

INTEGRATED REPORT 2022

(Text version)

The Fiscal Year Ended Dec. 31, 2022

OUR MISSION is

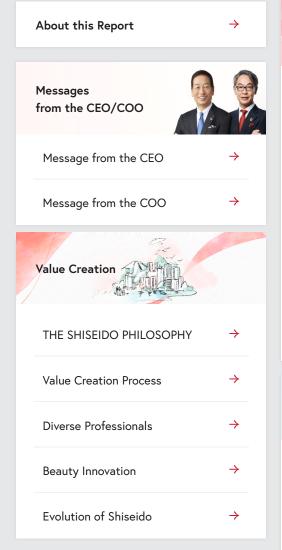
BEAUTY INNOVATIONS FOR A BETTER WORLD

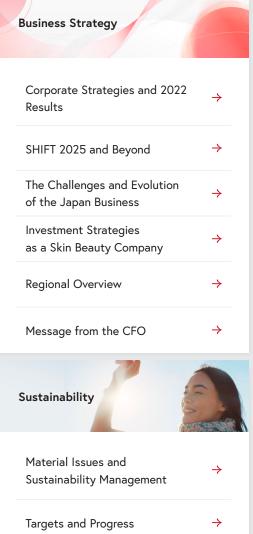


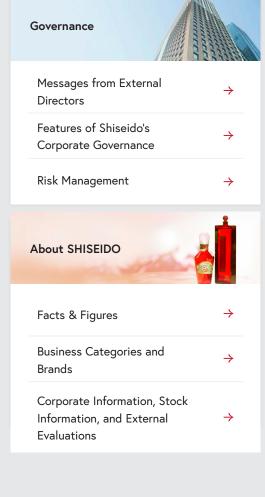
This text version PDF is a simplified re-edited version of the Integrated Report 2022 that is available on the web for those who wish to view on PDF

Consolidated Financial Statements

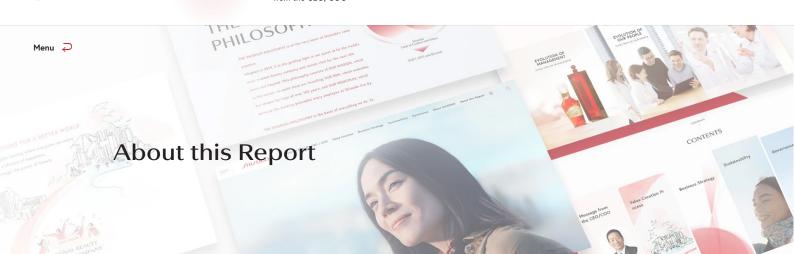








HIVEIDO



Publication of Integrated Report 2022

BEAUTY INNOVATIONS FOR A BETTER WORLD. Our corporate mission guides everything we do at Shiseido. As one of the outcomes of our vision for 2030, we are committed to finding solutions to social issues to realize a sustainable world where everyone can enjoy a lifetime of happiness through the power of beauty.

To realize this goal, Shiseido is implementing reforms in every major aspect, taking into account environmental changes caused by the COVID-19 pandemic. As a strategy for further growth starting in 2023, we have launched a medium-term strategy, SHIFT 2025 and Beyond, as we aim to become the world's No.1 company in the skin beauty area.

To help better convey Shiseido's value creation efforts, our Integrated Report 2022 includes many candid essays from CEO Masahiko Uotani and Kentaro Fujiwara, appointed as President and COO starting in 2023, as well as other executive officers and external directors. In developing content for this year's report, we conducted discussions based on integrated thinking, which included reviewing the value creation process, examining our capital, and organizing financial and non-financial investments to date.

We have also transformed the report using designs and modes of digital expression that represent who we are as a beauty company. At the same time, we realize the need to improve ease of use and readability. The report includes various usability features, including a search function and published a text version (PDF) to accommodate all our users.

Shiseido views the Integrated Report as a valuable disclosure document that conveys our value creation efforts as well as a communication tool that promotes dialogue both internally and externally. In producing the report, the Investor Relations Department took the lead and worked closely with the departments in charge of areas that include management strategy, sustainability strategy, R&D, human resources, D&I, legal affairs, finance, and risk management. Going forward, we will continue to actively engage in discussions on value creation across departments.

We hope that this report will be a valuable tool for dialogue with our stakeholders.





Key Visual Concept

OUR MISSION \sim A Journey of Beauty \sim

In 2022, Shiseido celebrated the 150th anniversary of its founding, and today, we are committed to making each day truly happy and fulfilling for people around the world through the power of beauty for the next 150 years.



Editorial Policy

Scope of Report and Reference Guidelines

Some information may refer to organizational structures and initiatives for 2023 if those have been recently updated.

Organization Shiseido Company, Limited and its consolidated subsidiaries

(collectively, the Shiseido Group)

Reference In the section of this report concerning Shiseido's Guidelines value creation, we have referred to the

International Integrated Reporting Framework of the International Financial Reporting Standards

Foundation and the Guidance for Integrated
Corporate Disclosure and Company-Investor
Dialogues for Collaborative Value Creation of the
Ministry of Economy, Trade and Industry of Japan.



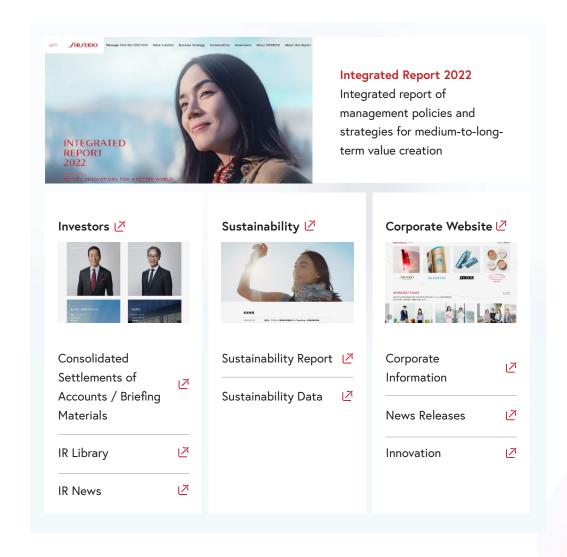
Date of Issue

April 2023



Information Disclosure

The purpose of this Integrated Report is to provide a comprehensive overview of Shiseido's management policies and strategies for medium-to long-term value creation. Detailed financial information on the company is provided in the Investors section of the website, while information concerning our sustainability strategies and activities related to the environment and society can be found in the Sustainability section. More information, including basic company information, brands, R&D and production is available on the Shiseido Group corporate website.





Disclaimer

Notes on Consolidated Financial Statements

This report does not include the consolidated financial statements and notes on consolidated financial statements.

For the relevant financial information, please refer to Consolidated Financial Statements of the Shiseido Group corporate information website.

Notes on Forecasts

In this report, statements other than historical facts are forward-looking statements that reflect our plans and expectations. These forward-looking statements involve risks, uncertainties, and other factors that may cause actual results and achievements to differ from those anticipated in these statements.

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Value Creation





Messages from the CEO/COO

Message from the CEO

Having completed the structural reforms
with the slogan "Build Back Better,"
we are now ready to make a further leap forward.
To achieve strong growth toward our vision of
becoming a "Personal Beauty Wellness Company,"
we will focus on investing in brands, innovations, and people
and pursue bold and proactive management.

Representative Director, Chairman and CEO

Masahiko Uotani



Achievements of WIN 2023

We have completed structural reforms and have established a foundation for strong growth.

"Build Back Better"

Looking back, we made the right choice three years ago when we faced COVID-19. At that time, we launched the slogan "Build Back Better," which aimed not just to return the company to pre-pandemic levels but to create a company that is more profitable and has higher growth potential than ever before.

In 2021, Shiseido established its vision for 2030 to become a "Personal Beauty Wellness Company" and launched the medium-to-long-term strategy WIN 2023 and Beyond to achieve this vision. Under the extremely challenging circumstances caused by the pandemic, we were forced to consider the risks surrounding the company's very survival. We decided to execute radical business reforms to become a stronger company than we were before the pandemic.

We first focused on selection and concentration in the skin beauty category, reformed the profit structure of our businesses in the Americas and the EMEA businesses, and successfully carried out a business portfolio restructuring of over 200 billion yen. For divestitures, based on the PEOPLE FIRST principle which is at the core of my management philosophy, we carefully decided the best path for both our company and the businesses and brands by discussing how we can provide further fulfillment and growth opportunities for everyone involved.

At the same time, we kept our investments for medium-to-long-term growth toward "Build Back Better," despite many uncertainties. Specifically, we made major investments that include capital expenditures totaling 155 billion yen for production and distribution facilities, our digital





Value Creation



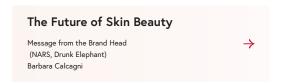
transformation project FOCUS, and R&D of approximately 3% of net sales. At the same time, we optimized costs by reducing marketing expenses in line with sales decline to protect our bottom line. I had a strong sense of crisis that if this situation were to go on for a long time, we would end up in a diminishing equilibrium. In the second half of 2022, therefore, we executed additional strategic investments of a total of 10 billion yen —5 billion in brand equity and 5 billion in people—to revitalize our businesses and organization.

As a result of these reforms, the sales ratio of our skincare brands exceeded 70%; the long-standing issue of profitability in the Americas and the EMEA businesses significantly improved, and we were able to strengthen our business infrastructure in areas such as IT and production, steadily laying groundwork for strong growth.

Prospects and Remaining Challenges

We have further expectations for change.
Our main challenge is the recovery of the Japan business.

One of the internal changes I feel proud of is the ownership taken by each brand and business to concentrate on skin beauty. For example, *NARS*, primarily a makeup brand, has adopted Shiseido's long-accumulated skincare knowledge and technology and created Light Reflecting Foundation, which applied the value of skin beauty to makeup and became a huge hit worldwide. It became the No.1 bestselling new product in the US prestige market in 2022, significantly increasing the exposure and presence of *NARS* in the market.



I would also like to mention Project Phoenix⁺, launched on the occasion of Shiseido's 150th anniversary. All of our employees participate in this project, and I am proud that more than 14,000 new ideas were generated and that we had many fulfilling discussions during the process. Many initiatives that grew out of Project Phoenix have already been put into action, and I will make sure these seeds will take root and grow to become Shiseido's future strengths.

One thing we were unable to predict when we launched WIN 2023 and Beyond was the sluggish recovery of Japan and China. It is our top priority to regain growth momentum in Japan and to rebuild a profitable base, given the scale of the business in our home market. We must also recognize that circumstances have changed—the impact of the pandemic has been prolonged compared to the U.S. and Europe, masks have become a normalized custom, and there has been a massive decline in inbound tourism. However, we are aware that there is no longer an excuse to blame these factors as reasons for the underperformance of our Japan business after three years. We will do whatever it takes; thoroughly review our brands, channel strategy, cost structure, and culture, to realize a successful comeback.

¹ A Group-wide initiative to create medium-to-long-term values for consumers. Our employees took the lead in exploring ways of achieving our vision for 2030.



Our Vision for 2030

To attract outstanding talents worldwide.

In 2023, we established a new medium-term strategy, SHIFT 2025 and Beyond, but our vision for 2030 remains unchanged.

In 2030, we aim to create a society where everyone can enjoy a lifetime of happiness through the power of beauty, where every individual is respected and where everyone can play an active role. We shall strive to attain an ideal global environment that supports lives of vibrancy.

We will also expand our various segments of skincare, which is our strength and a market that continues to grow, and adopt it to other categories such as makeup and fragrance. We aim to become the world's No.1 brand in sun care, while developing our inner beauty business. I see Shiseido playing a role in expanding the skin beauty market and establishing the value of skincare and wellness in society.

In order to achieve this, it is crucial to transform Shiseido into a company that attracts outstanding talent from all over the world.

I believe that our employees—our people—are the most important resource we have to enhance corporate value. By interpreting people as "capital" and properly investing to maximize our people's potential, we will be able to enhance corporate value over the medium to long term.

In an era of constant change, competition for talent acquisition will continuously intensify. Against the backdrop of the development of global strategy, Shiseido already attract talents from around the world, but we need to take a further step. We will create an organization where people with different values, backgrounds, and diverse personalities come together, learn from each other, and continue to take on new challenges. To this end we are focused on communicating the vision and innovation value we wish to achieve.

SHIFT 2025 and Beyond

We will return to growth trajectory by investing aggressively in our brands, innovations, and people.

Through the achievements of WIN 2023, now is the right timing for the next step. Our new medium-term strategy, SHIFT 2025 and Beyond, is based on shifting from defense to offense, to achieve sales growth through proactive investment. Investments will be concentrated in three areas that drive value creation: brands, innovations, and people.

Regarding brands, we will establish an ideal portfolio from global, regional, and strategic perspectives. Cultivating our brands and expanding loyal customers is a necessity for future growth. We will invest an additional 100 billion yen into marketing in the three-year period from 2023 to 2025*2.

