Note 4)	2.4	0.6
ROIC based on the old definition (%) (Note 4)	4.0	-

Notes:

1. (Interest-bearing debt (excluding lease liabilities) - Cash and cash equivalents - Time deposits with maturities exceeding 3 months) / EBITDA
EBITDA = Core operating profit + Depreciation and amortization (excluding depreciation of right-of-use assets)
2. (Interest-bearing debt (excluding lease liabilities) - Cash and cash equivalents - Time deposits with maturities exceeding 3 months) / Equity attributable to owners of parent
3. Profit attributable to owners of parent / Equity attributable to owners of parent (average of the beginning and ending balances)
4. Calculations for the previous fiscal year are based on the old definition, and calculations for the current fiscal year are based on the new definition.
The old definition: $\text{Core operating profit} \times (1 - \text{Tax rate}) / (\text{Interest-bearing debt (average of the beginning and the ending balances, excluding lease liabilities)} + \text{Equity attributable to owners of parent (average of the beginning and the ending balances)})$
The new definition: $\text{Operating profit} \times (1 - \text{Tax rate}^*) / (\text{Interest-bearing debt (average of the beginning and the ending balances, including lease liabilities)} + \text{Equity attributable to owners of parent (average of the beginning and the ending balances)})$

*The statutory tax rate is used for the current fiscal year.

The Group is not subject to any significant capital restrictions (excluding the Companies Act and other general regulations).

(2) Financial risk management

The Group is exposed to financial risks (credit risk, liquidity risk, and market risk) in the course of its business activities. To mitigate such financial risks, the Group conducts risk management in accordance with certain policies. The Group limits its investment to short-term deposits and securities, and other similar instruments, and has a policy to use bank borrowings, commercial papers, bonds, and other instruments to procure funds. The Group uses derivatives to avoid the risk of foreign exchange fluctuations of foreign currency-denominated receivables and payables and the risk of fluctuation of borrowing interest rates. The Group limits the use of derivatives to the extent of the balance of receivables and payables and actual demand, and does not engage in speculative transactions. The Group executes and manages derivatives in accordance with the internal rules and regulations that prescribe transaction authority.

1) Credit risk management

Credit risk is the risk that a counterparty to a financial asset held by the Group will default on its contractual obligations, resulting in a financial loss to the Group. Credit risk arises principally from the Group's receivables from customers, loans receivable, and derivatives.

The Group manages due dates and outstanding balances for each counterparty and periodically monitors the credit status of major counterparties. The Group does not have any credit risk overly concentrated in a specific counterparty or a group to which such counterparty belongs.

To mitigate counterparty risk associated with the use of derivatives, the Group enters into derivative contracts only with highly creditworthy financial institutions and other such counterparties.

The carrying amount of impaired financial assets presented in the consolidated financial statements represents the maximum exposure of the Group's financial assets to credit risk, without taking into account the assessed value of collateral obtained.

Fluctuation analysis of provision for doubtful accounts

The changes in provision for doubtful accounts related to trade receivables are as follows:

	Millions of yen	Millions of yen
	Lifetime expected credit losses for trade receivables	Expected Credit losses for Long- term loans receivable with significantly increased credit risk
Balance as of January 1, 2023	4,972	-
Increase during period	790	-
Decrease during period (intended use)	(1,676)	-
Decrease during period (reversal)	(745)	-
Other changes	577	-
Balance as of December 31, 2023	3,919	-
Increase during period	607	12,784
Decrease during period (intended use)	(1,178)	-
Decrease during period (reversal)	(71)	-
Other changes	608	454
Balance as of December 31, 2024	3,885	13,239

	Thousands of U.S. dollars	Thousands of U.S. dollars
	Lifetime expected credit losses for trade receivables	Expected Credit losses for Long-term loans receivable with significantly increased credit risk
Balance as of December 31, 2023	24,987	-
Increase during period	3,870	81,510
Decrease during period (intended use)	(7,511)	-
Decrease during period (reversal)	(453)	-
Other changes	3,877	2,895
Balance as of December 31, 2024	24,770	84,411

There are no financial assets that were directly written off in the current fiscal year but for which collection activities are still ongoing. Long-term loans receivable is a seller note issued for divestiture of three prestige makeup brands, and classified as financial assets measured at amortized cost. Due to the increased credit risk for the current fiscal year, we recognized a loss allowance.

A maturity analysis of the carrying amount of trade receivables and the corresponding loss allowance is as follows: For financial assets other than trade receivables, there are no items that are materially past due. For financial assets other than trade receivables and Long-term loans receivable, there are no items that have significant credit risk exposure.

Previous fiscal year (As of December 31, 2023)

	Not yet due	Past due				Millions of yen
		Within 30 days	Over 30 days	Over 60 days	Over 90 days	Total
Trade receivables	112,626	12,226	3,255	500	4,904	133,512
Loss allowance	178	37	9	30	3,663	3,919

Current fiscal year (As of December 31, 2024)

	Not yet due	Past due				Millions of yen
		Within 30 days	Over 30 days	Over 60 days	Over 90 days	Total
Trade receivables	132,319	6,177	3,827	2,691	5,705	150,720
Loss allowance	220	22	40	6	3,595	3,885

	Not yet due	Past due				Thousands of U.S. dollars
		Within 30 days	Over 30 days	Over 60 days	Over 90 days	Total
Trade receivables	843,656	39,384	24,401	17,158	36,375	960,979
Loss allowance	1,403	140	255	38	22,921	24,770

2) Liquidity risk management

Liquidity risk is the risk that the Group is unable to perform the repayment obligations of financial liabilities on their due dates.

The Group strives to generate stable operating cash flows and secure a wide range of financing sources, while always seeking to appropriately secure adequate funds for its business activities, maintain liquidity, and achieve a sound financial condition. The Group limits its investments to short-term deposits and securities, and other similar instruments.

The Group manages its liquidity risk mainly by preparing and updating a cash management plan on a monthly basis.

The balances of financial liabilities (including derivative financial instruments) by due date are as follows. All financial liabilities included in current liabilities other than those listed below are due within one year and their carrying amounts are equal to the contractual cash flows, and therefore, they are not included in the table below.

Previous fiscal year (As of December 31, 2023)

	Carrying amount	Contractual cash flow	Due within 1 year	Due after 1-2 years	Due after 2-3 years	Due after 3-4 years	Due after 4-5 years	Due after 5 years
Millions of yen								
Non-derivative financial liabilities								
Borrowings	100,559	100,784	50,071	5,066	271	45,238	137	-
Bonds	60,000	60,419	130	40,115	90	20,084	-	-
Lease liabilities	120,422	126,104	22,617	17,289	14,310	11,522	10,088	50,276
Long-term accounts payable-other (including current portion)	7,173	7,034	1,924	1,419	1,580	1,319	790	-
Derivative financial liabilities								
Derivative liabilities	2,161	2,161	1,645	-	515	-	-	-

Notes:

1. Receivables and payables arising from derivatives are presented on a net basis.
2. The above amounts of liabilities are presented as the sum of current liabilities and non-current liabilities.

Current fiscal year (As of December 31, 2024)

(Millions of yen)

	Carrying amount	Contractual cash flow	Due within 1 year	Due after 1-2 years	Due after 2-3 years	Due after 3-4 years	Due after 4-5 years	Due after 5 years
Non-derivative financial liabilities								
Borrowings	163,620	165,661	67,537	685	45,652	36,476	105	15,205
Bonds	75,000	76,134	40,286	260	20,254	170	15,161	-
Lease liabilities	124,541	128,477	22,158	18,518	14,731	13,622	12,607	46,839
Long-term accounts payable-other (including current portion)	22,382	24,445	3,254	19,202	791	751	231	215
Derivative financial liabilities								
Derivative liabilities	2,921	2,921	2,921	-	-	-	-	-

(Thousands of U.S. dollars)

	Carrying amount	Contractual cash flow	Due within 1 year	Due after 1-2 years	Due after 2-3 years	Due after 3-4 years	Due after 4-5 years	Due after 5 years
Non-derivative financial liabilities								
Borrowings	1,043,229	1,056,242	430,611	4,368	291,074	232,568	669	96,946
Bonds	478,194	485,425	256,860	1,658	129,138	1,084	96,665	-
Lease liabilities	794,064	819,160	141,278	118,069	93,924	86,853	80,381	298,642
Long-term accounts payable-other (including current portion)	142,706	155,859	20,747	122,431	5,043	4,788	1,473	1,371
Derivative financial liabilities								
Derivative liabilities	18,624	18,624	18,624	-	-	-	-	-

Notes:

1. Receivables and payables arising from derivatives are presented on a net basis.
2. The above amounts of liabilities are presented as the sum of current liabilities and non-current liabilities.

3) Market risk management

The Group is exposed to risks associated with market fluctuations such as foreign exchange fluctuations and interest rate fluctuations in the course of its business activities. To appropriately manage these market risks, the Group may use derivatives, including foreign exchange forward contracts, currency swap contracts, and interest rate swap contracts. The Group executes and manages derivatives in accordance with the internal rules and regulations that prescribe transaction authority. The Group does not use derivatives for speculative purposes. Therefore, changes in the fair value of derivatives held by the Company generally have the effect of offsetting changes in the fair value or cash flows of the corresponding transactions.

(i) Foreign exchange risk

The Group is engaged in business on a global scale and therefore is exposed to the risk of foreign exchange fluctuations of foreign currency-denominated receivables and payables mainly arising from foreign currency transactions. The risk of foreign exchange fluctuations associated with foreign currency transactions are hedged using derivatives (foreign exchange forward contracts and foreign currency options) to mitigate its impact on operating results.