^{*2} Total increased amount compared to 2022



In brand and product development, we will focus on localization. We believe that innovations tailored to the culture and behaviors of each region are essential in pursuing beauty for each consumer. Learning from the success of the in-house development of our new European sustainability-conscious brand *Ulé*, we will continue to bolster research and development in each country and region from 2023 onwards, strengthening the global R&D structure while continuing to centering on basic research in Japan.

However, innovation is not only about the research and development. Three new factories utilizing cutting-edge robots and IoT technologies are ramping up for full operation, further refining the high-quality Japan is known for, while at the same time, increasing productivity and cost efficiency.

As mentioned earlier, we will continue to accelerate investments in people to become a company that attracts the best talents for value creation. Our platform for hiring, placement, and development of talent has been strengthened through the systems that enable diverse working styles, the transition to a job-grade-based remuneration system, and reforms to properly operate these. The next step is to grow leaders who can drive unique value creation and regional innovations at Shiseido. In the autumn of 2023, we plan to open Shiseido Future University, a facility for the professional development of Shiseido's next generation of leaders, in Ginza—the birthplace of the company. This unique facility will combine a cutting-edge, globally competitive business education with Shiseido's heritage and sensitivities for beauty and art, fostering leadership for a new era. I will serve as the founding dean of the university to make sure we execute Shiseido's core management principles of PEOPLE FIRST.

As a quantitative target, we will again target to achieve a core operating profit margin of 15%, which we were unable to reach under WIN 2023. But why the core operating profit margin? And why 15%? The Board of Directors has discussed this many times, and we have determined that 15% is an important milestone as profitability required for a globally competitive company, as well as the profit level for the cycle of investment and growth. The entire management is committed to this goal.

We have set 2027 as our target for achieving this goal, taking consideration of the current situation. We will pave the way by first achieving a 12% margin in the three years until 2025 through aggressive investments and transformations.

At the same time, we will accelerate our sustainability efforts toward realizing our vision for 2030.

Shiseido aims to be the most trusted beauty company, attracting outstanding talent and meeting social and consumer expectations as a leader in skincare and wellness. We will not only establish a medium-to-long-term roadmap for addressing social and environmental issues such as climate change, water resources management, and human rights but will also fulfill our role as a leader in the beauty industry and Japanese society in terms of circular model and diversity and inclusion (D&I). Promoting D&I is extremely important for Japanese society; the country is







ranked in the unenviable position of 116th in the world on the Gender Gap Index⁻³. As the chair company of the 30% Club Japan and the Japan Business Federation (*Keidanren*) Diversity Promotion Committee, Shiseido has launched the Shiseido D&I Lab to share best practices, promote activities, and study the causal relationship between diversity and corporate value. We intend to make D&I a higher-priority initiative across Japanese society by presenting concrete and compelling evidence through our findings.

*3 An index measuring the gender gap in each country and region within the Global Gender Gap Report 2022, released by the World Economic Forum in July 2022.

New Management Structure

We will embark on a path toward new growth for the next 150 years under a new management structure.

Under a new management structure effective January 2023, Kentaro Fujiwara was appointed President and COO, and I became Chairman and CEO.

Top management succession has long been discussed at the Nomination & Remuneration Advisory Committee as one of the company's most pressing management issues. This specific succession plan began in 2019 when my term as CEO was extended until 2024. At the time, when the Nomination Advisory Committee first approached me about continuing in my role as CEO, we objectively discussed the best management structure. We decided that we should decide upon the candidate using the next three years, and to secure the last two years of my term as the transition period. The change in our management structure announced this time is consistent with the timeline.

The reasons for choosing Mr. Fujiwara as President and COO include his experience in the global management, particularly in the China business, his charisma, and his ability to make tough decisions as a leader. However, most importantly, having worked with him directly for eight years, I feel that he is a trustworthy and capable person to whom I can entrust the future of Shiseido.

Over the next two years, I will work alongside Mr. Fujiwara as his role expands with new responsibilities. But first, he will be focusing on short-to-medium-term business matters, particularly focusing on evolving the business model and, above all, the steady achievement of annual business targets

from the CEO/COO

Sustainability



Message from the CEO



When I became President of Shiseido in 2014, I declared to create a company that would shine even brighter in 100 years' time.

And I am pleased to say that, having celebrated its 150th anniversary last year, Shiseido is now successfully embarking on a new path toward growth for the next 150 years. Together with our diverse people and each of the stakeholders, we are excited to realize our corporate mission— BEAUTY INNOVATIONS FOR A BETTER WORLD. I ask for your continued support on this challenging but rewarding journey.

April 2023





Messages from the CEO/COO

Message from the COO

66 Shiseido is a unique Japanese company that provides happiness and enriches lives through the power of beauty.

We will hone our value proposition and evolve into a company where our people can find purpose and continue to grow through their work.

Representative Director, President and COO

Kentaro Fujiwara



On My Appointment as President

I am proud of Shiseido's unique role as a Japanese company that brings joy and inspiration to people's lives.

It is my great pleasure and honor to be appointed President and COO of Shiseido. Since joining Shiseido in 1991, I have been mainly involved in overseas business in EMEA, Travel Retail, Korea, and China. When I joined, the overseas sales ratio was less than 10%, and even though I couldn't have imagined that we would become so international, the drive and aspiration to be global has always been part of Shiseido since its founding 150 years ago. As we look back at the company's first entry into the beauty business in 1897, our founders wished to spread unique Japanese values and bring happiness to people around the world. It is inspiring to see that this dream is now becoming a reality.

I see Shiseido as a unique Japanese company that brings joy and inspiration to the lives of people around the world through the power of beauty. Being able to work for such a company has always been a source of pride and joy for me.

Throughout its long history, Shiseido has continued to pioneer and spread the unique culture and value of Japanese beauty, and through our advanced skin research expertise and absolute quality and safety, we have gained the trust of people around the world. For example, many employees who join Shiseido overseas do so because of their high expectations for the company's culture, technology, and quality. This means that we should be able to drive growth by communicating our strengths clearly and concretely and differentiating ourselves from global competitors.



Upon being appointed as president, I made two promises to our internal and external stakeholders—first, that I would always pursue new growth engines in the ever-changing market, and second, that I would not leave challenges that we face today to the next generation. We must establish a foundation that allows us to keep growing globally for the next 150 years.

To achieve this, I will prioritize One Team management and a pragmatic, bottom-up approach. Since everything we do starts with delighting the consumers, it is crucial for the people closest to them in each region and brand to show their creativity and enjoy their work proactively. This is also something I experienced firsthand when restructuring our business in Korea, which was a formative experience for me as a manager. By being open about challenges with employees who were initially passive, and by talking through possible solutions that each person brought to the table, we were able to act proactively, with a sense of purpose, and carry out reforms that required tough decisions. Going forward, I want to take a similar approach to our company-wide management structure to build an integrated management team that drives the strategy while sharing ideas about value creation, challenges, and risks.

Since becoming President in January, I began visiting each region in turn, starting with Japan—our focus market—to promote face-to-face meetings with customers and direct dialogue with employees. When speaking with employees in Japan, I heard both about their struggles with the challenging market conditions due to the pandemic as well as their desire to work towards new breakthroughs because of their love for Shiseido. They were also eager to share their suggestions for improvements in the workplace. Moving forward, I will create more chances for direct dialogue with regional CEOs and employees to build an organization where growth is driven from the bottom up.



February 2023 — At the One Shiseido Summit¹¹, explaining the mid-to-long-term strategy together with regional CEOs



Annual management policy briefing for employees worldwide

Shiseido's Goal for 2030

We will strengthen our ability to create and communicate our values and grow to become a Personal Beauty Wellness Company.

Shiseido aims to become a Personal Beauty Wellness Company by 2030 under its corporate mission, BEAUTY INNOVATIONS FOR A BETTER WORLD.





As consumer values and sources of happiness become increasingly diverse, the values that Shiseido provides, such as joy and enrichment, will become all the more important. Therefore, it is crucial to engage with consumers through digital and offer a diverse range of beauty solutions tailored to each individual.

How can we grow ourselves to create value? Shiseido is currently the fifth-largest beauty company in the world by sales⁻², but there is still plenty of room for growth. To this end, we will first concentrate on enhancing our ability to create and communicate our value. We will allocate management resources to individual brands that deliver value and invest in innovations and people as the drivers that will hone our ability to create value. At the same time, we will refine the unique aspects of our brands, products, and services and communicate the value of our innovations to consumers. Two successful examples of value creation and communication are the renewal of *ELIXIR* lotions and emulsions, which led to the recovery of the mid-price range in the Japan business in 2022, and *NARS* Light Reflecting Foundation, which applied the value of skin beauty technology to makeup.

To repeat such success, we will concentrate our investment in core brands over the next three years, defining desired outcomes for each brand and working backwards to develop and implement measures that will allow us to achieve them. One of my missions as President is to establish a successful model for growth.

*2 Source: WWD Beauty Inc Top 100 Global Beauty Manufacturers 2021

Our Reform Goals Under Medium-Term Strategy SHIFT 2025 and Beyond

Shifting from defense to offense, we will enhance brand equity, rebuild a profitable foundation through the re-growth of our Japan business, and globally transform our cost structure.

SHIFT 2025 and Beyond is a value creation strategy based on the above thinking, our reforms to date, and environmental market analysis.

Under SHIFT 2025 and Beyond, our management strategy will shift from defense to offense as we establish a growth trajectory through investment to achieve sustainable growth as a Japan-based global beauty company. As a key indicator, we have set a target for a core operating profit margin of 15%, with a 2025 milestone of 12%. This target is essential to be a global leader and if we achieve it, we will be able to invest further in new growth opportunities.

Just as important as achieving our goals, is the path we take to get there. Our reforms are centered around three main themes: brand value, Japanese business, and cost structure.

SHIFT 2025 and Beyond



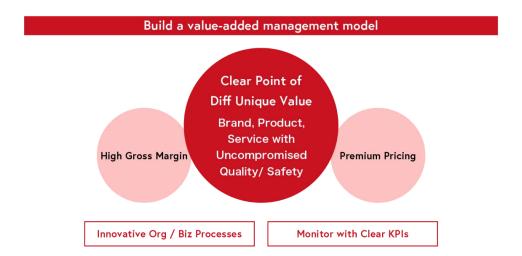


Strengthened Brand Value

We will focus on establishing a "value-added management model" that ensures our investment result in creating value. We will invest 100 billion yen into marketing over a three-year period as well as strengthen our investments in innovations and people. This model will allow us to create a business structure with premium pricing and high gross margin by pursuing unique and innovative aspects of our brands and firmly visualizing and establishing their added value.

To build this model, we believe it is necessary to once again break down and reanalyze our added value. For each business and brand, we will analyze the value of each component and verify KPIs and non-financial indicators that contribute to medium-to-long-term growth. Indicators include the number of loyal users, employee engagement, and brand equity. By making these KPIs a common language within the company, we will be able to effectively work together across our businesses and brands. I also want our employees to be motivated in working toward these clear KPI targets.

These KPIs are also important for our accountability to our shareholders and investors. Investments for brand businesses will not always result in immediate returns and may show up in different timeframes. As we strengthen our investments, it is necessary to review and share the successes and failures of those investments; whether it contributed to medium-term growth and refer to them in our dialogues.







Value Creation



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Re-growth of the Japan Business

The first step toward revitalizing our Japan business—the biggest remaining outstanding points to be tackled from WIN 2023—will be focusing on building growth momentum. In 2023, the market is expected to expand in the high-price range, which is Shiseido's main market segment, while the mid-price range and inbound tourisms are also showing signs of recovery. By capturing these opportunities in a timely manner, actively investing in skin beauty, and continuously developing innovative products, we will expand our user base and achieve growth in net sales and market share. In the medium term, in addition to the growth of these core businesses, we will also expand to new areas of growth, such as derma and inner beauty, establish a system for Personal Beauty Partners to provide wellness proposals, and build a digital platform to accommodate these activities.

To enhance profitability, we will increase our gross margin by focusing on skin beauty and improving our brand and channel mix. On the other hand, fundamental reforms are inevitable in light of the situation where the Company has been unprofitable for three years, even though there was a significant impact from the sluggish market. We will envision the optimal cost structure to realize growth momentum and work to achieve the goal through reviewing business processes, reducing product returns and slow-moving inventories, and promoting efficiency by introducing FOCUS, our global IT platform, and aim for an SG&A ratio of low 60% by 2025.



Cost Structure Reforms

We will promote cost structure reforms to transition to a high-profit structure that will allow us to make continuous investments.

To promote efficiency throughout the company, we have kicked off a project to optimize our cost structure with regional CEOs and executive officers working together as a unified team, not only focusing on their respective areas of responsibility but also determining global-level initiatives.

We expect strengthened digital transformation (DX) and FOCUS to play significant roles in improving our cost structure. DX will drive the evolution of our consumer data strategy and beauty tech while also contributing significantly to the improvement of marketing ROI through building digital platforms. Furthermore, by successfully implementing FOCUS, we will standardize data, processes, and systems globally, enabling higher gross profit, cost reduction, and the optimization of working capital in the areas of finance, supply network, and marketing.







Value Creation

Business Strategy



Message from the COO

Regional Business Strategies

Apart from the Japan business reforms, we will also prioritize improving market share in the massive Chinese market, which includes our China business, Travel Retail business, and inbound tourism business in Japan.

The mainland China market is expected to continue experiencing drastic changes such as price competition, the rise of local brands, and the diversification of consumer needs and online platforms. However, Shiseido will flexibly respond to these changes and focus on marketing reforms that emphasize quality over quantity. The company will shift from seeking short-term ROI to more medium-term returns, focusing on expanding brand loyalty through enhanced brand experiences, China-specific product development, and strengthening our CRM capabilities. Regarding profitability, in addition to the brand mix effect, we will work to enhance marketing ROI, efficiency through FOCUS, and optimization of facilities and stores, aiming to improve the core operating profit margin by 5 points from 2022 to 2025.

At the same time, we will also focus on expanding the Americas and the EMEA businesses, where we worked on structural reforms and created a profitable business foundation. Asia Pacific region also presents exciting and promising business opportunities. We are dedicated to nurturing these business foundations and growth engines to ensure full-scale expansion from 2025.

*3 Excluding the impact of changes in transfer price





For Future Reforms

By quantifying indexes I value in management, we will be able to share strategies and decisions easily to internal and external stakeholders and evolve dialogue with them.

To promote above reforms, we expect each of the regional businesses to create innovations unique to the region based on their respective business models. Our sustainability initiatives will also be more effective by implementing activities tailored to the culture and behaviors of each region. I believe integrating sustainability into business activities and making it part of the business will create value and new business opportunities.

Regional CEOs are also expected not only to grow and develop their respective businesses but also to possess a global view of the business as a whole. We aim to become an organization that can discover untapped value in each region, and then adapt them globally. This includes in the U.S., where many new values and innovations are born, as well as Travel Retail, with its unique business model that spans across countries and regions.

Moreover, it is vital that we gain internal and external consensus in promoting reforms, and active dialogue is essential for that. To engage in such effective dialogue, I believe we need to develop a system where my own values can be quantified and measured, in addition to setting KPIs for our value-added management model. In this way, we can allow our employees, shareholders, and investors to easily understand the strategies and the decisions we make. I am committed to meeting our goals for medium-to-long-term growth while transforming our approach to engaging in meaningful dialogue. I ask our shareholders and investors for their continued understanding and support.

April 2023

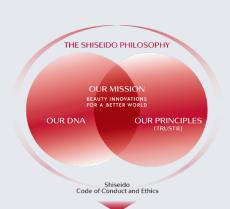




Value Creation

THE SHISEIDO PHILOSOPHY

THE SHISEIDO PHILOSOPHY



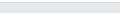
THE SHISEIDO PHILOSOPHY is at the very heart of Shiseido's value creation.

SHIFT 2025 and Beyond Day-to-Day Work

Adopted in 2019, it is the guiding light in our quest to be the world's most trusted beauty company and remain vital for the next 100 years and beyond. This philosophy consists of OUR MISSION, which is the reason we exist since our founding; OUR DNA, which embodies our unique heritage of over 150 years; and OUR PRINCIPLES, which serve as the working principles every employee at Shiseido live by.

THE SHISEIDO PHILOSOPHY is the basis of everything we do. To promote connection and cultural alignment with this philosophy, we engage in a wide range of initiatives that include messages from management to employees, real-world applications in leadership and professional development, and use in case studies and employee training.



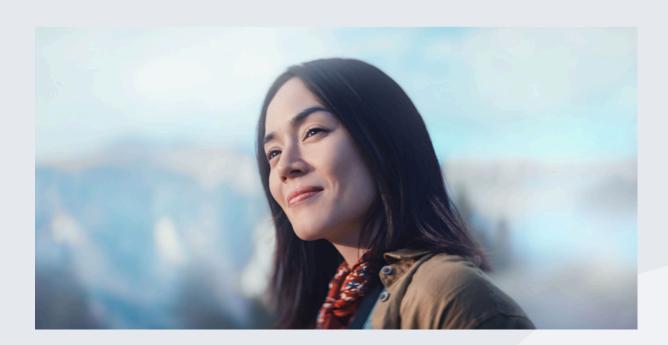


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THE SHISEIDO PHILOSOPHY

OUR MISSION

Messages



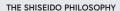
OUR MISSION is

BEAUTY INNOVATIONS FOR A BETTER WORLD

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

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

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



JHIJEIDO

OUR DNA

OUR DNA has been the very essence of Shiseido since our founding in 1872, providing value to consumers and society through unique beauty innovations. The tradition, culture, and aesthetics woven throughout our history are the cornerstones of Shiseido's value creation and our competitive edge.

While Shiseido was born in Japan, OUR DNA is inherited and further enriched by employees all over the world.



PEOPLE FIRST

For Shiseido, people are everything. Without employees, business partners and stakeholders, innovation would not be possible. We work closely with all of our people to develop and deliver new value to society and consumers around the world.

DIVERSITY

We believe that simply embracing diversity is no longer enough. We will go one step further and love the differences in everyone, combining unique values, personalities and ideas to continuously inspire innovation.



ART & SCIENCE

Ever since our founding, we have always blended art and science. Going forward, we will continue to adopt, adapt and fuse technology with creativity to inspire new and unique value.

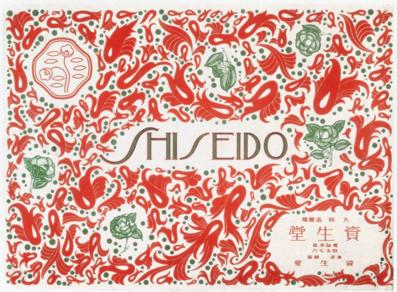
Messages



THE SHISEIDO PHILOSOPHY

JAPANESE AESTHETICS

We have been cultivating our sensitivity to beauty based on Japanese culture and tradition. It is a loving sensitivity to beauty that exists not only in the individual, but also in society and nature. We will continue to sharpen our unique Japanese aesthetics to ensure ever-evolving beauty innovations.





UNCOMPROMISING QUALITY

From R&D and production to marketing and sales, we promise to never compromise quality and always comply with our stringent internal standards and external regulations to earn the trust of consumers around the world.

OMOTENASHI

Omotenashi is the key to touching the hearts of consumers around the world. For every Shiseido employee—not only those in direct interaction with consumers—the spirit of omotenashi is ever-present.







THE SHISEIDO PHILOSOPHY

OUR PRINCIPLES (TRUST 8)

OUR PRINCIPLES serve as the convictions that guide every Shiseido employee on a daily basis. Eight working principles—known as TRUST 8—are based on the idea that mutual trust is the key to succeeding in OUR MISSION.

THINK BIG

Adapt a big-picture perspective.

Deliver new values

through creativity.

TAKE RISKS

Embrace risk.

Practice "Trial & Error & Trial."

HANDS ON

Consider front-line realities when making decisions.

Take the lead from end-to-end.

COLLABORATE

Break free from the silo mentality.

Leverage the diverse capabilities

of colleagues.

BE OPEN

Be transparent. Create an environment that encourages everyone to speak up—even if it is bad news.

ACT WITH INTEGRITY

Be sincere and humble at all times.

BE ACCOUNTABLE

Commit to the goal.

Take accountability for the execution.

APPLAUD SUCCESS

Create a culture that celebrates success.



JHIJEIDO

Value Creation

Value Creation Process





Valeue Creation Process

We believe in the power of beauty to create value for society now and in the future.

OUR MISSION defines everything we do at Shiseido. Despite the many challenges along the way, we firmly believe in the power of beauty and remain committed to business transformation and reform to create value for society.

Shiseido's corporate mission is BEAUTY INNOVATIONS FOR A BETTER WORLD. We aim to create a sustainable world where everyone can enjoy a lifetime of happiness through the power of beauty. Shiseido works with its stakeholders, continuously innovating to provide solutions to social issues through the beauty business.

We aim to "Be a Global Winner with Our Heritage." To achieve our corporate mission, we have devised SHIFT 2025 and Beyond, our new medium-to-long-term strategy in response to the drastically changing landscape. We will pursue fundamental reforms to transform Shiseido into a company that continually creates value as we advance, including expanding the skin beauty category, actively investing in brands, innovations, and people, further growing our global business, and continuing to strengthen our digital transformation (DX). Agile and integrated management is essential to achieving these reforms.

Our value creation strategy is underpinned by our value drivers, which are unique assets of Shiseido unmatched by other companies. We have evolved dramatically over the 150 years since our founding in 1872, thanks to OUR DNA, one of Shiseido's core strengths. This, in turn, shapes OUR PRINCIPLES, which serve to guide the convictions of every employee at Shiseido. Successful value creation requires continuous evolution, and we believe that our diverse professionals and beauty innovation will fuel medium- and long-term growth under SHIFT 2025 and Beyond.

Value Creation Management Resources

In promoting our value creation strategy, we have summarized Shiseido's key and distinctive management resources in the table below. We have organized items from the perspectives of people and organization culture, brands and innovations, production sites and systems, value chain engagement, raw materials and energy, and financial capital. We have identified issues (challenges) based on the current situations inside and outside of the Company, and demonstrated the direction of resource allocation to increase the value created.

For example, for people and corporate culture, our workforce of approximately 39,000 representing around 100 nationalities and regions are the source of the value creation we aim to achieve. To enable these diverse individuals to thrive and create new value, it is important to establish a bold corporate culture which embodies the spirit of One Shiseido, in which we recognize the values and existence of each other to strive together toward the same goals. We will also continue to build a common global infrastructure for talent development to support the success of our diverse people through developing the next global leaders, promoting global

Messages

from the CEO/COO



Valeue Creation Process

mobility⁻¹ to nurture outstanding talent and place the right people in the right positions, and enhancing specialized skills in areas such as digital technology. Through these investments in people, we aim to improve employee engagement and create a management environment where our diverse professionals can excel, maximize their performance, and achieve careers that are uniquely their own.

Initiatives to strategically transfer and assign talents from around the world to countries and regions where they can best contribute to both business growth and professional development with a medium-to-long-term perspective.

	Critical Themes	Challenges	Direction of Resource Allocation
People and Corporate Culture (Human Capital)	Diverse professional talent Professional development infrastructure Employee engagement	Establishing a bold corporate culture Accelerating the development and empowerment of global leaders and highly specialized people	Embodying the spirit of One Shiseido Developing professional talent who can work on a global scale Building a common global infrastructure for talent development
Brands and Technologies (Intellectual Capital)	 Global R&D structure Solidifying our position in cosmetics and creating the foundation for future growth Brand marketing and consumer insights 	Enhancing the value of existing brands Challenges in new areas Optimizing the GIC, RICs ² , and brand collaboration Strengthening CRM and integrating consumer data and touchpoints	R&D in the skin beauty category R&D in the inner beauty category Establishing and promoting a multi-hub network
Production Sites & Structure (Manufacturing Capital)	The highest standard of uncompromising Shiseido quality Flexible and agile product supply and productivity efficiency Global production network	Establishing a global system for quality, safety, and sustainability Improving the overall accuracy of supply-demand forecasts Expanding productivity Shortening lead time	Establishing and developing a global occupational health and safety management system Optimizing global logistics and production systems Improving productivity through DX-enhanced operations
Value Chain and Engagement (Social Relationship Capital)	Consumer engagement Open innovation Supplier engagement	Building a circular model for co-creating consumer value Procuring raw materials sustainably and responsibly	Providing the best beauty experience for each individual based on data Strengthening problem-solving collaboration with other companies, institutions, and organizations
Raw Materials and Energy (Natural Capital)	Energy and CO ₂ Resource usage (water, raw materials, waste management)	 Reducing environmental impact (CO₂, water, waste) Reducing the use of single-use plastics 	Upgrading facilities to reduce environmental impact Developing eco-friendly formulas and packaging
Financial Capital	Profit structure Financial base and cash position Capital efficiency	Improving profitability Increasing marketing ROI Enhancing inventory turnover ratio	Pursuing M&A and investing in new areas Further improving working capital

^{*2} GIC: Global Innovation Center RIC: Regional Innovation Center

Valeue Creation Process

Related Management Resource Indicators * As of December 31, 2022, or 2022 full year results

People and Corporate Culture

Human Capital

Diverse Professional Talent

Employees

Employees

39,000

Nationality of

Approx. 100

Female managers

Professional Development Infrastructure

LinkedIn Learning global participants

5,739

Digital Academy participants

Shiseido Future University

 $2023_{\sf autumn\ opening}$

Employee Engagement

Global overall engagement score

65%

^{*3} As of January 1, 2023, for Japan; as of December 31, 2022, for overseas



Brands and Technologies

Intellectual Capital

Global R&D Structure

R&D bases

Number of researchers*5

Approx. 1,200

Solidifying our Position in Cosmetics and Creating the Foundation for Future Growth