The Group's net exposures to foreign exchange fluctuation risk associated with receivables and payables denominated in the major foreign currencies of the US dollar, Euro, and Chinese yuan that it held at the end of each fiscal year are as follows: The following table excludes the amounts for which foreign exchange fluctuation risk is hedged by derivatives.

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024	Fiscal year ended December 31, 2024
US dollar	18,055	13,775	87,828
Euro	1,427	1,484	9,462
Chinese yuan	3,320	(202)	(1,288)

For foreign currency-denominated receivables and payables held by the Group at the end of each fiscal year, the effect of a 10% appreciation of the Japanese yen on profit before tax in the consolidated statement of profit or loss is as follows:

This analysis does not include the effects of translating financial instruments denominated in functional currencies as well as assets and liabilities, and income and expenses of foreign operations into the Japanese yen. It also assumes that currencies other than the respective currencies used in the calculations remain constant.

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024	Fiscal year ended December 31, 2024
US dollar	(1,805)	(1,377)	(8,780)
Euro	(142)	(148)	(944)
Chinese yuan	(332)	20	128

(ii) Interest rate risk management

The Group is exposed to various interest rate fluctuation risks in its business activities. Among interest-bearing debts, short-term borrowings and commercial papers are primarily used to procure funds for operating transactions, whereas long-term borrowings, bonds, and lease liabilities are primarily used to procure funds for investments and loans, capital expenditures, and operating transactions. Since floating-rate borrowings are exposed to interest rate fluctuation risk, the Group hedges interest rate fluctuation risk by using derivatives instruments such as interest rate swaps for each individual contract, as necessary. Therefore, exposure to the interest rate fluctuation risk of the Group is limited, and the impact on the interest rate fluctuation is determined to be immaterial.

(3) Fair value of financial instruments

Financial instruments measured at fair value are classified into the following three levels according to the observability and materiality of inputs used to measure such financial instruments.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Fair value measured by directly or indirectly using observable prices, other than level 1 prices

Level 3: Fair value measured using valuation techniques that incorporate unobservable inputs

1) Methods of fair value measurement

The methods of measuring the fair value of financial instruments are as follows:

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

The fair value of these instruments is measured at their carrying amount as their fair value approximates their carrying amount because of their short settlement periods.

(Other financial assets, other financial liabilities)

Of the financial assets measured at fair value through other comprehensive income and the financial assets measured at fair value through profit or loss, listed shares are measured at the quoted market price at the fiscal year-end, whereas unlisted shares and investments in capital are primarily measured using the discounted cash flow (hereinafter “DCF”) method.

Other financial assets measured at amortized cost mainly include long-term loans receivable, and leasehold and guarantee deposits. Other financial liabilities measured at amortized cost mainly include long-term accounts payable-other. For the fair value of long-term loans receivable, there has been a change in valuation technique from measurement at the present value of future cash flows discounted at the current market interest rate, etc. to measurement using the option pricing model with equity volatility, risk free rates, etc. as inputs for the current fiscal year due to the increased credit risk. The fair value of leasehold and guarantee deposits, and long-term accounts payable-other is measured at the present value of future cash flows discounted at the current market interest rate, etc. The fair value of financial assets and financial liabilities measured at amortized cost that have short settlement periods is measured at the carrying amount as their fair value approximates their carrying amount.

Of the derivatives that are either financial assets or financial liabilities measured at fair value through profit or loss, foreign exchange forward contracts and interest rate swap contracts are measured based on forward foreign exchange rates provided by counterparty financial institutions or interest rates of interest rate swap contracts, etc. at the end of the accounting period. Sold call option liabilities for investments accounted for using equity method are calculated using the binomial model based on the fair value of the underlying share, time to maturity, volatility, and other factors.

(Bonds and borrowings)

The fair value of short-term borrowings is measured at their carrying amount as their fair value approximates their carrying amount because of their short settlement periods.

The fair value of long-term borrowings with floating interest rates is measured at their carrying amount as their fair value reflects the market interest rates within a short period of time and therefore approximates their carrying amount.

The fair value of long-term borrowings with fixed interest rates is measured at the present value of future cash flows discounted at an interest rate assumed to be applied if similar contracts were newly executed.

The fair value of bonds is measured based on quoted market prices, etc.

2) Financial instruments measured at amortized cost

The carrying amount and the fair value of financial instruments measured at amortized cost are as follows: The table below does not include financial instruments whose fair value closely approximates their carrying amount.

	As of December 31, 2023		As of December 31, 2024		As of December 31, 2024	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Assets:						
Other financial assets						
Leasehold and guarantee deposits	24,522	18,593	23,150	16,065	147,603	102,429
Long-term loans receivable	46,304	37,601	43,142	31,791	275,070	202,697
Total	70,827	56,194	66,293	47,857	422,679	305,133

Note:

Leasehold and guarantee deposits are classified as level 2 in the fair value hierarchy. Long-term loans receivable are classified as level 3 in the fair value hierarchy.

3) Financial instruments measured at fair value

The fair value hierarchy of financial instruments measured at fair value is as follows:

Previous fiscal year (As of December 31, 2023)

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

Current fiscal year (As of December 31, 2024)

				Millions of yen
	Level 1	Level 2	Level 3	Total
Assets:				
Financial assets measured at fair value through profit or loss				
Other financial assets				
Derivatives	-	2,533	-	2,533
Investments in capital	-	-	4,604	4,604
Others	83	-	3,601	3,684
Financial assets measured at fair value through other comprehensive income				
Other financial assets				
Shares and investments in capital	3,586	160	4,971	8,718
Total	3,669	2,693	13,177	19,540
Liabilities:				
Financial liabilities measured at fair value through profit or loss				
Other financial liabilities				
Derivatives	-	2,921	-	2,921
Total	-	2,921	-	2,921

Current fiscal year (As of December 31, 2024)

	Thousands of U.S. dollars			
	Level 1	Level 2	Level 3	Total
Assets:				
Financial assets measured at fair value through profit or loss				
Other financial assets				
Derivatives	-	16,150	-	16,150
Investments in capital	-	-	29,355	29,355
Others	529	-	22,960	23,489
Financial assets measured at fair value through other comprehensive income				
Other financial assets				
Shares and investments in capital	22,864	1,020	31,695	55,585
Total	23,393	17,170	84,016	124,586
Liabilities:				
Financial liabilities measured at fair value through profit or loss				
Other financial liabilities				
Derivatives	-	18,624	-	18,624
Total	-	18,624	-	18,624

Transfers between levels of the fair value hierarchy were recognized on the date the event or change in circumstances giving rise to the transfer occurred. No transfer was made between level 1 and level 2 of the fair value hierarchy in the previous and current fiscal years.

4) Information on fair value measurement of financial instruments categorized as level 3

Financial instruments categorized as level 3 mainly consist of unlisted shares, investments in capital and written call option liabilities for investments accounted for using equity method. Fair value of unlisted shares and investments in capital is measured primarily using the DCF method. Written call option liabilities for investments accounted for using equity method are calculated using the binomial model based on the fair value of the underlying share, time to maturity, volatility, and other inputs.

The fair value of financial instruments categorized as level 3 is measured in accordance with the group accounting policy and accounting guidelines using valuation techniques that appropriately reflect the nature, characteristics, and risk of the financial instruments, as well as using cash flows and other inputs. The valuation and the analysis of the valuation results are performed by the members in charge of the responsible department. The valuation results are reviewed and approved by the head of the responsible department.

For financial instruments categorized as level 3, no significant change in their fair value is expected if any of the unobservable inputs is changed to reflect reasonably possible alternative assumptions.

5) Reconciliation of financial instruments categorized as level 3

Changes in the balances of financial instruments categorized as level 3 from the beginning to the end of each fiscal year are as follows:

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

	Millions of yen		
	Financial assets measured at fair value through other comprehensive income	Financial assets measured at fair value through profit or loss	Financial liabilities measured at fair value through profit or loss
Beginning balance	3,656	6,540	-
Total gains and losses			
Profit or loss (Note 1)	-	408	515
Other comprehensive income (Note 2)	111	-	-
Purchase	999	502	-
Sale	(28)	(14)	-
Others	14	190	-
Ending balance	4,754	7,626	515

Current fiscal year (From January 1, 2024 to December 31, 2024)

	Millions of yen			Thousands of U.S. dollars		
	Financial assets measured at fair value through other comprehensive income	Financial assets measured at fair value through profit or loss	Financial liabilities measured at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income	Financial assets measured at fair value through profit or loss	Financial liabilities measured at fair value through profit or loss
Beginning balance	4,754	7,626	515	30,311	48,623	3,284
Total gains and losses						
Profit or loss (Note 1)	-	(64)	(515)	-	(408)	(3,284)
Other comprehensive income (Note 2)	215	-	-	1,371	-	-
Purchase	-	391	-	-	2,493	-
Sale	(3)	(17)	-	(19)	(108)	-
Transfer from level 3 (Note 3)	(0)	-	-	(0)	-	-
Others	5	269	-	32	1,715	-
Ending balance	4,971	8,205	-	31,695	52,314	-

Notes:

- The amounts of profit or loss are included in “Finance income” and “Finance costs” in the consolidated statement of profit or loss. The amounts attributable to changes in unrealized gains or losses related to financial assets measured at fair value through profit or loss held as of the end of each fiscal year were ¥408 million and ¥(64) million (\$ (408) thousand) for the previous and the current fiscal year, respectively. The amount attributable to changes in unrealized gains or losses related to financial liabilities measured at fair value through profit or loss held as of the end of the previous fiscal year is ¥515 million.
- The amounts of other comprehensive income are included in “Financial assets measured at fair value through other comprehensive income” in the consolidated statement of comprehensive income.
- The transfer from Level 3 recognized in the current fiscal year was due to the investee's listing on the exchange.