Awards Received at IFSCC*6 Congresses and Conferences*7 **R&D** expense ratio

2.5% of net sales

Brand Marketing and Consumer Insights

No. 1 selling product in Japan





Accumulation of Consumer profile

- *4 As of April 2023
- *5 As of the end of December (including research staff)
- IFSCC: International Federation of Societies of Cosmetic Chemists, an international organization where cosmetic engineers from around the world gather for the development of safer and more beneficial cosmetic technologies.
- As of December 2022. Total number of top awards and honorable mentions. Figures include awards received at the IFSCC Conference, which is held in odd-numbered years.
- INTAGE SRI,SRI+skincare market. Main series ranking (Estimated sales amount)
- INTAGE SRI+ From Oct 2021 to Sep 2022 Sunscreen(milk type) Value Share





Valeue Creation Process

Production Sites and Structure

Manufacturing Capital

The Highest Standard of Uncompromising Shiseido Quality

Product recalls from consumers or distributors

0

Compliance with ISO 22716 (GMP for cosmetics) at all domestic factories

Audits

72 at sites manufacturing pharmaceuticals, quasi-drugs, and cosmetics; 16 other

Established and deployed a global quality management system

Flexible and Agile Product Supply and Productivity Efficiency

COGS ratio LfL*10

23.6%

a 1.5 point improvement over the previous year

Expanded on-site production by starting operations at new plants

Days Sales of Inventory

150 days

(210 days*11)

Steadily advancing the introduction and full-scale FOCUS go-live in all regions in the first half 2024

Global Production Network

Production sites

12*12

 $^{^{\}star}10$ $\,$ Excludes impacts from product supply due to business transfer and from impairment loss

^{*11} Excluding impacts from product supply due to business transfer and from impairment loss (estimation)

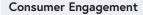
^{*12} As of April, 2023





Value Chain and Engagement

Social Relationship Capital



Brand flagship stores

Improved self-efficacy through Shiseido Life Quality Beauty

Center activities

LAVENDER RING MAKEUP & PHOTOS WITH SMILES; an event supporting people living

5 countries/regions

6 events 116 participants

Shiseido Life Quality Makeup activities

4 countries/regions 40,516 people

Open Innovation

Established Shiseido D&I Lab

Led efforts for the 30%

Club Japan

TOPIX Presidents' Committee

 $35_{\text{companies}^{*14}}$

Promoted joint research projects with multiple academic partners

The ratio of female among executives of the companies participating in TOPIX Presidents' Committee

22.9%

Supplier Engagement

% of Tier 1 suppliers assessed

100%

% of strategic suppliers assessed

100%

*13 As of February, 2023

*14 As of March 31, 2023

Plan to disclose in 2024





About this Report

Natural Capital

Energy and CO₂

CO₂ emissions reduction

SBTi, Scope 1+2*15 Plan to disclose in 2024 SBTi, Scope 3*16

Resource Usage (Water, Waste Management)

Water consumption reduction*17

 $37\,\%$ (compared with 2014)

Resource Usage (Raw Materials)

Sustainable packaging

Sustainable palm oil

Sustainable paper

97 % (paper weight basis)

- *15 At all our sites (compared to 2019)
- *16 Throughout our value chain, excluding Shiseido sites (compared to 2019)
- *17 For all our sites, intensity per sales, compared with 2014.
- *18 For sale of products with plastic packaging.
- *19 Such as certified paper and recycled paper.



Valeue Creation Process

Financial Capital

Profit Structure

Core operating profit margin

Skincare sales ratio

4.8%

70%+

Financial Base and Cash Position

EBITDA margin

Net debt-to-equity ratio

9.6 %

0.05×

Capital Efficiency

ROIC

ROE

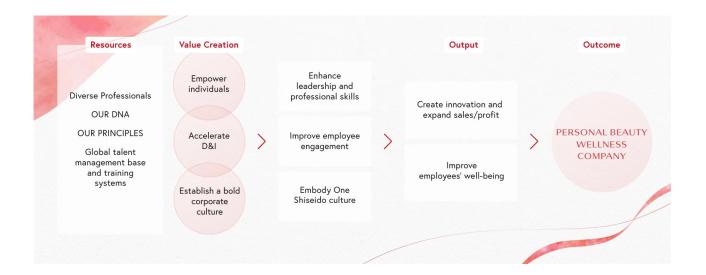
5.2%

6.0%





Value Creation & Our PEOPLE FIRST Philosophy



At Shiseido, we always put PEOPLE FIRST. Ever since our founding, people have been at the heart of value creation. People are the key to fulfilling our corporate mission, "BEAUTY INNOVATIONS FOR A BETTER WORLD," and diverse professionals remain an essential value driver for our business.

Shiseido believes that value is created through the fusion of diverse knowledge and competencies. Throughout our 150-year history, we have always valued the spirit of diversity and inclusion (D&I) and we have been committed to establishing the systems and undertaking people management reforms needed to create value and improve our organizational capabilities, emphasizing innovation through the promotion of D&I.

In an era of high uncertainty and rapid changes, society faces complex challenges, and the values and lifestyles of individuals are becoming increasingly diverse. At Shiseido, we believe that it is important for each employee to bring new value to consumers, society, and the environment and to realize a fulfilling life that is uniquely their own. To achieve this, we will actively invest in people, focusing on "individual empowerment" that allows employees to grow and initiate changes, "acceleration of D&I" aimed at creating innovation through the fusion of



Diverse Professionals

diverse knowledge, and "establishment of a bold corporate culture" in which diverse and empowered strong individuals respect and challenge each other. Through these efforts, we will achieve our vision of becoming a "Personal Beauty Wellness Company" by 2030.

Evolving Our People Strategy

Individual Empowerment

To provide values that are tailored to the needs of each consumer, we create an organization where every employee can acquire the abilities and skills needed to generate innovation and continue to grow.

Shiseido is committed to promoting leadership in order to develop talents that can build the vision for our Company future and encourage growth of our employees. Under our job-grade-based HR system that encourages that the right person is in the right position, we are working to establish structures that allow employees to envision and develop their own career paths, identify exceptional talent early on and nurture professionals who can work wherever in the world through global mobility¹, and also recruit and develop specialized talent in areas such as marketing and R&D. In terms of our resource allocation, we will continue to focus on investing in areas such as digital and other specialized skill training, leadership training, and nurturing global talent. In the autumn of 2023, we will open Shiseido Future University in Ginza—the company's birthplace—where we will roll out global talent development programs as part of building a knowledge base for creating the future of Shiseido.

*1 Initiatives to strategically transfer and assign talents from around the world to countries and regions where they can best contribute to both business growth and professional development with a medium-to-long-term perspective.

Accelerate D&I

At Shiseido, we aim to bring together diverse professional talent, welcoming all genders, nationalities, ethnicities, ages, lifestyles, careers, and work styles so we can all learn from each other and continue co-creating.

Up until now, we have not only created a work environment that promotes the active female participation, but we have also introduced talent management, adopted English as the official in-house language at our global headquarters to promote diversity, and carried out Reverse Mentoring '2 to foster a culture that respects diverse opinions and values.

We will continue to develop and implement programs that allow diverse professionals to thrive in their own careers while also promoting initiatives that include workshops to eliminate unconscious bias.

*2 An initiative where young talent act as mentors to executive officers and department heads

Establishing a Bold Corporate Culture

A bold corporate culture serves as the foundation for diverse professionals to learn from each other and improve their skills.

We are committed to cultivating a corporate culture in which all employees worldwide holds



/HI/EIDO

TRUST 8⁻³ competencies and continue to challenge themselves to realize our corporate mission of "BEAUTY INNOVATIONS FOR A BETTER WORLD."

To establish TRUST 8 as working principles, we will focus on strengthening the implementation of TRUST 8 competency evaluations and utilizing them in talent development programs. Those who have significant influence on corporate culture are the leaders. At Shiseido Future University, we will provide a unique curriculum that combines state-of-the-art, world-class business education with an understanding of Shiseido's heritage and how we have pursued beauty and richness of spirit since our founding. We will nurture leaders and help them develop "strategic thinking," "leadership," and "sensitivity." In addition, to promote management that values the health and safety of employees and their families, we will strengthen initiatives to enhance the well-being of Shiseido employees worldwide.

Through these efforts, we will improve employee engagement to maximize the performance of diverse talent, which will contribute to value creation.

*3 OUR PRINCIPLES serve as the convictions that guide every Shiseido employee on a daily basis. Eight working principles—known as TRUST 8—are based on the idea that mutual trust is the key to succeeding OUR MISSION.

Accelerating D&I for Shiseido and for Society



We will create an inclusive society through our accumulated learning and knowledge of diversity and inclusion (D&I) and the power of beauty.

Director, Senior Executive Officer Chief D&I Officer

Yukari Suzuki

Since its founding in 1872, Shiseido has been a pioneer of each era, offering ways to live through the latest values and fulfilling lifestyles. On the other hand, the current social environment is changing more rapidly than ever before, having a significant impact on established concepts, customs, and ways of working. These changes have become even more pronounced as the spread of COVID-19 has exacerbated problems for many, including the socially vulnerable.

Based on the understanding that people are inherently diverse, Shiseido aims to create a society where each individual feels empowered, confident, and frees to be oneself. The company positions diversity and inclusion (D&I) as an important business strategy to eliminate preconceived notions, prejudices, and peer pressure and work to help create a more inclusive society. We are also focusing on two strategic pillars: "Advancing Gender Equality" and "Empowerment through the Power of Beauty." We utilize the strength, knowledge, and



Diverse Professionals

experience we have accumulated through our beauty business and internal D&I initiatives to address social issues on a global scale.

In February 2023, Shiseido announced the establishment of the Shiseido D&I Lab, a new research institution within the company focusing on D&I. The lab will affirm achievements and results of diverse talent in Shiseido, leading to effective actions to accelerate D&I internally. The findings gained from this research will be shared within the company and with society as a whole, contributing to Japan's economic growth through the realization of D&I.

My appointment as Chief D&I Officer last year has given me a broader perspective on society and strengthened my belief that D&I is not only essential for our company's sustainable growth but that it should also be viewed as having significant potential for social growth. Diversity is a means, not a target. The essential challenge is to transform our company culture into one that harnesses diversity, sparks innovation, and drives value creation. We will continue creating an inclusive society where each individual is respected, and everyone can fully demonstrate their capabilities.

April 2023

Initiatives to accelerate D&I

Shiseido holds a large female consumer base, and with over 80% of our employees worldwide being women, it is essential to provide a working environment that encourages women to grow and flourish.

We aim for a gender ratio of 50:50, a symbol of equal opportunity, at all the management level. At the moment, the ratio of female on the Directors and Audit & Suoervisory Board Members^{*4}, the ratio of female on Executive Officers^{*4}, and the ratio of female managers in domestic Shiseido Group^{*5} has steadily increased to 40.0%, 35.3%, and 37.6%, respectively, but we are still only halfway to achieving our 2030 goal. We believe that improving diversity on the Board of Directors, in particular, achieving gender balance among executives who have a significant impact on corporate culture is an important and challenging goal. We will strengthen our efforts, including diversifying our "NEXT LEADERSHIP SESSION for WOMEN" training program^{*6} for training female leaders and expanding workshops to eliminate unconscious biases.

In addition to introducing and operating various systems aimed for female empowerment, we will promote D&I within the company by revising HR systems and management reforms. We will strive to build a corporate culture where employees with different cultural backgrounds and values can demonstrate their abilities and respect each other, regardless of nationality, ethnicity, age, lifestyle, or career.

On the other hand, as part of our initiatives to expand D&I into society, we participated in the 30% Club Japan, a global campaign aiming to increase the ratio of female among executive officers in Japanese companies in order to promote gender equality in Japan, where it is

^{*4} As of April 1, 2023

^{*5} As of January 2023

^{*6} An 8-month training program of lectures, workshops, and coaching sessions for the development of female leaders



Diverse Professionals

significantly behind the rest of the world. In 2022 CEO Masahiko Uotani has been reappointed as chair for a second term, and Chief D&I Officer Yukari Suzuki has been appointed as a member of the Steering Committee. The Shiseido representatives are active in the 30% Club Japan to boost women's participation in decision-making roles within Japanese companies and to empower women with the potential to drive growth in Japanese society. The number of companies participating in the TOPIX Presidents' Committee, which is the central community of the 30% Club Japan, has increased to 35⁻⁷, and the ratio of female among executives has risen to 22.9%, which is 14 points higher than the Japanese average for listed companies. In addition, we support the education of socially vulnerable women and girls around the world to help them become more independent.

to help them become more independent.

UNICEF and Clé de Peau Beauté began their partnership in 2019 in support of UNICEF's Gender Equality Program and their work promoting gender equality through education, employment, and

In terms of empowerment through the power of beauty, we are focused on "Shiseido Life Quality Beauty," an initiative we have been engaged in for over 60 years. The initiative advocates that the power of beauty contributes not only to physical and mental well-being but also to social well-being, supporting people in taking their own steps forward, regardless of age, illness, or disability. In particular, under LAVENDER RING, a multilateral project to support people with cancer, Shiseido has led to the 2022 global expansion of the MAKEUP & PHOTOS WITH SMILES photo exhibit in four countries and regions (China, Singapore, Taiwan, and Thailand), in addition to Japan. We have gained courage and insights from the messages and smiles of the cancer survivors who have participated in our events in Japan and across Asia. Shiseido will continue to support everyone's hope to "feel confident and continue living their lives" through the power of beauty.

*7 As of March 31, 2023

Our Initiatives and Progress to Date

empowerment in some countries and regions.

Progress on our major initiatives in and outside of Japan is as follows:

- · Job-grade-based HR system introduced in Japan to place the right people to the right positions
- Ongoing management skill improvement training for managers in Japan to thoroughly implement the job-grade-based HR system and leverage diverse talent
- New career mentoring program launched in Japan that allows employees to have careerrelated conversations with managers other than their direct supervisor to promote career autonomy (266 participants in 2022)
- Global Grade System introduced to serve as a common framework for the Shiseido Group
- Group-wide bonus program (One Shiseido Bonus Program) implemented for overseas regions
- Various global leadership training programs conducted for executive officers, regional CEOs, and other leaders at headquarters and regional offices (162 participants in 2022)
- LinkedIn Learning expanded globally as a platform that gives employees autonomy over their professional development (5,739 global participants in 2022)

Business Strategy



Diverse Professionals

Global mobility policy renewed and programs nurturing global talent enhanced

Messages

from the CEO/COO

- Global engagement survey (positive global overall engagement score of 65% in 2022)
- Reverse Mentoring implemented in Japan, where young employees act as mentors to executive officers and department heads (892 participants in total from 2017 to 2022)
- NEXT LEADERSHIP SESSION for WOMEN training conducted in Japan to foster female leaders (202 participants in total from 2017 to 2022)
- Mentoring program Speak Jam implemented in Japan for direct discussion of career development options between female executives and female employees (117 participants in total from 2020 to 2022)

Related Data

		2020	2021	2022	2023
	Group total	52.7%	57.5%	58.3%	58.1%
Female Managers*8	Japan	33.1%	34.7%	37.3%	37.6%
	Overseas	67.5%	70.3%	70.7%	72.0%
Directors and Audit &	Ratio of females	46.2%	46.2%	46.2%	40.0%
Supervisory Board Members* ⁹	Ratio of external directors and A&SB members	53.8%	53.8%	53.8%	53.3%
	Ratio of females	25.0%	31.6%	35.3%	35.3%
Executive Officers*9	Ratio of non-Japanese nationals	0.0%	15.8%	17.6%	17.6%
Nationality of Employee (countries/regions)*10	Nationality of Employees (countries/regions)*10		Approx. 100	Approx. 100	
Percentage of Non-Japan	Percentage of Non-Japanese Managers**11		2%	2%	
Percentage of Mid-Caree Positions*11	Percentage of Mid-Career Hires in Managerial Positions ^{*11}		30%	31%	
Number of Foreign Employ	ees in Japan (Share of Total)*11	467 (2%)	486 (2%)	443 (2%)	
Number of Mid-Career Hires in Japan*12		248	271	376	
Ratio of Employees with Disabilities*13		2.21%	2.44%	2.62%	
Average Education/Training Hours per Employee ⁺¹⁴		26.0 hours	66.0 hours	Plan to disclose in 2023	
Average Education/Training Costs per Employee*14		43,936 yen	23,682 yen	Plan to disclose in 2023	

^{*8} As of January 1 each year for Japan; as of December 31 of the previous year for overseas

^{*9} As of April 1 each year

^{*10} As of December 31 of the previous year

^{*11} As of January 1 each year; data for Shiseido Group in Japan

 $^{^{\}star}12$ $\,$ Annual results for each year; data based on employment data for Shiseido Group in Japan

^{*13} As of June 1 each year, data for Shiseido Group in Japan Ratio of employees with disabilities: Persons with physical and intellectual disabilities are included, and the employment rate for disabled persons is indicated by three significant figures.

^{*14} Data per FTE (full-time equivalent) across the entire Shiseido Group. The full-time equivalent is the conversion of part-time employees or employees who work shorter hours into a number equivalent to a full-time workforce. Regarding average education/training costs per employee, we revised the scope of aggregation from this fiscal year to $exclude \ personnel\ expenses\ of\ lost\ opportunities\ for\ education\ and\ training\ participants.\ The\ previous\ years\ are\ retroactively\ adjusted\ in\ the\ same\ way$









Reinventing brand innovation based on three pillars of innovation and critical approaches to achieve our 2030 R&D VISION: "We are the engine of BEAUTY INNOVATIONS"

Senior Executive Officer Chief Innovation Officer (CIO) Chief Brand Innovation Officer (CBIO)

Yoshiaki Okabe

I was appointed head of research and development (R&D) at Shiseido in 2021. Ever since then, we have undertaken initiatives to reinvent brand innovation that is based on the consumer's perspective. We accomplished a flurry of activities in 2022. We held a global R&D conference and started innovation creation activities aligned with the latest consumer trends in these locations initiated by each of our Regional Innovation Centers (RICs). We committed ourselves to cross-sectional projects best served through worldwide coordination, including projects to comply with raw materials regulations and those to utilize research findings in our products. We also strengthened collaboration between the Global Innovation Center (GIC) and our five Regional Innovation Centers (RICs) around the world. As a tangible outcome, these activities resulted in the creation of NARS Light Reflecting Foundation, a global bestseller, which is a success story for Shiseido's R&D team.

However, we still have a long way to go in terms of innovation reforms. There is still a large gap between where we are and where we need to be. What we hope to achieve are the following four areas:

- 1. Reinvent ourselves into an R&D organization that exceeds consumer expectations and continuously produces innovations with competitive advantages
- 2. Lead the industry in creating a sustainable society through circular value creation



/HI/EIDO

- 3. Create new businesses by challenging new areas and categories next to cosmetics
- 4. Create an R&D team comprised of the best global talents

With these points in mind, we uphold "We are the engine of BEAUTY INNOVATIONS" as our 2030 R&D Vision, and have established the three pillars of innovation: "Skin Beauty INNOVATION," "Sustainability INNOVATION," "Future Beauty INNOVATION" and a very important approach of "De-Shiseido culture"; an approach breaking free from the status quo, as our strategy. Based on our strategy, R&D will tackle challenges one by one to achieve beauty innovation. Please stay tuned as the best is yet to come.

April 2023



Refining our basic research and value creation capabilities to continue to deliver the authenticity sought by society and consumers.

Shiseido is committed to becoming the world's No.1 skin beauty company as well as a Personal Beauty Wellness Company.

Executive Officer Chief Technology Officer (CTO)

Yosuke Tojo

Shiseido's research has a history of more than 100 years and has been a driving force behind innovation creation and safety, with a proven track record in material science and dermatology as well as world-leading dedicated safety department. In Today's society, overflowing with technology and information, trust and authenticity are sought after, and we feel that the "ability to create authentic values based on scientific evidence," which Shiseido has been fostering, is becoming increasingly important.

As CTO, I will strengthen our basic research and seed development research through optimizing resource allocation to realize higher productivity and accelerating the research setting and strategic partner selection to gain opportunities. At the same time, with a view to strengthening the value development in new domains, I will ensure to create research results and knowledge that will contribute to new businesses, such as inner beauty, beauty device, and the clarification of the relationship between skin, body and mind, and to establish development capabilities. To



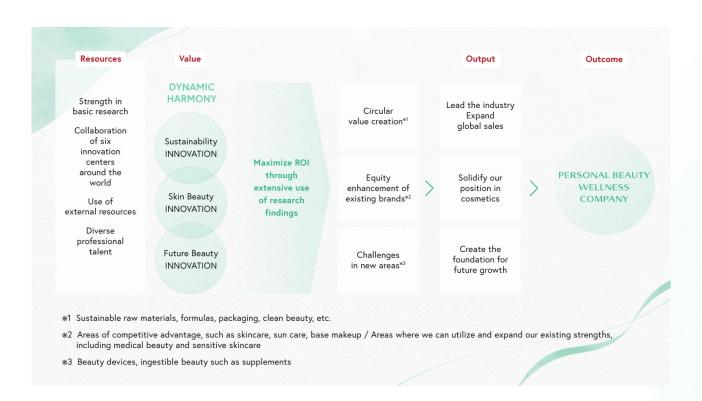
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set the foundation, we will simultaneously work toward an end-to-end organization through our Brand Value R&D Institute while maximizing our R&D through the visualization of non-financial criteria that address areas including intellectual property, research findings, and the results of our creations and their adoption. And we will focus more than ever on our people, the source of value creation and competitive advantage. As the talent development takes time especially in basic research fields, we will build specialized training systems and provide support for career design.

Through these initiatives, Shiseido, as a company that aims to become the world's No.1 skin beauty company, and moreover, a "Personal Beauty Wellness Company," will refine our basic research and value creation capabilities to continue to provide "authentic values" and will realize new value provision.

April 2023

R&D and Value Creation





Beauty Innovation

Research & Development (R&D) is the foundation of Shiseido's innovation and a value creation driver. Over our long history, we have built a strong research base through achieving both advanced functionality and safety. In addition to our strengths in dermatology, material science, and *kansei*¹ research, we have constantly created new categories and markets such as approaches to aging and ultraviolet (UV) protection.

On the other hand, Shiseido faced a situation where our industry-leading R&D capabilities were not being fully leveraged into the brand growth and started the promotion of brand innovation reforms in 2021. We have integrated and reorganized the entire range of R&D functions including the appointment of Okabe, formerly Chief Brand Officer (CBO), as head of R&D. We have been working on initiatives that include the visualization of basic research results and findings, the establishment of our R&D philosophy DYNAMIC HARMONY, the formation of a one-stop system between R&D and our brands, and the active external communication of our R&D achievements.

In the two years to 2022, under the DYNAMIC HARMONY concept: we reinforced basic dermatology research, our greatest strength, introduced the latest research results such as Sun Dual Care⁻² technology etc. into global brands *SHISEIDO* and *ANESSA*, took on the challenges of new areas such as inner beauty, and progressed collaboration with universities and other industries, as well as increased collaboration between the GIC and RICs.

In 2023, we will continue to work relentlessly to implement reforms; we will establish 3 innovation pillars of "Skin Beauty INNOVATION," "Sustainability INNOVATION," and "Future Beauty INNOVATION," as well as and an important approach of "De-Shiseido culture" as our strategy, and aim to realize a Personal Beauty Wellness Company, which is our vision in 2030.

- *1 Kansei in cosmetics goes beyond mere response to stimuli. It aligns with aesthetics, arts and culture, and consumer values and lifestyles in an attempt to create new value that resonates with consumers on sensory (visual, olfactory, tactile), emotional, cognitive, and aesthetic levels.
- *2 Technology that blocks UV rays and converts sunlight into light that is beneficial to the skin

R&D Structure

Shiseido reorganized and integrated entire R&D functions in 2021 to strengthen the creation of research results and findings with a view to providing higher quality values. The organization was realigned into the "Brand Value R&D Institute," responsible for rapid product development in collaboration with our brands, and the "MIRAI Technology Institute," in charge of creating medium- to long-term "seeds" as well as value creation and business development in new domains.

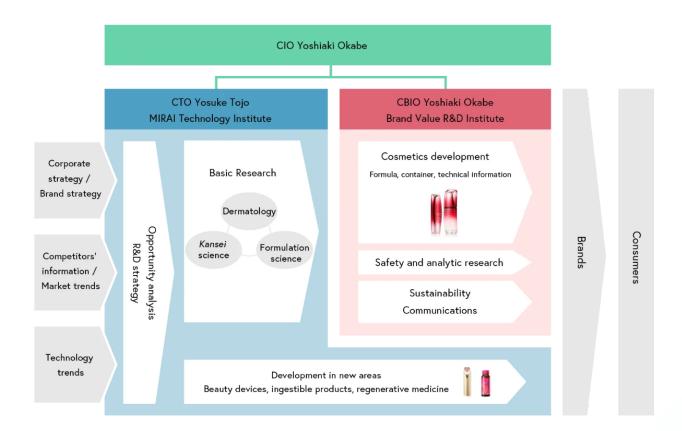
Starting in 2023, we also reorganized the roles and responsibilities of our executive officers: the CIO Okabe is in charge of overall supervision, now he concurrently serves as CBIO, taking responsibility for the Brand Value R&D Institute, while Tojo, newly appointed as CTO this year, will be responsible for the MIRAI Technology Institute.