(4) Hedge accounting

1) Risk management policy

The Group enters into derivatives for the following purposes: (i) foreign exchange forward contracts and foreign currency options to hedge the risk of foreign exchange fluctuations of foreign currency-denominated receivables and payables, and foreign currency-denominated receivables and payables that are certainly expected to arise from forecast transactions; (ii) interest rate swap contracts to hedge the risk of interest rate fluctuations associated with borrowings; and (iii) interest rate and currency swap contracts to hedge the risk of foreign exchange fluctuations and the risk of interest rate fluctuations associated with foreign currency-denominated borrowings. Of these derivatives, the Group designates interest rate swap contracts that qualify for hedge accounting as cash flow hedges and applies hedge accounting.

In applying hedge accounting, the same notional amount, term (maturity), and underlying interest rates are set for the hedging instrument and the hedged item, in principle, to maintain the effectiveness of the hedging relationship throughout the hedge period. The Group sets an appropriate hedge ratio based on the relationship between the hedging instrument and the hedged item, which is generally one-to-one.

2) Information on items designated as hedging instruments and hedged items

There were no items designated as hedging instruments and hedged items at the end of the previous fiscal year and the end of the current fiscal year.

3) Impact of the application of hedge accounting on the consolidated statement of profit or loss and the consolidated statement of comprehensive income

The impact of the application of hedge accounting on the consolidated statement of profit or loss and the other comprehensive income (before tax effect) is as follows:

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

	Hedging gains or losses recognized in other comprehensive income	Amount reclassified from cash flow hedge reserve to profit or loss	Line item in profit or loss affected by reclassification
	Millions of yen	Millions of yen	
Interest rate risk			
Interest rate swap contracts	3	59	Finance costs

Current fiscal year (From January 1, 2024 to December 31, 2024)

Not applicable.

37. Major Subsidiaries

(1) Major subsidiaries

The information on major subsidiaries as of the end of the current fiscal year is as stated in “1. Overview of the Company 4. Information on subsidiaries and associates.”

Compared to the previous fiscal year, the number of subsidiaries increased by 4 and decreased by 2.

(2) Gains or losses associated with loss of control of subsidiaries

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

(Company split of the manufacturing operations of personal care products, share transfer to the successor company, and equity interest transfer)

1) Overview of loss of control

Effective on April 1, 2023, the manufacturing operations of personal care products at Shiseido Kuki Factory was succeeded by Fine Today Industries Co., Ltd. (hereinafter “FTI”) through an absorption-type company split, and all of the outstanding shares of FTI were transferred to FTH.

In addition, effective on December 1, 2023, the Company transferred all of the equity interests in Shiseido Vietnam Inc. (hereinafter “SVI”), which is a subsidiary of the Company operating the Shiseido Vietnamese Factory to FTH.

These company split and share transfer have been made pursuant to a transfer agreement entered into on August 1, 2022 between the Company and Asian Personal Care Holding, Inc. (currently, FTH).

The following section details the transfer of the business executed in 2023:

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

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

3) Relationship between consideration received and proceeds and payments due to sale

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

Note: The amounts are after adjustment for net decrease in working capital, etc. “Accounts receivable - other” represents the amount of consideration not yet received as of the end of the previous fiscal year.

4) Gains or losses associated with loss of control

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

Share of profit of investments accounted for using equity method recorded in the previous fiscal year includes ¥1,730 million arising from the transfer of business.

Current fiscal year (From January 1, 2024 to December 31, 2024)

Not applicable.

38. Related Parties

(1) Related party transactions

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

Not applicable.

Current fiscal year (From January 1, 2024 to December 31, 2024)

The dividend received from FTH, which was our affiliate company at the end of the first six months of the current fiscal year, was ¥3,616 million (\$23,055 thousand) and the Company reduced the book value of its investment in FTH. There are no outstanding balances related to this transaction.

As a result of the transfer of all shares of FTH, the company is no longer a related party as of the end of the current fiscal year. For the details of the transfer of all shares of FTH, please refer to “17. Investments Accounted for Using Equity Method.”

(2) Key management personnel compensation

Compensation paid to key management personnel is as follows:

		Millions of yen	Thousands of U.S. dollars
	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024	Fiscal year ended December 31, 2024
Short-term employee benefits	2,217	3,095	19,733
Post-retirement benefits	48	83	529
Share-based payments	460	497	3,169
Others	75	154	982
Total	2,802	3,831	24,426

Note: Key management personnel include our Directors, Corporate Executive Officers, the CEO of each region, and Executive Officers who are regularly involved in making important decisions for the Group.

39. Commitments

Commitments related to expenditures after the current fiscal year end as follows:

		Millions of yen	Thousands of U.S. dollars
	As of December 31, 2023	As of December 31, 2024	As of December 31, 2024
Purchase of property, plant and equipment	716	4,024	25,657
Purchase of intangible assets (Note)	14,929	6,076	38,740
Total	15,645	10,100	64,397

In addition to the above, there are no contracted lease transactions that had not commenced as of the end of the previous fiscal year and the current fiscal year.

Note: The Group has concluded a blanket contract for system development, and operation and maintenance services, for which the total contract amount has already been determined, but since the amount of consideration for part of the contract has yet to be determined, the amounts shown above refer to the contract balance.

Accordingly, the above amounts include the amounts to be expensed in future periods.

40. Significant Subsequent Events

Not applicable.

(2) Others

(Semi-annual information etc. for the current fiscal year)

Millions of yen

	Three months ended March 31, 2024	Six months ended June 30, 2024	Nine months ended September 30, 2024	Fiscal year ended December 31, 2024
Net sales	249,453	508,536	722,754	990,586
Profit (loss) before tax	(3,827)	4,207	7,152	(1,265)
Profit (loss) attributable to owners of parent	(3,286)	15	754	(10,813)
Basic earnings (loss) per share (yen)	(8.22)	0.04	1.89	(27.06)

	Three months ended March 31, 2024	Three months ended June 30, 2024	Three months ended September 30, 2024	Three months ended December 31, 2024
Basic quarterly earnings (loss) per share (yen)	(8.22)	8.26	1.85	(28.96)

For the 3rd quarter, financial information related to the quarter is prepared in accordance with the rules set by the financial instruments exchange, and the amounts stated are those which interim review was performed for such quarterly financial information.

Thousands of U.S. dollars

	Three months ended March 31, 2024	Six months ended June 30, 2024	Nine months ended September 30, 2024	Fiscal year ended December 31, 2024
Net sales	1,590,493	3,242,387	4,608,225	6,315,902
Profit (loss) before tax	(24,401)	26,824	45,601	(8,066)
Profit (loss) attributable to owners of parent	(20,951)	96	4,807	(68,943)
Basic earnings (loss) per share (U.S. dollars)	(0.05)	0.00	0.01	(0.17)

	Three months ended March 31, 2024	Three months ended June 30, 2024	Three months ended September 30, 2024	Three months ended December 31, 2024
Basic quarterly earnings (loss) per share (U.S. dollars)	(0.05)	0.05	0.01	(0.18)

(Significant litigation)

Not applicable.

2. Non-Consolidated Financial Statements

(1) Non-Consolidated Financial Statements

1) Non-Consolidated Balance Sheet

	Notes	Millions of yen	Thousands of U.S. dollars
		As of December 31, 2023	As of December 31, 2024
		As of December 31, 2023	As of December 31, 2024
Assets			
Current assets:			
Cash and deposits		19,207	10,803
Accounts receivable	1	73,900	80,004
Merchandise and finished goods		10,811	10,176
Work in process		5,585	5,136
Raw materials and supplies		21,948	19,051
Prepaid expenses		6,143	5,638
Short-term loans receivable	1	-	734
Accounts receivable-other	1	22,453	14,653
Deposits paid to subsidiaries and associates		33,116	49,952
Other		13,832	9,005
Allowance for doubtful accounts		(196)	(482)
Total current assets		206,801	204,674
Non-current assets:			
Property, plant and equipment:			
Buildings		107,813	102,681
Structures		3,850	3,530
Machinery and equipment		56,064	53,866
Vehicles		127	99
Tools, furniture and fixtures		10,483	9,096
Land		34,889	34,889
Leased assets		1,907	1,927
Construction in progress		1,158	3,742
Total property, plant and equipment		216,293	209,833
Intangible assets:			
Patent right		11	8
Telephone subscription right		95	97
Software		48,307	48,734
Software in progress		5,998	11,864
Leased assets		49	28
Other		643	410
Total intangible assets		55,105	61,145

	Notes	Millions of yen	Thousands of U.S. dollars
		As of December 31, 2023	As of December 31, 2024
		As of December 31, 2023	As of December 31, 2024
Investments and other assets:			
Investment securities		3,058	3,222
Shares of subsidiaries and associates		315,257	388,730
Investments in other securities of subsidiaries and associates		27,150	27,150
Investments in capital		110	110
Investments in capital of subsidiaries and associates		12,565	13,164
Long-term loans receivable	1	1,278	544
Long-term prepaid expenses		480	903
Deferred tax assets		25,795	21,392
Other		5,695	5,367
Total investments and other assets		391,392	460,586
Total non-current assets		662,792	731,565
Total assets		869,593	936,240