Globally, we have put in place a "multi-hub network" in which each of our R&D bases around the world gathers and understands the unique needs of local markets and conducts research and development of products and services that take advantage of regional unique characteristics. We have established the Global Innovation Center (GIC and five Regional Innovation Centers



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(RICs)—of which two are located in China and one each in the US, France, and Singapore), and we have a system that allows each region to generate innovations which contribute to local businesses and such innovation to be used in other regions as well.



Global Multi-Hub Network*As of April 2023





Beauty Innovation

DYNAMIC HARMONY

At Shiseido, through various analyses and internal and external hearings, we have derived R&D strengths and factors that differentiate us from our competitors, and derived our R&D philosophy "DYNAMIC HARMONY."

The unique approaches possessed by Shiseido's R&D can never be defined by a single value. East and West, fundamental healing and symptomatic treatment, Chinese herbal medicine and medical treatment, mind and body --- Skillfully fusing values which are seemingly conflicting or difficult to reconcile and creating dynamic harmony is a one-of-a-kind way of thinking unique to Shiseido. Under this philosophy, research approaches based on "DYNAMIC HARMONY" will be the mainstay of our R&D, and we will accelerate innovation generation through concentrated investment of management resources, while trying to visualize our strengths and to share them with external parties. These research approaches are one of the assets Shiseido has accumulated to date, and there is no end to the progress of DYNAMIC HARMONY. We will create further "DYNAMIC HARMONY" as the DNA of all our researchers and weave it into the future of Shiseido.

DYNAMIC HARMONY						
Inside/Outside	Functionality/ Japan Quality	Science/ Creativity	Premium/ Sustainability	Individual/ Universal		
Inside the body and skin	Thorough commitment to functionality, safety, stability, and usability	Human "subjectivity" and scientific "objectivity"	Add value (commitment) and response to / coexistence with the environment	Personal optimization based on comprehensive data		

Emerging Approaches

Human/Earth: A new relationship between people and the earth

RELATED LINKS

DYNAMIC HARMONY <a>Z



Beauty Innovation

Future Strategies

To become a Personal Beauty Wellness Company, Shiseido will further focus on the areas of sustainability, digital technology, inner beauty, and beauty devices, building on our strengths in dermatology, material science, and *kansei* science. For these R&D directions, we have again established the following three pillars of innovations and an important approach as our strategy. To promote this strategy, we have set up core technologies and are drawing a roadmap to 2030.

Skin Beauty INNOVATION

This is the most important pillar of innovations, and its objective is to solidify the management foundation. Under this pillar, there are cosmetics areas including skin care, sun care, and base make-up, where we have a competitive advantage based on our strengths and the market size. Further, we are extending the innovation into the derma area, which is a trending new segment in skin care and is in high demand in Europe and the United States, or in the development of "second skin" technology, which is our new strong technology. Furthermore, we will expand the application of our strengths into beauty devices and ingestible beauty, as skin beauty segments other than cosmetics. We will create new beauty habits by anticipating purchasing behavior insights of the society and consumers, and applying our cutting-edge technology.

Core technologies: cosmetic formulation technology, skin base research, *kansei* research, and material research, etc.

Sustainability INNOVATION

An innovation pillar which aims at leading the industry in circular-type value creation, which fuses economic and social value to realize a sustainable society.

Based on the words "Banbutsu Shisei (which means nurturing new life and bringing forth significant values)," the origin of the name Shiseido, we will make our raw materials, formulas, and packaging more sustainable and realize new circular-type value creation through collaboration with external companies. In 2022, we launched an initiative for the building of a new circular model of plastic cosmetics packaging through collaboration with SEKISUI CHEMICAL CO., LTD. and Sumitomo Chemical Co., Ltd, and in 2023, we launched "BeauRing," a project to collect and recycle plastic containers and started pilot test together with POLA ORBIS HOLDINGS INC. While we accelerate these efforts, we will also expand into related areas such as clean formulation technology, which is a trending category in the United States and Europe.

Core technologies: sustainability (circular systems, raw materials, formulas, packaging), clean, etc.

RELATED LINKS

July 6, 2022, News Release: "Shiseido, SEKISUI CHEMICAL, and Sumitomo Chemical to Collaborate in Building a Circular Economy for Plastic Cosmetics Containers"

February 10, 2023, News Release: "Shiseido Starts Pilot Test of Circular Model Project "BeauRing" for Plastic Cosmetics Containers" ∠



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Future Beauty INNOVATION

An innovation pillar which creates new domains and categories next to cosmetics, which exceed expectations of consumers, such as new skin beauty experience based on data science and measurements. Its aim is to achieve mid- to long-term growth. For example, in a new diagnostic area, we aim to provide a wide range of solutions that go beyond cosmetics by uncovering the relationship between the skin, body, and mind. As a research base for this, we launched a new course at Hirosaki University in 2022 and also concluded a comprehensive partnership agreement on data analysis with DeNA Life Science, Inc. to acquire and analyze big data.

Core technologies: clarification of the relationship between the skin, body, and mind.

RELATED LINKS

August 5, 2022, News Release: "Shiseido and Hirosaki University Graduate School of Medicine Jointly Establish Research Program 'Department of Beauty Wellness Science"

November 25, 2022, News Release: "Shiseido and DeNA Life Science Sign Comprehensive Partnership Agreement on Data Analysis" 🔀



THITEIDO

Collaboration with RICs and "De-Shiseido" Culture

In order to realize this kind of strategic approach, it is important to break away from traditional Japan-centric value development and create a diverse R&D team, and accelerate innovation. Shiseido will further refine its cosmetics area, which has been our strength, and create innovations originating from each RIC by leveraging the knowledge and strengths of each region. For example, clean formulas in the US, sustainability and microbiomes in Europe, and medical beauty in China can be some of the keywords. We will also focus more than before on cocreation through partnerships with universities and other research institutions, other industries external partners, and startups, learning and incorporating the processes and knowledge of the value creation of our partners. The signing of a comprehensive collaboration agreement with the Keio University Institute for Advanced Biosciences in 2022 is one example of this focus action. Through this agreement which aims not only to create innovations but also to develop talents, we intend to produce new R&D leaders unbound by conventional frameworks.

We will continue to invest approximately 3% of net sales as R&D expenses. Under the DYNAMIC HARMONY philosophy, we will combine our brand concept and science, concentrate resources on priority areas, increase the speed of the product commercialization process, and maximizing ROI through the broad utilization of our research results.





Beauty Innovation

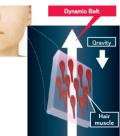
R&D Case Studies

Based on the philosophy of "DYNAMIC HARMONY," research projects are progressing continuously. Here are some of the major research and development cases announced in 2022.

"Inside/Outside" Revealing facial appearance aging from inside the skin

Dynamic Belt: The Most Recent Findings on Sagging

- The most recent of "Anti-gravity Science V" (Dermal Anchoring Structures, Dermal Cavitation phenomenon, discovery of Dermal Cell Network, etc.)
- The findings of "Anti-gravity Science V," including the results of this research received the top award at the IFSCC (International Federation of Societies of Cosmetic Chemists) Congress for four consecutive years
- We focused on the "Dynamic Belt," a flow of hair muscles as a system to resist skin deformation caused by gravity
- We discovered that skin sagging is caused by the loss of this Dynamic Belt, due to the weakening of the hair muscles caused by aging



RELATED LINKS

October 20, 2022 News Release: "Shiseido Discovers Skin's Anti-gravity System "Dynamic Belt" 🔀

"Inside/Outside" approaches to skin aging from immune cells working inside the skin

Macrophage Balance: The Mechanism to generate Collagen Metabolism

- Discovery through the fusion of Shiseido's 40 years of collagen research and immunology research
- Revealed the relationship between two types of macrophages (M1 and M2) and skin aging (presented the results at the Annual Meeting of the Japanese Society of Anti-Aging Medicine in 2022 and received the Best Presentation Award)
- Shifted our approach from collagen "production" to collagen "metabolism," focusing on M2 macrophages which digest denatured collagen
- Improve the macrophage balance by controlling IL-34 factor and propose new beauty care



RELATED LINKS

April 8, 2022, News Release: "Shiseido Discovers That Age-Induced Macrophage Imbalance Affects Collagen Metabolism" $|\mathcal{T}|$

October 20, 2022, News Release: "Shiseido Reveals that Downregulation of Epidermal Cell-Derived IL-34 Skews Macrophage Balance" 🔀



Beauty Innovation

"Premium/Sustainability" Sustainable, yet not giving up the luxury of cosmetics

Messages

LiquiForm®: Packaging innovation to 100% Sustainable Packaging

- \bullet As a major action of the 2025 goal of "100% sustainable packaging," we adopted LiquiForm $^{\! \circ}$ technology, which forms the container with the liquid content at the time of filling, developing a sustainable and replaceable cosmetics container
- · No need to transport empty containers prior to filling and no concerns of damaging or deforming during transport, allowing thinner packaging designs and reducing CO2 emissions and the amount of plastic used
- Provides a sustainable beauty experience with recyclable and replaceable cosmetics containers which fully use LiquiForm® technology as well as the main body containers with improved durability and beauty
- Achieved an approximately 70% reduction in CO₂ emissions in the entire supply chain compared to our standard conventional replaceable container (same volume).
- · World's first product using this technology in cosmetics was launched by SHISEIDO in March 2023



RELATED LINKS

October 20, 2022 News Release: "Shiseido Becomes World's First to Develop Sustainable Replaceable Cosmetics Packaging Using LiquiForm®" 🔀



/HI/EIDO

Our "Inside/Outside" The power of science penetrates functional ingredients into the skin MolecuShift Technology Controls the Size of Hyaluronic Acid Molecules

- Developed a method to allow high molecular weight hyaluronic acid to penetrate the skin without compromising its function leveraging our long history of hyaluronic acid research
- Succeeded in reducing the size of hyaluronic acid molecules and enhancing penetration by controlling the electric charge that causes the spreading out of hyaluronic acid molecules with cosmetic ingredients
- · Also succeeded in increasing the size of hyaluronic acid again, restoring its water-holding

capacity, and performing the original function of hyaluronic acid

 "MolecuShift Technology," which adjusts the size of hyaluronic acid molecules, was incorporated into products launched from SHISEIDO in October 2022 (in Europe, it was launched earlier in September 2022)



Related Data

	2020	2021	2022
IFSCC awards*3	Top Award for Podium Oral Presentation, Basic Research	Top Award for Podium Oral Presentation	Award for Poster Presentation
R&D Expenses*4	27 billion yen ^{*6} (2.9% of net sales)	25.6 billion yen*6 (2.5% of net sales)	26.7 billion yen*7 (2.5% of net sales)
Number of researchers*5	Approx. 1,200	Approx. 1,200	Approx. 1,200

^{*3} Stands for the International Federation of Societies of Cosmetic Chemists (IFSCC), an international organization where cosmetic engineers from around the world gather for the development of more functional and safer cosmetic technologies

^{*4} Annual results

^{*5} As of the end of December (including research staff)

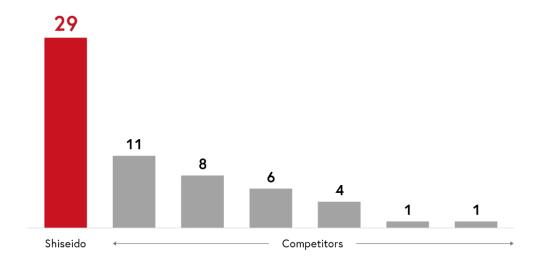
⁶ J-GAAP

⁷ IFRS



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Awards Received at IFSCC Congresses and Conferences / Comparison with Domestic and International Competitors⁹



As of December 2022. Total number of top awards and honorable mentions. Figures include awards received at the IFSCC Conference, which is held in odd-numbered years



About this Report







Value creation at Shiseido centers around two important business resources: diverse professionals and beauty innovation.

These resources have never ceased evolving throughout our history and are indispensable sources of our value creation as well as value drivers for further growth.