	Notes		Millions of yen	Thousands of U.S. dollars
		As of December 31, 2023	As of December 31, 2024	As of December 31, 2024
Liabilities				
Current liabilities:				
Electronically recorded obligations- operating		33,650	21,944	139,913
Accounts payable - trade	1	10,593	8,183	52,174
Short-term borrowings		20,000	62,000	395,307
Current portion of long-term borrowings		30,000	5,000	31,880
Current portion of bonds payable		-	40,000	255,037
Lease liabilities		1,073	1,038	6,618
Accounts payable - other	1	28,187	24,367	155,362
Accrued expenses	1	1,097	2,079	13,256
Income taxes payable		173	657	4,189
Deposits received		1,243	1,215	7,747
Deposits received from subsidiaries and associates		100,115	105,760	674,318
Provision for bonuses		5,137	3,919	24,987
Provision for bonuses for directors (and other officers)		208	147	937
Provision for structural reform		687	-	-
Other	1	8,670	15,309	97,609
Total current liabilities		240,839	291,625	1,859,379
Non-current liabilities:				
Bonds payable		60,000	35,000	223,157
Long-term borrowing		50,000	96,000	612,089
Lease liabilities		928	954	6,083
Provision for retirement benefits		3,440	2,128	13,568
Provision for loss on guarantees		350	350	2,232
Asset retirement obligations		432	387	2,467
Other		2,094	1,432	9,130
Total non-current liabilities		117,245	136,252	868,732
Total liabilities		358,084	427,877	2,728,111

	Notes	Millions of yen	Thousands of U.S. dollars
	As of December 31, 2023	As of December 31, 2024	As of December 31, 2024
Net assets			
Shareholders' equity:			
Share capital	64,506	64,506	411,285
Capital surplus:			
Legal capital surplus	70,258	70,258	447,960
Other capital surplus	17	-	-
Total capital surplus	70,275	70,258	447,960
Retained earnings:			
Legal retained earnings	16,230	16,230	103,481
Other retained earnings:			
Reserve for tax purpose reduction entry of non-current assets	4,795	4,850	30,923
Retained earnings brought forward	356,134	353,606	2,254,565
Total retained earnings	377,160	374,687	2,388,976
Treasury shares	(1,591)	(2,325)	(14,824)
Total shareholders' equity	510,351	507,126	3,233,397
Valuation and translation adjustments:			
Valuation difference on available-for-sale securities	441	588	3,749
Total valuation and translation adjustments	441	588	3,749
Share acquisition rights	716	647	4,125
Total net assets	511,508	508,363	3,241,284
Total liabilities and net assets	869,593	936,240	5,969,396

2) Non-Consolidated Statement of Income

	Notes	Millions of yen		Thousands of U.S. dollars
		Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024	Fiscal year ended December 31, 2024
Net sales	1	259,361	245,678	1,566,424
Cost of sales	1	153,161	139,880	891,864
Gross profit		106,200	105,797	674,554
Selling, general and administrative expenses	1, 2	109,931	108,393	691,106
Operating profit (loss)		(3,730)	(2,595)	(16,546)
Non-operating income				
Interest income	1	1,849	2,510	16,004
Dividend income	1	31,015	16,342	104,195
Foreign exchange gains		-	654	4,170
Gain on investments in investment partnerships	1	1,548	1,649	10,514
Royalty income	1	1,205	1,107	7,058
Other	1	2,257	3,038	19,370
Total non-operating income		37,876	25,303	161,330
Non-operating expenses				
Interest expenses	1	3,438	3,762	23,986
Interest expenses on bonds		133	141	899
Loss on investments in investment partnerships		314	361	2,302
Provision of allowance for doubtful accounts		41	286	1,824
Foreign exchange losses		527	-	-
Other		230	122	778
Total non-operating expenses		4,685	4,675	29,807
Ordinary profit		29,459	18,032	114,971
Extraordinary income				
Gain on sale of non-current assets	3	7,080	65	414
Gain on sale of investment securities		143	0	0
Gain on sale of shares of subsidiaries and associates	4	8,500	12,755	81,325
Gain on cancellation of leases		0	3	19
Total extraordinary income		15,724	12,825	81,771
Extraordinary losses				
Loss on disposal of non-current assets		1,049	633	4,036
Impairment losses	5	6,889	136	867
Structural reform expenses	1, 6	5,957	1,822	11,617
Loss on valuation of investment securities		1,368	-	-
Loss on sale of businesses	1,7	12,920	-	-
Loss on valuation of shares of subsidiaries and associates		-	1,500	9,564
Total extraordinary losses		28,185	4,092	26,090
Profit before income taxes		16,999	26,765	170,652
Income taxes - current		(256)	905	5,770
Income taxes - deferred		(2,091)	4,336	27,646
Total income taxes		(2,347)	5,242	33,423
Net profit		19,346	21,523	137,229

[Details of manufacturing cost]

Classification	Fiscal year ended December 31, 2023		Fiscal year ended December 31, 2024		
	Millions of yen	% of Total	Millions of yen	Thousands of U.S. dollars	% of Total
I Raw material costs (Note 1)	73,935	56.6	67,590	430,949	56.2
II Labor costs	19,989	15.3	18,644	118,873	15.5
III Other expenses (Note 2)	36,755	28.1	34,038	217,024	28.3
Total manufacturing expenses for the current period	130,680	100.0	120,272	766,845	100.0
Work in process inventory at the beginning of the period	5,913		5,585	35,610	
Decrease due to company split	466		-	-	
Total	136,127		125,858	802,461	
Work in process inventory at the end of the period	5,585		5,136	32,747	
Cost of products manufactured for the current period	130,541		120,721	769,708	

Notes:

1. Outsourced processing expenses included in raw material costs were ¥10,551 million for the previous fiscal year and ¥9,039 million (\$57,632 thousand) for the current fiscal year.
2. A breakdown of other expenses is as follows:

Items	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024	Fiscal year ended December 31, 2024
Outsourced processing expenses	9,989	8,453	53,896
Depreciation	11,036	10,579	67,451
Repair expenses	2,146	1,875	11,955

(Method of Cost Accounting)

The Company has adopted the simple process cost accounting system based on standard cost, and the cost variance is allocated to the cost of sales, finished goods and work in process at year-end.

3) Non-Consolidated Statement of Changes in Equity

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

Millions of yen

	Shareholders' equity							
	Share capital	Capital surplus			Retained earnings			
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings
						Reserve for tax purpose reduction entry of non-current assets	Retained earnings brought forward	
Balance at beginning of period	64,506	70,258	-	70,258	16,230	4,739	378,798	399,768
Changes during period								
Dividends of surplus							(41,954)	(41,954)
Net profit							19,346	19,346
Provision of reserve for tax purpose reduction entry						55	(55)	-
Purchase of treasury shares								
Disposal of treasury shares			17	17				
Net changes of items other than shareholders' equity								
Total changes during period	-	-	17	17	-	55	(22,663)	(22,608)
Balance at end of period	64,506	70,258	17	70,275	16,230	4,795	356,134	377,160

	Shareholders' equity		Valuation and translation adjustments		Share acquisition rights	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of period	(2,089)	532,443	(23)	(23)	958	533,379
Changes during period						
Dividends of surplus		(41,954)				(41,954)
Net profit		19,346				19,346
Provision of reserve for tax purpose reduction entry		-				-
Purchase of treasury shares	(8)	(8)				(8)
Disposal of treasury shares	506	524				524
Net changes of items other than shareholders' equity		-	464	464	(242)	222
Total changes during period	498	(22,092)	464	464	(242)	(21,870)
Balance at end of period	(1,591)	510,351	441	441	716	511,508

Current fiscal year (From January 1, 2024 to December 31, 2024)

Millions of yen

	Shareholders' equity							
	Share capital	Capital surplus			Retained earnings			
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings
						Reserve for tax purpose reduction entry of non-current assets	Retained earnings brought forward	
Balance at beginning of period	64,506	70,258	17	70,275	16,230	4,795	356,134	377,160
Changes during period								
Dividends of surplus							(23,981)	(23,981)
Net profit							21,523	21,523
Provision of reserve for tax purpose reduction entry						55	(55)	-
Purchase of treasury shares								
Disposal of treasury shares			(17)	(17)			(15)	(15)
Net changes of items other than shareholders' equity								
Total changes during period	-	-	(17)	(17)	-	55	(2,528)	(2,473)
Balance at end of period	64,506	70,258	-	70,258	16,230	4,850	353,606	374,687

	Shareholders' equity		Valuation and translation adjustments		Share acquisition rights	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustment		
Balance at beginning of period	(1,591)	510,351	441	441	716	511,508
Changes during period						
Dividends of surplus		(23,981)				(23,981)
Net profit		21,523				21,523
Provision of reserve for tax purpose reduction entry		-				-
Purchase of treasury shares	(1,047)	(1,047)				(1,047)
Disposal of treasury shares	313	280				280
Net changes of items other than shareholders' equity		-	147	147	(68)	79
Total changes during period	(734)	(3,225)	147	147	(68)	(3,145)
Balance at end of period	(2,325)	507,126	588	588	647	508,363

Thousands of U.S. dollars

	Shareholders' equity							
	Share capital	Capital surplus			Retained earnings			
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings
						Reserve for tax purpose reduction entry of non-current assets	Retained earnings brought forward	
Balance at beginning of period	411,285	447,960	108	448,068	103,481	30,573	2,270,683	2,404,744
Changes during period								
Dividends of surplus							(152,901)	(152,901)
Net profit							137,229	137,229
Provision of reserve for tax purpose reduction entry						351	(351)	-
Purchase of treasury shares								
Disposal of treasury shares			(108)	(108)			(96)	(96)
Net changes of items other than shareholders' equity								
Total changes during period	-	-	(108)	(108)	-	351	(16,118)	(15,768)
Balance at end of period	411,285	447,960	-	447,960	103,481	30,923	2,254,565	2,388,976

	Shareholders' equity		Valuation and translation adjustments		Share acquisition rights	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments and others		
Balance at beginning of period	(10,144)	3,253,959	2,812	2,812	4,565	3,261,336
Changes during period						
Dividends of surplus		(152,901)				(152,901)
Net profit		137,229				137,229
Provision of reserve for tax purpose reduction entry		-				-
Purchase of treasury shares	(6,676)	(6,676)				(6,676)
Disposal of treasury shares	1,996	1,785				1,785
Net changes of items other than shareholders' equity		-	937	937	(434)	504
Total changes during period	(4,680)	(20,562)	937	937	(434)	(20,052)
Balance at end of period	(14,824)	3,233,397	3,749	3,749	4,125	3,241,284

Notes to Non-Consolidated Financial Statements

(Significant accounting policies)

1. Valuation standards and methods for securities

(1) Shares of subsidiaries and associates

Shares of subsidiaries and associates are valued at cost determined by the moving-average method.

(2) Available-for-sale securities

1) Other than non-marketable equity securities

Market value method

(Unrealized gains and losses are included directly in net assets, and the cost of securities sold is determined primarily by the moving-average method.)

Securities that have the same characteristics as deposits are valued at cost determined by the moving-average method.

2) Non-marketable equity securities

Cost method determined by the moving-average method

However, investments in limited liability investment partnerships, etc. are recorded as securities at the amount equivalent to the Company's interest in the assets of the partnerships, etc., and the Company's interest in the profits or losses earned by the partnerships, etc. from operations is recognized in profit or loss.

2. Valuation standards and methods for inventories

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

3. Depreciation of non-current assets

(1) Property, plant and equipment (excluding leased assets)

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

Buildings:	2–50 years
Structures:	7–50 years
Machinery and equipment:	2–15 years
Vehicles:	3–7 years
Tools, furniture and fixtures:	2–15 years

(2) Intangible assets (excluding leased assets)

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

Software:	5–15 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.

4. Provisions

(1) Allowance for doubtful accounts

The Company provides an allowance for doubtful accounts based on historical loss ratios as compared to the balance of total receivables for the general receivables and the estimate on an individual basis for the doubtful receivables.

(2) Provision for bonuses

The Company provides accrued bonuses for employees based on the estimated amounts to be paid for the fiscal year. This provision includes bonuses for Executive Officers who are not Corporate Executive Officers, for whom the calculations are the same as those for provision for bonuses for directors (and other officers).

(3) Provision for bonuses for directors (and other officers)

The Company provides accrued bonuses for Corporate Executive Officers who concurrently serve as Executive Officers based on the estimated amounts to be paid for the fiscal year.

(4) Provision for structural reform

The Company provides accrued expenses (losses) related to structural reforms based on the amount of losses expected to be incurred in the future.

(5) Provision for retirement benefits

- The Company has an obligation to pay retirement benefits to the employees, therefore the Company provides accrued retirement benefits based on the estimated amount of projected benefit obligation and the fair value of plan assets at the end of the fiscal year.
- In calculating the benefit obligation, the benefit formula basis is adopted for the purpose of attributing estimated retirement benefits to the period up to the end of the current fiscal year.
- Past service cost is amortized by the straight-line method over a fixed number of years (10 years) within the average remaining years of service of the eligible employees.
- Actuarial gain or loss is amortized from the following year on a straight-line basis over a fixed number of years (10 years) within the average remaining years of service of the eligible employees.

(6) Allowance for losses on guarantees

The Company provides an allowance for estimated probable losses on guarantees based on the financial status of the parties for which guarantees have been provided.

5. Methods of hedge accounting

Deferred hedge accounting is applied. With regard to interest and currency swaps that meet the requirements for special accounting treatment (“tokurei-shori,” exceptional accounting, and “furiate-shori,” deferral hedge accounting), special accounting treatment is employed.

6. Recognition of revenues and expenses

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

7. Other significant accounting policies for preparation of the non-consolidated financial statements

(1) Application of the group tax sharing system

The Company has applied the group tax sharing system.

(2) Accounting treatment related to retirement benefits

The method of accounting for unrecognized actuarial gain or loss and unrecognized past service cost related to retirement benefits is different from the method adopted in the consolidated financial statements.

(3) Functional currency and presentation currency

Amounts in U.S. dollars are included solely for the convenience of the reader. The rate of ¥156.84 = US\$1 prevailing on December 31, 2024 has been used in translating the non-consolidated financial statements expressed in Japanese yen into U.S. dollars. Such translations should not be construed as representations that the Japanese yen amounts could be readily converted, realized or settled in U.S. dollars at this rate. Fractions resulting from the translations are rounded.

(Significant accounting estimates)

(Valuation of shares of subsidiaries and associates in connection with Shiseido Americas Corp. (hereinafter “Shiseido America”))

(1) The amount recorded in the non-consolidated financial statements for the current fiscal year

		Millions of yen	Thousands of U.S. dollars
	FY2023	FY2024	FY2024
Shares of subsidiaries and associates in connection with Shiseido America	259,260	334,234	2,131,051
Loss on valuation of shares of subsidiaries and associates in connection with Shiseido America	-	-	-

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

A valuation loss shall be recognized for non-marketable equity securities, including investments in subsidiaries and associates, if the substantive value of the shares declines significantly due to a deterioration of the issuer’s financial position, unless its recoverability is supported by sufficient evidence. For shares of subsidiaries and associates in connection with Shiseido America, the carrying amount in the non-consolidated balance sheet is based on the acquisition cost. Since the substantive value had not declined significantly as at the end of the fiscal year, no loss on valuation of shares of subsidiaries and associates in connection with Shiseido America was recorded. The substantive value of the investment in Shiseido America includes excess earnings potential of Americas Business cash-generating unit. For details, please refer to “4. Significant Accounting Estimates and Judgments” under “1. Consolidated Financial Statements and Notes, (1) Consolidated Financial Statements, Notes to the Consolidated Financial Statements.”

(Change in presentation)

(Non-consolidated balance sheet)

“Deposits paid to subsidiaries and associates,” which was included in “Other” under “Current assets” in the previous fiscal year, has been presented as a separate account item from the current fiscal year as the amount is material. In order to reflect this change in presentation, Non-Consolidated Balance Sheet for the previous fiscal year has been reclassified. As a result, ¥46,948 million included in “Other” under “Current assets” in the balance sheet for the previous fiscal year, has been reclassified to ¥33,116 million (\$211,145 thousand) for “Deposits paid to subsidiaries and associates” and ¥13,832 million (\$88,192 thousand) for “Other.”

(Change in accounting estimate)

(Change in useful lives of intangible assets)

The Company has, from the current fiscal year, changed the useful lives of certain software based on the expected economic useful lives, which are more in line with actual conditions.

Due to the change, “Operating loss” decreased by ¥1,509 million (\$9,621 thousand) for the current fiscal year and “Profit before income taxes” increased by ¥1,509 million (\$9,621 thousand) for the current fiscal year.

(Non-consolidated balance sheet)

1. Monetary receivables from and payables to subsidiaries and associates are as follows:

	Millions of yen		Thousands of U.S. dollars
	As of December 31, 2023	As of December 31, 2024	As of December 31, 2024
Short-term monetary receivables	95,121	93,939	598,948
Long-term monetary receivables	1,278	544	3,469
Short-term monetary payables	14,432	18,402	117,330

Note: Excluding the items that are separately disclosed on the non-consolidated balance sheet.

(Non-consolidated statement of income)

1. Transactions with subsidiaries and associates are included as follows:

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024	Fiscal year ended December 31, 2024
Net sales	256,704	242,010	1,543,037
Purchases	14,572	10,610	67,649
Other operating transactions	25,610	22,272	142,005
Non-operating transactions	50,031	25,446	162,242

2. Major items and amounts of selling, general and administrative expenses and their approximate percentages are as follows:

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024	Fiscal year ended December 31, 2024
Research and development expenses	26,050	25,387	161,866
Outsourcing expenses	16,245	15,952	101,709
Salaries and bonuses	11,711	12,180	77,659
Media expenses and media creative production expenses	13,757	12,851	81,937
Depreciation and amortization	11,019	10,756	68,579
Retirement benefit expenses	1,339	1,072	6,835
Approximate percentages			
Selling expenses	56.1%	55.7%	
General and administrative expenses	43.9%	44.3%	

3. Gain on sale of non-current assets

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

Income arising from the sale of real estate held by the Company was recognized as “Gain on sale of non-current assets” under “Extraordinary income.”

Current fiscal year (From January 1, 2024 to December 31, 2024)

Income arising from the sale of tangible fixed assets held by the Company was recognized as “Gain on sale of non-current assets” under “Extraordinary income.”

4. Gain on sale of shares of subsidiaries and associates

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

As a result of the Company transferring a portion of shares of FineToday Holdings Co., Ltd., which is involved in the personal care business, to Oriental Beauty Holding (HK) Limited, a gain on sale of shares of subsidiaries and associates was recorded as extraordinary income.

Current fiscal year (From January 1, 2024 to December 31, 2024)

As a result of the Company transferring all shares of FineToday Holdings Co., Ltd., which is involved in the personal care business, to Oriental Beauty Holding (HK) Limited, a gain on sale of shares of subsidiaries and associates was recorded as extraordinary income.