This text version PDF is a simplified re-edited version of the Integrated Report 2022 that is available on the web for those who wish to view on PDF





from the CEO/COO

Messages

Value Creation



HIJEIDO

EVOLUTION OF MANAGEMENT EVOLUTION OF OUR PEOPLE EVOLUTION OF OUR INNOVATION 1910s~30s Established the foundation of Established the foundation of the business research system

1950s~ Established bases in each

global region

1980s~ Improved the working environment to suit the active participation of female employees as well as their diverse working styles

1993~ Job Challenge -in-house recruitment system introduced

1948~ Cosmetics development incorporating the realm of modern science

1960s~ Focused on physical chemistry, dermatology, and hair research

Research achievements won worldwide acclaims

1976~

1989~ Supported the establishment of the Cutaneous Biology Research Center (CBRC) founded by Massachusetts General Hospital and Harvard Medical School in Boston

2002~ Established Shiseido China Research Center Co., Ltd. (China Innovation Center) in Beijing

Masahiko Uotani joined Shiseido as the first CEO appointed directly to the position from outside the company Launched Medium-to-long-term strategy VISION 2020

A global matrix management system launched crossmatching six regions and brand categories

PEOPLE FIRST positioned as a key strategy English becomes the official language at Global Headquarters Ratio of female managers in Japan reached 30%

Strengthened Beauty Wellness domain Enhanced use of digital and AI



Messages from the CEO/COO





PERSONAL BEAUTY WELLNESS COMPANY



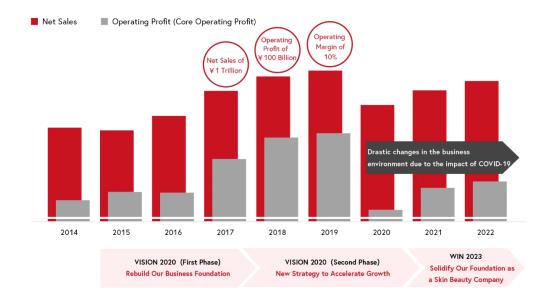




Business Strategy

Corporate Strategies and 2022 Results

VISION 2020 of WIN 2023



In 2015, Shiseido launched its medium-to-long-term strategy, VISION 2020, for the company to remain vital for the next 100 years. To "Be a Global Winner with Our Heritage," we first invested in Shiseido's high price range skincare, makeup, and fragrance as part of our Prestige First strategy.

In addition to investing in our R&D, supply chain, digital, and IT, which are the foundations for sustainable growth, we built a global matrix organization integrating regions and brand categories based on our "Think Global, Act Local" concept, delegating broad responsibility and authority to each regional headquarters.

As a result of these reforms, we surpassed 1 trillion yen in net sales in 2017, three years ahead of the VISION 2020 target. In 2018, our operating profit rose to 100 billion yen, two years ahead of schedule. And in 2019, we reached our operating margin target of 10%.



Despite this steady growth, the spread of COVID-19 in 2020 rapidly changed the business environment and brought to light several management issues. Shift in consumer values and purchasing behavior required urgent changes to our business model, which had been based on high fixed costs footed in high gross profit margins. We reassessed this cost structure and aimed to improve profitability in the Americas and EMEA businesses, reduce our dependence on inbound tourist demand in the Japan business, and address other key issues.

In 2021, we took these challenges and the external business environments into consideration in order to formulate our medium-term strategy WIN 2023. Accounting for 2021 to 2023, WIN 2023 represents the first step toward our 2030 vision to become a "Personal Beauty Wellness Company."

Designed to solidify our foundation as a skin beauty company, WIN 2023 included implementing structural reforms to achieve an operating margin of 15%, restructuring our business portfolio, increasing cost competitiveness, and improving productivity and efficiency to enhance profitability.

Regarding our brand strategy, we concentrated our resources on skin beauty, an area of our strength and where strong market growth is expected. We aimed to promote our brands, expand our portfolio, and develop new businesses in this area. We targeted to increase our Skincare Sales Ratio to 80% by 2023 and already achieved over 70% in 2022.

In addition, we positioned digital transformation (DX) as crucial for rebuilding our business foundation, and we have thereby been expanding our skin diagnostic capabilities through data and beauty tech, accelerating e-commerce and omnichannel initiatives, strengthening our data analytics and digital marketing expertise, acquiring and training digital talent, consolidating our organizational structure, and increasing business collaboration with our partners. As a result, our e-commerce ratio grew to 33% in 2022, nearing our 2023 goal of 35%. We also established the R&D philosophy DYNAMIC HARMONY under our new R&D structure, revamped in January 2021, and to work on new strategies to drive innovation. For our supply network, we strengthened our production and logistics and started operations at three new domestic factories in Nasu, Osaka Ibaraki, and Fukuoka Kurume.

We improved our profitability and financial base through these initiatives, but our net sales and profits for 2022 continue to be challenging, primarily due to the sluggish recovery of markets in Japan and China because of COVID-19.



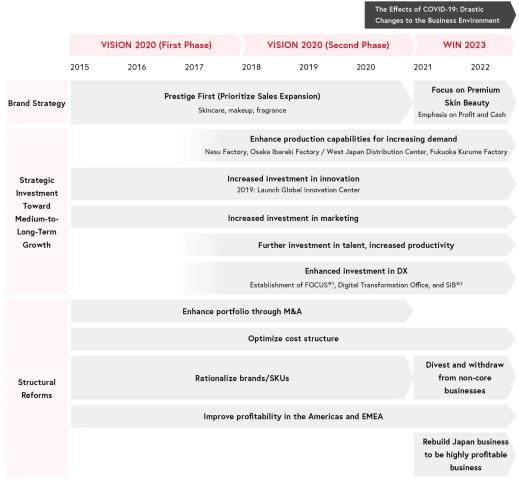
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	VISION 2020 (First Phase) Rebuild Our Business Foundation	VISION 2020 (Second Phase) New Strategy to Accelerate Growth	WIN 2023 Solidify Our Foundation as a Skin Beauty Company
Brand Strategy	Prestige First Strategy Select and concentrate on areas of global prestige, and strengthen our portfolio Increase our investment in marketing and innovation Multichannel deployment	Accelerate Prestige First Expand selection and concentration of brands and businesses Develop new areas of business and accelerate DX Increase investment in innovation	Focus on Skin Beauty Nurture brands and strengthen portfolio Expand innovation through external collaborations Develop the inner beauty category
Management and Organization	Build a Global Management Model Establish a global matrix to integrate regions and brands, delegating responsibility and authority to the leader of each region for flexible decision making Introduce Centers of Excellence*1	Enhance Global Talent and Organizations • Accelerate our PEOPLE FIRST strategy • Evolve our global management model • Advance ESG management	Rebuild the Business Foundation Become a truly sustainability- focused company Build a digital-driven business model and organization Further diversify our talent and organization
Structural Reforms	Build the Business Foundation Reform our cost structure Transition to a digital business model Diversify our organization and talent	Build a Global Management Model Strengthen our production and supply systems Improve profitability in the Americas and EMEA Reduce the number of SKUs	Improve Profitability • Structural reforms (Scale to more than 200 billion yen) • Improve cost competitiveness and productivity

^{*1} The function leading our global strategy planning and product development by gathering information and conducting surveys in the most advanced regions of the world for each respective category, such as Japan for skincare, the Americas for makeup and digital, and EMEA for fragrances



Transitions in Investment and Structural Reforms



^{%1} First One Connected and Unified Shiseido

Since the launch of VISION 2020 in 2015, Shiseido has accelerated selection and concentration, aggressive investment and structural reforms.

We approach capital investment in line with our growth strategies to put Prestige First and Focus on Skin Beauty. Accordingly, we have improved our production and distribution by building the Nasu Factory (operating since December 2019), the Osaka Ibaraki Factory and West Japan Distribution Center (operating since December 2020), and the Fukuoka Kurume Factory (operating since May 2022). These plants are responsible for manufacturing skincare products, and they have all contributed to expanding capacity, ramping up in-house production, improving production efficiency, and enhancing environment responsibilities.

At the same time, we made progress on strengthening our R&D activities. We built the Shiseido Global Innovation Center in Yokohama (opened in April 2019 and commonly referred to as S/PARK) and the Shiseido China Innovation Center (operating since October 2021) located in Shanghai Fengxian District in the Oriental Beauty Valley, a health and beauty industry-focused economic district.

^{※2} Shiseido Interactive Beauty



It is crucial to invest in areas like marketing and R&D for our growth. Under VISION 2020 and WIN 2023, we have endeavored to improve profitability and implemented structural reforms, while continuing to aggressively invest in enhancing brand value over the medium to long term by promoting brand selection and concentration. In addition to redesigning our store counters, offering better consumer touch points, offering samples, and conducting promotional activities, Shiseido accelerated its DX investments by building global ERP system and enhancing digital marketing using e-commerce and social networks. For DX, we established Shiseido Interactive Beauty Company, Limited. in 2021 in a strategic partnership with Accenture to operate as a subsidiary to accelerate DX in Japan. Also, FOCUS - our project to globally integrate our systems - is planned to finish rolling out in all regions by the first half of 2024.

In R&D, we focused on product development centering on our skincare brands and leveraged our expertise in basic research. Shiseido has been aggressively enhancing its R&D. We have announced our plans to raise the R&D budget from the lower 2% range in the first three years of VISION 2020 to around 3% for the medium term in WIN 2023.

For structural reforms, we endeavored in the first three years of VISION 2020 to establish the foundation for sound growth. First, we addressed a longstanding issue by optimizing distribution inventory in China and other Asian countries. At the same time, we integrated our back offices and other systems in the Americas and EMEA regions, as well as conducting cost structure reforms.

WIN 2023 is promoting global transformation that will concentrate resources on the premium skin beauty area by focusing on rebuilding our business portfolio, improving profitability, and DX. We implemented structural reforms on a scale exceeding 200 billion yen in sales, starting with the divestiture of the Personal Care business to the termination of our global licensing agreement of *Dolce & Gabbana* and transfer our prestige makeup brands *bareMinerals, BUXOM*, and *Laura Mercier*. These transformations have aided us in successfully establishing a robust revenue base for future growth.



Overview of 2022 Business Performance

(Billion yen)	2021	% of Net Sales	2022	% of Net Sales	YoY Change	YoY Change%	YoY Fx- Neutral%	Like-for-Like %*2
Net Sales	1,010.0	100%	1,067.4	100%	+57.4	+6%	-4%	+1%
Core Operating Profit	42.6	4.2%	51.3	4.8%	+8.8	+21%		
Non-recurrent items	58.0	5.7%	-4.8	-0.4%	-62.8	-		
Operating Profit	100.6	10.0%	46.6	4.4%	-54.0	-54%		
Profit Before Tax	99.1	9.8%	50.4	4.7%	-48.7	-49%		
Income Tax Expense	49.7	4.9%	12.8	1.2%	-36.8	-74%		
Profit*3	46.9	4.6%	34.2	3.2%	-12.7	-27%		
EBITDA*4	94.5	9.4%	102.4	9.6%	+7.9	+8%		

^{*2} Excludes FX and business transfer impacts

Robust sales in the Americas, EMEA, and Travel Retail offset year on year revenue decline in China caused by uncertain environments, including the continued spread of COVID-19 and China's Zero-COVID policy. In Japan, the market for mid-priced products began to recover in the second half of the year; however, delayed recovery in the first half resulted in flat year on year performance. E-commerce sales achieved positive overall growth despite the slowdown of China's largest e-commerce event, Double 11. High-prestige brands and product lines performed particularly well. Looking at the performance of specific brands, we saw Clé de Peau Beauté capture steady growth, mainly in China's high-prestige market, by strengthening the communication of its functionality and efficacy. Meanwhile, NARS and narciso rodriguez sustained robust global growth with new products, driving overall performance.

As a result, net sales increased 5.7% year on year to 1 trillion 67.4 billion yen, or 0.9% on a like-for-like basis excluding the impact of currency exchange and business transfers.

Our core operating profit increased by 8.8 billion yen to 51.3 billion yen. Key factors driving this increase include our continued flexible cost management across the Company, the reduction of fixed costs under structural reforms, the impact of the yen's depreciation, and our additional investments of 10 billion yen into medium- to-long-term sustainable growth, some of which are already producing results.

Profit attributable to owners of parent was 34.2 billion yen, a decrease of 12.7 billion yen year on year. In 2021, we recorded a 58 billion yen gain in non-recurrent items, in part due to gains on the transfer of our Personal Care business. In 2022, the impairment loss associated with the transfer of manufacturing business for personal care products was partially offset by gains earned on transferring our Professional business, resulting in a loss of 4.8 billion yen in non-recurrent items.

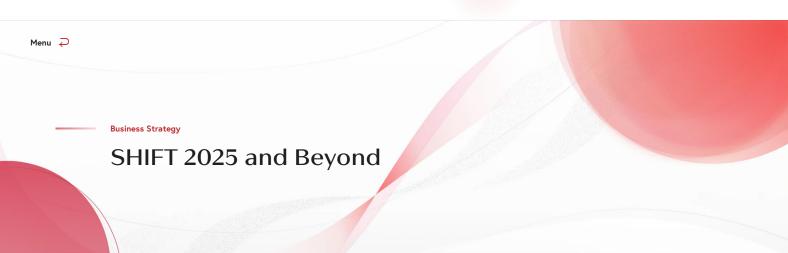
^{*3} Profit Attributable to Owners of Parent

^{*4} Core Operating Profit + Depreciation and Amortization (excl. amortization of right of use)



Messages from the CEO/COO Value Creation





Our Vision for 2030



Shiseido aims to "Be a Global Winner with Our Heritage," and our vision for 2030 and beyond is to become a "Personal Beauty Wellness Company."