5. Impairment losses

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

In connection with the conclusion of an agreement to transfer of the manufacturing operations of personal care products, impairment losses of ¥693 million related to the non-current assets at the Kuki Factory, which was transferred in the current fiscal year, were recorded under “Extraordinary losses.” Also, impairment loss of ¥6,196 million related to non-current assets associated with the integration of production at the Osaka Factory into the Osaka Ibaraki Factory was recorded under “Extraordinary losses.”

Current fiscal year (From January 1, 2024 to December 31, 2024)

Impairment losses of ¥136 million (\$867 thousand) related to non-current assets associated with the integration of production at the Osaka Factory into the Osaka Ibaraki Factory was recorded under “Extraordinary losses.”

6. Structural reform expenses

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

Structural reform expenses recorded under “Extraordinary losses” include expenses of ¥5,025 million associated with the conclusion of an agreement to transfer of the manufacturing operations of personal care products and expenses of ¥664 million in connection with the transfer of business of Shiseido Pharmaceutical Co., Ltd. to Shiseido Japan Co., Ltd.

Current fiscal year (From January 1, 2024 to December 31, 2024)

Structural reform expenses recorded under “Extraordinary losses” include expenses of ¥804 million (\$5,126 thousand) associated with the advisory costs related to structural reform, etc. and expenses of ¥435 million (\$2,774 thousand) in connection with an early retirement support plan as part of business transformation.

7. Loss on sale of businesses

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

Effective on April 1, 2023, the manufacturing operations of personal care products at the Shiseido Kuki Factory was succeeded by Fine Today Industries Co., Ltd. (hereinafter “FTI”) through an absorption-type company split, and all of the outstanding shares of FTI were transferred to FineToday Holdings Co., Ltd (hereinafter “FTH”). In addition, effective on December 1, 2023, the Company transferred all of the equity interests in Shiseido Vietnam Inc., which operates a factory in Vietnam, to FTH. Losses arising from those transfers were recorded as “Loss on sale of businesses” under “Extraordinary losses.”

Current fiscal year (From January 1, 2024 to December 31, 2024)

Not applicable.

(Securities)

Previous fiscal year (As of December 31, 2023)

Shares of subsidiaries and associates

[Carrying amount]

Classification	Millions of yen
Shares of subsidiaries	314,490
Shares of associates	766

Market values of shares of subsidiaries and associates are not stated because they are non-marketable equity securities.

Current fiscal year (As of December 31, 2024)

Shares of subsidiaries and associates

[Carrying amount]

Classification	Millions of yen	Thousands of U.S. dollars
Shares of subsidiaries	387,964	2,473,629
Shares of associates	766	4,884

Market values of shares of subsidiaries and associates are not stated because they are non-marketable equity securities.

(Tax-effect accounting)

1. Major components of deferred tax assets and deferred tax liabilities

	Millions of yen		Thousands of U.S. dollars
	As of December 31, 2023	As of December 31, 2024	As of December 31, 2024
Deferred tax assets			
Shares of subsidiaries and associates	27,477	24,129	153,845
Depreciation and amortization	4,299	3,910	24,930
Inventories	3,669	3,377	21,531
Loss on valuation of financial assets	249	237	1,511
Provision for retirement benefits	1,066	579	3,692
Provision for bonuses	1,774	1,478	9,424
Tax losses carried forward	12,264	11,799	75,230
Refund liabilities	248	196	1,250
Allowance for doubtful accounts	60	149	950
Foreign tax credit carried forwards	884	2,068	13,185
Others	2,031	2,756	17,572
Subtotal of deferred tax assets	54,027	50,682	323,145
Valuation allowance for tax losses carried forward	(312)	(75)	(478)
Valuation allowance for total deductible temporary difference and other	(25,233)	(26,344)	(167,967)
Subtotal of valuation allowance	(25,545)	(26,419)	(168,446)
Total deferred tax assets	28,482	24,262	154,693
Deferred tax liabilities			
Valuation difference on non-current assets due to company split	(322)	(322)	(2,053)
Valuation difference on available-for-sale securities	(138)	(204)	(1,301)
Removal cost corresponding to asset retirement obligations	(71)	(164)	(1,046)
Reserve for tax purpose reduction entry	(2,154)	(2,179)	(13,893)
Total deferred tax liabilities	(2,686)	(2,870)	(18,299)
Net deferred tax assets	25,795	21,392	136,394

2. Breakdown by major items causing the difference between statutory effective tax rate and the effective tax rate after the application of tax effect accounting

	%	
	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024
Statutory effective tax rate	31.0	31.0
(Adjustment)		
Permanently non-deductible expenses	1.2	0.5
Permanently non-taxable income	(54.0)	(14.0)
Tax credits	(1.6)	(1.0)
Valuation allowance	9.3	1.2
Withholding tax on dividends, etc. from overseas subsidiaries	0.8	0.8
Other	(0.5)	1.1
Effective tax rate after application of tax effect accounting	(13.8)	19.6

3. Income taxes and inhabitant tax or accounting treatment of tax effects relevant to these taxes

The Company applies the group tax sharing system and follows the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (Practical Issues Task Force No.42, August 12, 2021).

(Business combinations)

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

Note is omitted because it is described in “37. Major subsidiaries” under “1. Consolidated Financial Statements and Notes, (1) Consolidated Financial Statements, Notes to the Consolidated Financial Statements.”

Current fiscal year (From January 1, 2024 to December 31, 2024)

Not applicable.

(Significant subsequent events)

Not applicable.

4) Supplementary schedules

[Investment securities schedule]

Note is omitted based on Paragraph 3 of Article 121 of the Regulations for Financial Statements.

[Detailed schedule of property, plant and equipment and intangible assets]

Millions of yen

Type of assets	January 1, 2024	Increase	Decrease	Depreciation	December 31, 2024	Accumulated depreciation
Property, plant and equipment						
Buildings	107,813	1,602	84 [43]	6,649	102,681	55,062
Structures	3,850	65	6 [4]	379	3,530	3,814
Machinery and equipment	56,064	3,528	940 [49]	4,785	53,866	33,192
Vehicles	127	36	2 [2]	61	99	372
Tools, furniture and fixtures	10,483	1,023	85 [1]	2,325	9,096	21,839
Land	34,889	-	-	-	34,889	-
Leased assets	1,907	1,368	11	1,336	1,927	1,852
Construction in progress	1,158	8,196	5,612 [34]	-	3,742	-
Total property, plant and equipment	216,293	15,821	6,743 [136]	15,538	209,833	116,134

Thousands of U.S. dollars

Type of assets	January 1, 2024	Increase	Decrease	Depreciation	December 31, 2024	Accumulated depreciation
Property, plant and equipment						
Buildings	687,408	10,214	536 [274]	42,394	654,686	351,071
Structures	24,547	414	38 [26]	2,416	22,507	24,318
Machinery and equipment	357,460	22,494	5,993 [312]	30,509	343,446	211,630
Vehicles	810	230	13 [13]	389	631	2,372
Tools, furniture and fixtures	66,839	6,523	542 [6]	14,824	57,995	139,244
Land	222,450	-	-	-	222,450	-
Leased assets	12,159	8,722	70	8,518	12,286	11,808
Construction in progress	7,383	52,257	35,782 [217]	-	23,859	-
Total property, plant and equipment	1,379,068	100,874	42,993 [867]	99,069	1,337,879	740,462

Notes: Amounts in [] under “Decrease” are decreases due to impairment losses.

Millions of yen					
Type of assets	January 1, 2024	Increase	Decrease	Amortization	December 31, 2024
Intangible assets					
Patent right	11	0	-	3	8
Telephone subscription right	95	2	0	-	97
Software	48,307	8,909	93	8,389	48,734
Software in progress	5,998	15,628	9,762	-	11,864
Leased assets	49	-	-	20	28
Other	643	-	-	232	410
Total intangible assets	55,105	24,540	9,855	8,645	61,145

Thousands of U.S. dollars					
Type of assets	January 1, 2024	Increase	Decrease	Amortization	December 31, 2024
Intangible assets					
Patent right	70	0	-	19	51
Telephone subscription right	606	13	0	-	618
Software	308,002	56,803	593	53,488	310,724
Software in progress	38,243	99,643	62,242	-	75,644
Leased assets	312	-	-	128	179
Other	4,100	-	-	1,479	2,614
Total intangible assets	351,345	156,465	62,835	55,120	389,856

Note: The increases in “Software” and “Software in progress” are mainly due to the development of “Global Core System.”

[Detailed schedule of allowances]

Classification	Millions of yen			
	January 1, 2024	Increase	Decrease	December 31, 2024
Allowance for doubtful accounts	196	482	196	482
Provision for bonuses	5,137	3,919	5,137	3,919
Provision for bonuses for directors (and other officers)	208	147	208	147
Provision for structural reform	687	36	723	-
Provision for loss on guarantees	350	-	-	350

Classification	Thousands of U.S. dollars			
	January 1, 2024	Increase	Decrease	December 31, 2024
Allowance for doubtful accounts	1,250	3,073	1,250	3,073
Provision for bonuses	32,753	24,987	32,753	24,987
Provision for bonuses for directors (and other officers)	1,326	937	1,326	937
Provision for structural reform	4,380	230	4,610	-
Provision for loss on guarantees	2,232	-	-	2,232

(2) Details of major assets and liabilities

This information is omitted because the Company prepares consolidated financial statements.

(3) Others

There are no other matters to report.

6. Basic Information Related to Stock Administration

Fiscal Year	From January 1 to December 31
Ordinary General Meeting of Shareholders	March every year
Record Date	December 31
Record Dates for Dividend of Surplus	December 31 and June 30
Number of Shares Constituting One Unit	100 shares
Purchase/Additional Purchase of Less-Than-One-Unit Address Where Repurchases or Additional Purchases are Processed: Administrator of Shareholder Registry: Offices Available for Repurchases or Additional Purchases: Commissions for Repurchases or Additional Purchases:	(Special Account) Sumitomo Mitsui Trust Bank, Limited, Stock Transfer Agency Department, 1-4-1 Marunouchi, Chiyoda-ku, Tokyo (Special Account) Sumitomo Mitsui Trust Bank, Limited, 1-4-1, Marunouchi, Chiyoda-ku, Tokyo - Free
Method of Giving Public Notices	The method of giving public notices of the Company shall be electronic notification. In the event that the Company cannot give a public notice in electronic form due to any accident or any other unavoidable cause, such public notice shall be inserted in the Nihon Keizai Shimbun. The website address where the Company's public notices is posted is as follows: https://corp.shiseido.com/en/ir/issue/legal/
Special Benefits to Shareholders	Shareholder benefits 1. Eligible shareholders Shareholders who hold 100 or more shares of our company as of the end of December in both the previous fiscal year and the current fiscal year (Four categories based on the number of shares owned at both points in time) 2. Contents of benefits Options include: (1) Points that can be used on our official e-commerce site, 'SHISEIDO ONLINE STORE,' (2) Products introduced by our company, and (3) Donations (The content of benefits varies according to the classification of the number of shares owned.)

Notes:

- Any shareholder who holds less-than-one-unit shares of the Company cannot exercise any right other than those listed below, in respect of their less- than-one-unit shares.
 - The rights as provided for in the items of Article 189, paragraph 2 of the Companies Act;
 - The rights that can be requested pursuant to Article 166, paragraph 1 of the Companies Act;
 - The rights to the allocation of shares and stock acquisition rights offered to shareholders, in proportion to the numbers of their respective shares; and
 - The right to make requests for additional purchase of less-than-one-unit shares
- The above benefit plan is applied to shareholders who were listed or recorded in the shareholder registry as of the end of December 2024.

7. Reference Information on the Company

1. Information on the parent company of the Company

The Company has no parent company, etc. as set forth in Article 24-7, Paragraph 1 of the Financial Instruments Exchange Act.

2. Other reference information

The Company filed the following documents between the commencement date of the fiscal year under review and the filing date of the annual securities report:

(1) Annual securities report accompanying documents and confirmation notes

The annual securities report for the 124th period (from January 1, 2023 to December 31, 2023) was submitted to the Director of the Kanto Local Finance Bureau on March 26, 2024.

(2) Internal control report and its attached documents

Submitted to the Director of the Kanto Local Finance Bureau on March 26, 2024.

(3) Quarterly reports and confirmation notes

The first quarterly report of the 125th period (from January 1, 2024 to March 31, 2024) was submitted to the Director of the Kanto Economic Bureau on May 10, 2024.

(4) Semi-annual report and confirmation notes

The semi-annual report of the 125th period (from January 1, 2024 to June 30, 2024) was submitted to the Director of the Kanto Financial Bureau on August 7, 2024.

(5) Extraordinary reports

An extraordinary report based on Article 24-5, Paragraph 4 of the Financial Instruments and Exchange Law and Article 19, Paragraph 2, Item 9-2 of the Cabinet Office Ordinance on Disclosures of Corporate Information, etc. was submitted to the Director of the Kanto Local Finance Bureau on March 27, 2024.

An extraordinary report based on Article 24-5, Paragraph 4 of the Financial Instruments and Exchange Law and Article 19, Paragraph 2, Item 9 of the Cabinet Office Ordinance on Disclosures of Corporate Information, etc. was submitted to the Director of the Kanto Local Finance Bureau on October 1, 2024.

(6) Shelf registration statement and accompanying documents

Securities registration statement for Disposal of treasury stock associated with performance share unit plan was submitted to the Director of the Kanto Local Finance Bureau on May 16, 2024.

(7) Issuance registration form (common bonds) and accompanying documents

Submitted to the Director of the Kanto Local Finance Bureau on June 21, 2024.

(8) Supplementary documents for issuance registration

Submitted to the Director of the Kanto Local Finance Bureau on December 6, 2024.

(9) Amended shelf registration statement (common bonds)

Submitted to the Director of the Kanto Local Finance Bureau on June 24, 2024.

Submitted to the Director of the Kanto Local Finance Bureau on October 8, 2024.

(10) Report on the status of treasury stock purchases

Submitted to the Director of the Kanto Local Finance Bureau on September 12, 2024.

Part II Information on Guarantors for the Company

Not applicable.

Independent Auditor's Report

March 26, 2025

To the Board of Directors of Shiseido Company, Limited:

KPMG AZSA LLC
Tokyo Office, Japan
Masakazu Hattori
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Kentaro Hayashi
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Yuki Kodaka
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Report on the Audit of the Consolidated Financial Statements

Opinion

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act of Japan, we have audited the consolidated financial statements for the 125th fiscal year (January 1, 2024 to December 31, 2024) of Shiseido Company, Limited (“the Company”) and its consolidated subsidiaries (collectively referred to as “the Group”) included in “Financial Information,” which comprise the consolidated statement of financial position as at December 31, 2024, and the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) pursuant to Article 312 of the “Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements.”

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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Appropriateness of the Group's judgment on the valuation of goodwill allocated to the cash-generating unit in the Americas Business segment

The key audit matter	How the matter was addressed in our audit
<p>As described in Note 15. "Goodwill and Intangible Assets" to the consolidated financial statements, goodwill of ¥108,013 million recognized in the consolidated statement of financial position included goodwill of ¥58,420 million allocated to the cash-generating unit in the Americas Business segment, which accounted for approximately 4.4% of total assets.</p> <p>Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, and if the recoverable amount of a cash-generating unit is less than its carrying amount, the carrying amount is reduced to the recoverable amount. The resulting decrease in the carrying amount is recognized as an impairment loss. The recoverable amount of a cash-generating unit is the higher of its fair value less costs of disposal and its value in use.</p> <p>For the current fiscal year, as a result of the annual impairment test, the Group determined that the recognition of a goodwill impairment loss was not necessary as the value in use of the cash-generating unit in the Americas Business segment exceeded its carrying amount. This value in use was calculated by discounting the future cash flows, estimated based on the future business plan (hereinafter, the "Business Plan"), which incorporated the premises of U.S. long-term growth rate and the sales expansion plan, among others, to the present value.</p> <p>Management assumed a long-term growth rate of 2.1% based on the growth rate of the U.S. cosmetics market to develop the Business Plan. Although sales of the "Drunk Elephant" declined for the current fiscal year, an improvement in sales including sales expansion of "Dr. Dennis Gross Skincare," which was acquired for the current fiscal year, and an improvement in profit margin ratio through cost structure reforms on a global basis are planned for the subsequent fiscal years. The factors such as the long-term growth rate, expectation of increases in sales and profit margin ratio for the subsequent fiscal years involved a high degree of uncertainty, and management's judgment thereon had a significant effect on the estimated future cash flows.</p> <p>In addition, selecting appropriate models and input data for estimating the discount rate used to measure the value in use requires a high degree of expertise in valuation.</p> <p>We, therefore, determined that our assessment of the appropriateness of the Group's judgment on the valuation of goodwill allocated to the cash-generating unit in the Americas Business segment was of most significance in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.</p>	<p>In order to assess the appropriateness of the Group's judgment on the valuation of goodwill allocated to the cash-generating unit in the Americas Business segment, we performed the following procedures among others:</p> <p>(1) Internal control testing</p> <p>Tested the design and implementation of certain of the Americas Business's internal controls relevant to estimating the value in use for the goodwill impairment testing, with particular focus on the review performed by vice president of Finance and Accounting Department on the reasonableness of the long-term growth rate and discount rate, including supporting data, and of the future cash flows.</p> <p>(2) Assessment of the reasonableness of the estimated value in use</p> <p>Assessed the appropriateness of key assumptions adopted in preparing the Business Plan, which was used as the basis for estimating the future cash flows, by inquiring of Chief Financial Officer about the rationale supporting each of those assumptions. In addition:</p> <ul style="list-style-type: none"> - retrospectively assessed the status of achievement of the Business Plan used for the impairment testing in the previous fiscal year by comparing it with the actual results for the current fiscal year; - compared the assumptions with the discount rate in the Business Plans used for the impairment testing in the previous fiscal year and the current fiscal year, and discussed with the monitoring departments including Finance and Accounting Department to assess the nature and reasonableness of changes between years; - assessed the reasonableness of the estimated long-term growth rate by comparing with the U.S. economic growth rate; and - assessed the effect, if any, on the Group's judgment that the recognition of an impairment loss was not necessary, when specific uncertainties considering the past actual results were incorporated into estimates of net sales, cost of sales, and selling, general and administrative expenses, for the subsequent fiscal years, underlying the sales expansion plan. <p>In addition, the following procedures, among others, were performed with the engagement of valuation specialists within the domestic network firms:</p> <ul style="list-style-type: none"> - assessment of the appropriateness of the method adopted by management to estimate the discount rate in light of the requirements of the accounting standards; and - assessment of the appropriateness of the input data used to calculate the discount rate by comparing them with the estimates independently developed by the valuation specialists based on external data.

Other Information

The other information comprises the information included in the Annual Securities Report, but does not include the consolidated financial statements, the financial statements, and our auditor's reports thereon. Management is responsible for the preparation and presentation of the other information. The Audit Committee is responsible for overseeing the Corporate Executive Officers and 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 Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with IFRS Accounting Standards.

The Audit Committee is responsible for overseeing the Corporate Executive Officers and 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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with IFRS Accounting Standards, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the audit of the consolidated financial statements to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit of the consolidated financial statements. We remain solely responsible for our audit opinion.

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

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Audit of the Internal Control Report

Opinion

We also have audited the accompanying internal control report of Shiseido Company, Limited ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group") as of December 31, 2024.

In our opinion, the accompanying internal control report, which states that the internal control over financial reporting was effective as of December 31, 2024, presents fairly, in all material respects, the results of the assessments of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Basis for Opinion

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

Responsibilities of Management and the Audit Committee for the Internal Control Report

Management is responsible for the design and operation of internal control over financial reporting and the preparation and fair presentation of the internal control report in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

The Audit Committee is responsible for overseeing and examining the design and operation of internal control over financial reporting.

Internal control over financial reporting may not completely prevent or detect financial statement misstatements.

Auditor's Responsibilities for the Audit of the Internal Control Report

Our objectives are to obtain reasonable assurance about whether the internal control report is free from material misstatement based on our audit of the internal control report and to issue an auditor's report that includes our opinion.

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

- Perform procedures to obtain audit evidence about the results of the assessments of internal control over financial reporting in the internal control report. The procedures for the audit of the internal control report are selected and performed, depending on the auditor's judgment, based on significance of effect on the reliability of financial reporting.
- Evaluate the overall presentation of the internal control report, including the appropriateness of the scope, procedures and results of the assessments that management presents.
- Plan and perform the audit of the internal control report to obtain sufficient appropriate audit evidence about the results of the assessments of internal control over financial reporting in the internal control report. We are responsible for the direction, supervision and review of the audit work performed for the purpose of the internal control report. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of our audit of the internal control report, the results thereof, material weaknesses in internal control identified during our audit of internal control report, and those that were remediated.

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

Fee-related Information

Fees paid or payable to our firm and to other firms within the same network as our firm for audit and non-audit services provided to the Company and its subsidiaries are described in "Corporate governance (3) Status of Audits" of "Corporate Information on the Company."

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

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

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 on the Audit of the Consolidated Financial Statements as required by the Financial Instruments and Exchange Act of Japan.

Independent Auditor's Report

March 26, 2025

To the Board of Directors of Shiseido Company, Limited:

KPMG AZSA LLC
Tokyo Office, Japan
Masakazu Hattori
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Kentaro Hayashi
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Yuki Kodaka
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Report on the Audit of the Financial Statements

Opinion

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act of Japan, we have audited the accompanying financial statements for the 125th fiscal year (January 1, 2024 to December 31, 2024) of Shiseido Company, Limited (“the Company”) included in “Financial Information,” which comprise the non-consolidated balance sheet as at December 31, 2024, and the non-consolidated statements of income and changes in equity for the year then ended, notes, comprising a summary of significant accounting policies and other explanatory information, and supplementary schedules.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024, and its financial performance for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Appropriateness of the Company's judgment on the valuation of shares of subsidiaries and associates (related to the investment in Shiseido Americas Corporation)	
The key audit matter	How the matter was addressed in our audit
<p>As described in the Note "Significant accounting estimates" to the non-consolidated financial statements, shares of subsidiaries and associates of ¥388,730 million recognized in the non-consolidated balance sheet included shares of Shiseido Americas Corporation (hereinafter, "Shiseido America"), a consolidated subsidiary of the Company, of ¥334,234 million, which accounted for approximately 35.7% of total assets.</p> <p>A valuation loss shall be recognized for non-marketable equity securities, including investments in subsidiaries and associates, if the substantive value of the shares declines significantly due to a deterioration of the issuer's financial position, unless its recoverability is supported by sufficient evidence.</p> <p>The substantive value of the investment in Shiseido America includes the excess earnings potential of the cash-generating unit in the Americas Business segment. Similar to the goodwill allocated to the cash-generating unit in the Americas Business segment recognized in the consolidated statement of financial position, management's judgment on uncertainty over the future business plan, which incorporated the long-term growth rate based on the growth rate of the U.S. market and the sales expansion plan, among others, had a significant effect on the valuation of such excess earnings potential of Shiseido America.</p> <p>We, therefore, determined that our assessment of the appropriateness of the Company's judgment on the valuation of shares of subsidiaries and associates (related to the investment in Shiseido America) was of most significance in our audit of the non-consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.</p>	<p>We assessed the appropriateness of the Company's judgment on the valuation of shares of subsidiaries and associates (related to the investment in Shiseido America), by confirming whether there was a significant decline in the substantive value of the investment calculated reflecting the excess earnings potential of the cash-generating unit in the Americas Business segment.</p> <p>In addition, we performed the audit procedures to assess the appropriateness of the Group's judgment on the valuation of goodwill allocated to the cash-generating unit in the Americas Business segment, which had a significant effect on the calculation of the substantive value of the investment. Our audit responses are described as part of the key audit matter "Appropriateness of the Group's judgment on the valuation of goodwill allocated to the cash-generating unit in the Americas Business segment" within our audit report for the consolidated financial statements.</p>

Other Information

The other information comprises the information included in the Annual Securities Report, but does not include the financial statements and our auditor's report thereon. Management is responsible for the preparation and presentation of the other information. The Audit Committee is responsible for overseeing the Corporate Executive Officers and Directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

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

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

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

We have nothing to report in this regard.

Responsibilities of Management and the Audit Committee for the Financial Statements

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

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

The Audit Committee is responsible for overseeing the Corporate Executive Officers and Directors' performance of their duties with regard to the design, implementation and maintenance of the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Fee-related Information

Fee-related information is described in the auditor's report on the consolidated financial statements.

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 on the Audit of the Financial Statements as required by the Financial Instruments and Exchange Act of Japan.

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[Document Title] Internal Control Report

[Clause of Stipulation] Article 24-4-4, Paragraph 1 of the Financial Instruments and Exchange Act

[Filed to] Director-General, Kanto Local Finance Bureau

[Filing date] March 26, 2025

[Company Name] Shiseido Company, Limited

[Title and Name of Representative] Kentaro Fujiwara, Representative Corporate Executive Officer, President and CEO

[Title and Name of Chief Financial Officer] Ayako Hirofuji, Representative Corporate Executive Officer, CFO (Chief Financial Officer)

[Address of Head Office] 5-5, Ginza 7-chome, Chuo-ku, Tokyo, Japan

[Place for public inspection] Tokyo Stock Exchange, Inc. (2-1, Nihonbashi Kabuto Cho, Chuo-ku, Tokyo, Japan)

1 [Matters Relating to the Basic Framework for Internal Control Over Financial Reporting]

Kentaro Fujiwara, Representative Corporate Executive Officer, President and CEO, and Ayako Hirofuji, Representative Corporate Executive Officer and CFO (Chief Financial Officer) are responsible for the design and operation of internal control over the financial reporting of Shiseido Company, Limited (“the Company”) and have designed and operated internal control over financial reporting in accordance with the basic framework for internal control set forth in “On the Revision of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)” published by the Business Accounting Council.

Internal control is designed to achieve its objectives to the extent reasonable through the effective function and combination of its basic elements. Therefore, there is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

2 [Matters Relating to the Scope of Assessment, the Basis Date of Assessment and the Assessment Procedures]

The assessment of internal control over financial reporting was performed as of December 31, 2024, which is the end of the current fiscal year. The assessment was performed in accordance with generally accepted assessment standards of internal control over financial reporting in Japan.

In conducting this assessment, we evaluated internal controls which may have a material effect on the Company’s entire financial reporting on a consolidation basis (“company-level controls”) and based on the results of this assessment, we selected business processes to be tested.

We analyzed these selected business processes, identified key controls that may have a material impact on the reliability of the Company’s financial reporting, and assessed the design and operation of these key controls. These procedures have allowed us to evaluate the effectiveness of internal controls of the Company.

We determined the necessary scope of assessment of internal control over financial reporting for the Company, as well as its consolidated subsidiaries and equity-method associates from the perspective of the materiality that may affect the reliability of their financial reporting. The materiality that may affect the reliability of the financial reporting is determined taking into account the materiality of quantitative and qualitative impacts on financial reporting, and we reasonably determined the scope of assessment of internal controls over business processes based on the results of an assessment of company-level controls conducted for the Company, its consolidated subsidiaries and equity-method associates. We did not include those consolidated subsidiaries and equity-method associates which do not have any quantitatively or qualitatively material impact on the consolidated financial statements in the scope of assessment of company-level controls.

Regarding the scope of assessment of internal control over business processes, we accumulated business units in descending order of net sales (after the elimination of intercompany transactions) for the fiscal year, and those business units whose combined net sales amount reached two-thirds of the consolidated net sales, as well as locations that were deemed to have a material impact on the reliability of financial reporting from perspectives other than net sales were selected as “significant business units”.

We included in the scope of assessment, at the selected significant business units, the business processes related to net sales, accounts receivable, and inventories as accounts that may have a material impact on the business objectives of the Company. Furthermore, not only at the selected significant business units, but also at other business units, we added to the scope of assessment, as business processes having a greater materiality considering their impact on the financial reporting, business processes related to (1) significant accounts that have a greater likelihood of material misstatements and significant account involving estimates and forecasts, and (2) a businesses or operations dealing with high-risk transactions.

3 [Matters Relating to the Results of the Assessment]

As a result of the assessment described above, we concluded that the Company’s internal control over financial reporting was effectively maintained as of the end of the current fiscal year.

4 [Supplementary Information]

Not applicable.

5 [Special Notes]

Not applicable.