Shiseido envisions "a sustainable world where everyone can enjoy lifetime of happiness through the power of beauty." This is a society rich in diversity, where every individual is respected and everyone can play an active role—, and in order to realize this, we need a global environment in which people can enjoy beauty in a sustainable manner. To this end, Shiseido aims to become a company which integrates skin beauty and wellness for each individual consumer, and to become the most trusted beauty company by promoting sustainability activities.

In terms of consumer values, we expect to see a growing interest in health and personal beauty, and an increased awareness of "skin health," which is closely related to these values. Therefore, Shiseido will focus on skincare and sun care backed by science, as well as new concepts including clean, natural, and derma beauty. At the same time, we will leverage our knowledge and R&D capabilities in skincare to expand the value of our makeup, fragrance, beauty devices, and other products while also pioneering areas such as inner beauty, ingestible, and wellness in



order to deliver new value of health beauty.

In order to provide these values to each consumer as beauty experiences tailored to preferences of each customer, we will accelerate the building of digital platforms incorporating a variety of data and content, and data-driven business activities.

Background of Strategy Formulation

Medium-Term Strategy: WIN 2023

Achievements

- · Selection and concentration to improve profitability
 - Brand portfolio reorganization through divestitures
- · Improvement of Americas and EMEA profitability
 - Skin beauty brands sales ratio expansion
- DX Acceleration and FOCUS implementation
- Establishment of cutting-edge factories and logistics network
- · Establishment of a strong financial base

Outstanding Points to be Tackled

- · Considerable delay in Japan business growth recovery
 - Recovery from prolonged impact from COVID-19 and mask habits
- Revamp brands, executional capabilities, organizations, and cost structure
- · China economic recovery from COVID-19 impact
- · Global inflation and surge in material costs
- · Geopolitical risks such as Ukraine etc.

To achieve our vision, Shiseido has been promoting our medium-term strategy WIN 2023 since 2021. We have progressed brand selection and concentration in the skin beauty category, implemented structural reforms with a business scale of ¥200 billion, and turned around profitability of Americas and EMEA businesses, our long-standing concern. We also reinforced DX, innovation, production, and supply network.

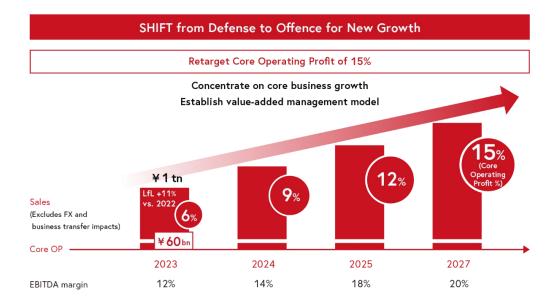
However, the Japan business, which accounts for a large proportion of both sales and profits, struggled due to COVID-19. In addition to a significant delay in market recovery, a fundamental review of the business structure was necessary to revitalize the business. The China business was also significantly affected by the impact of economic slowdown due to the pandemic. It is also important to respond to rapidly growing global risks, such as rising global inflation, increasing raw material costs, and geopolitical risks.

Against this backdrop, in 2023, Shiseido formulated its new medium-term strategy, "SHIFT 2025 and Beyond."



/HI/EIDO

Outline of Our Medium-Term Strategy



Based on the past achievements and challenges, under the theme of "SHIFT from Defense to Offense for New Growth," we will aggressively make investments and drive sales growth, thereby re-targeting an operating profit margin of 15% by 2027, as set forth in WIN 2023. We believe that 15% core operating profit margin is an essential profitability level to compete globally, and in order to achieve this level by 2027, we aim to achieve a core operating profit margin of 12% by 2025. In the three years through 2025, we will sharpen our globally recognized intangible assets of brands, innovation, and service, to further strengthen our unparalleled unique value. At the same time, we will establish a value-added management model which delivers a high gross margin business structure and premium pricing, by maintaining high quality and safety.

Our focused areas of investment is brands, innovations, and people; by investing aggressively in these areas, we aim to achieve continuous, stable growth and shift to a highly profitable structure.

In the Japan business, our most important market, we will invest aggressively in skin beauty category, and accelerate the establishment of loyal user base and cost structural reforms that we have undertaken to date, and aim to achieve core operating profit over 50 billion yen and to establish a sound business structure. In terms of SG&A ratio, our target is to achieve low 60% by 2025.

In the China business, in order to steadily win in the increasingly fierce competition, we need to build a foundation for sustainable growth through marketing reforms that emphasize quality over quantity, while expanding our brand portfolio and developing new business domains. In 2025, we aim to improve our core operating profit margin by five percentage points relative to 2022⁻² through better brand mix, DX enhancement, office and store optimization, etc. In the Asia Pacific business, which we see as a promising market for the future, we will establish

^{*1} The Company has adopted International Financial Reporting Standards (IFRS) in lieu of the previously applied Japanese GAAP since the first quarter of the fiscal year ending December 31, 2022. Core operating profit = Operating profit - Non-recurrent items

^{*2} Excluding impact of changes in transfer price



a business foundation through strengthening our prestige brands, etc. In the Americas business, which is the world's largest beauty market and we position as our next growth pillar, we will continue to strengthen NARS, SHISEIDO, and Drunk Elephant as our core brands, while promoting local innovation and establishing unique growth foundations. In the EMEA business, where profitability has improved through structural reforms, we will enhance our skincare portfolio and promote the fragrance business to contribute to profits. Additionally, we will capture consumer interest in sustainability and actively investing in Ulé and Gallinée, with the aim of developing them into global brands in the future. In the Travel Retail business, we will capture the recovery in the number of international travelers and strengthen our investment in Hainan Island and in prestige brands, to promote the unique value for travelers.

At the same time, we will work to develop new markets for the future, including inner beauty and ingestible.

Achieve steady growth through aggressive investments and realize a profitable business structure

For Further Global Growth Acceleration

- Rebuild earnings base by bringing back growth in Japan
- Win in China (China Business, Travel Retail Asia)
- Build a foundation for growth in Americas as the next growth pillar
- Develop new markets for the future

Key strategies







Continuous DX Acceleration

We are continuing to accelerate DX to realize our digital vision of becoming the "Global No.1 Data-Driven Personal Skin Beauty & Wellness Company." We aim at the e-commerce sales ratio of 40% and digital media ratio of 90%, as well as at the improvement of digital capabilities of our employees.

We will aim to expand our consumer data, maximize life-time value and promote personalization through CRM, and at the same time, in terms of innovation, we will provide skin diagnosis using AI, and beauty tech experience both online and offline. In terms of people, who will be the driver of such activities, in addition to the improvement of their digital literacy, we will have them establish and acquire special knowledge of digital data specific to the region, and support them with marketing and brand building using the latest technologies.

In terms of FOCUS, our business transformation project through building and implementing integrated core system, we have already implemented the system in the Americas, Asia, and China. By the first half of 2024, we plan to complete implementation in all regions and standardize data, processes, and systems globally. In the second phase of the project, we plan to implement FOCUS at all our factories and R&D bases by the end of 2025 and to improve process efficiency through data standardization.

In pursuing these initiatives, we are also reforming our organizational structure; we plan to build a Global One IT organization in 2024 and to enhance our in-house development capabilities.

Global No.1 Data-Driven Personal Skin Beauty & Wellness Company					
	E-commerce Sales Ratio	Digital Media Ratio	Digital Talent Upskilling		
2025 Target	40%	90%	SHISEIDO+ DIGITAL ACADEMY 40%		
2022	33%*	84%	8,300 employees 20%		

X Excludes FX and business transfer impacts

Employees in the Digital Academy

To Be the Most Trusted Beauty Company

Shiseido aims to become the world's most trusted beauty company, and focus on sustainability activities through "beauty".

At present, regarding environmental initiatives, we are making steady progress in reducing CO_2 emissions and water use, and we will enhance our efforts for the achievement of the 2030 targets of Scopes 1, 2, and 3. Additionally, we aim to achieve 100% sustainable packaging by 2025^{-3} .

An example that symbolizes such efforts is the expansion of refillable and replaceable

^{*3} For products with plastic packaging



packaging, an initiative unique to Japan. In the case of *ELIXIR* lotion where the efforts are progressing in particular, we have calculated that conversion to refillable / replaceable packaging will lead to an 85% reduction in plastic use and more than a 50% reduction in CO_2 emissions. In Japan, we have achieved great success with *ELIXIR*, where the use of "refill" packaging exceeds 50%, and we hope to expand this custom and culture worldwide.

In terms of diversity and inclusion (D&I), Shiseido will become the leading company, further evolve our own initiatives, and focus on the supporting activities of women's advancement. As an internal initiative, we aim for a gender ratio of 50:50, a symbol of equal opportunity, at all levels of the organization by 2030. And at the D&I Lab, we aim to verify the process in which different values and ways of thinking generate new innovations by diverse people resources exercising their potential, to demonstrate the causal relationship to the corporate growth. The findings obtained in these researches will be disclosed not only within the Company but also outside the Company, in order to contribute to the promotion of the growth of the Japanese economy through achieving D&I.





Business Strategy

The Challenges and Evolution of the Japan Business

Director
Senior Executive Officer
Japan Region CEO
Norio Tadakawa



Our reforms are steadily delivering results. We will continue reforms focusing on agility and lead the Company's return to growth trajectory and value creation.

Q1. From your perspective of having served as Shiseido Group CFO and Chief Supply Network Officer, what do you think Japan business is expected for?

A. The Japan Business has led and will continue to lead Shiseido's value creation.

Although the prolonged impact of COVID-19 has certainly made things difficult, the positioning of the Japan business has not changed and will continue to serve an important role going forward.

Let me explain it from both financial and value creation perspectives. From a financial perspective, the Japan business is responsible for generating profit and cash with its high profitability. With over one hundred years of accumulated business, our Japan business prides itself on its strong brand equity and trusting relationship with customers, and it has accounted for a large portion of Shiseido Group's overall profits. During the 10 years preceding the pandemic, its operating margin ranged between the high single digits and 20%. Given that Japan is a mature market, maintaining stable profit is more important than high sales growth.

In terms of value creation, since Shiseido is a company with a Japanese heritage, consumers around the world expect the high quality and value coming from Japan. The Japan business will continue to be a source of value creation and is responsible for creating new values and communicating them to the world. When I talk with investors and analysts, I find they have particularly high expectations in this regard.

Shiseido's value creation is based on high quality backed by strict internal standards and the ability to create new values by bringing together different values such as East and West, art and science, etc., which has been Shiseido's uniqueness and driving force since its founding. This has only been possible because we have continued to refine our technological advantages in R&D, quality inspection standards, and in-house design and advertising creation. By combining these with external knowledge and technology, we will be able to evolve even further.



Q2. What do you focus on most in managing the Japan business?

A. Most important is agility.

In the consumer business, it is important to quickly identify changes in consumer demand and expectations that are triggered from the changes in the environment, and to develop products and provide value in a flexible manner, even with future uncertainty.

One example is the MAQuillAGE mask-proof BB cream, which is a daytime tinted face cream that does not easily come off from mask usage. We launched this product in only 4 months after the product planning proposal, which became a phenomenal success. I was the Chief Supply Network Officer when the product planning started, and I was the Japan Region COO when the product was launched in the market in November 2020. Shiseido would normally manufacture and launch products through an elaborate step-by-step process from product planning, raw material verification, quality inspection, and production design, until launch, which would take about 13 months. However, a cosmetics product that would stay on the face and not come off from mask usage was an immediate need by consumers. With an aim to quickly deliver what the consumers required, we formed a project team and shortened development lead time by having different departments including product development, research centers, production and procurement, and creative, work in parallel. Shiseido's strength lies in our cumulative knowledge, technology and systems that allows for rapid development. It was meaningful that project members were able to build confidence and understand that they could achieve what used to be considered impossible.



Q3. Please explain the key points to reforming the Japan business.

A. We are pursuing consumer-driven marketing to expand our loyal customer base.

In the Japan business, we are implementing reforms continuously to improve profitability and expand our loyal customer base.

Our biggest regret prior to 2019 was that we were not as attentive as we would have liked with local loyal customers as the store-front became too busy responding to the rapid increase in inbound demand. Regular users, or repeated consumers, are no doubt very important to us, as they support our brands. In the Japan business, 60-70% of our overall business is from repeating consumers. Amid the significant market shrinkage due to the impact of pandemic, our most important challenge and priority in the Japan business would



be rebuilding our loyal customer base. And from 2020, we have immediately established a management approach that separates local and inbound operations in order to make appropriate business decisions.

Since then, we have prioritized issues and taken swift actions, and as a result, the number of loyal customers and the rate of repeat store visits, both of which we consider to be important KPIs, are on an increasing trend. After bottoming out in July 2022, the number of new consumers exceeded the number of departing consumers, and the loyal user base turned into an upward cycle.

From the past, the Japan business had an issue that it had a large number of brands and SKUs, therefore the investments were dispersed. But during the several years of pandemic, we advanced the selection and concentration of business, aiming to become the world's No.1 company in skin beauty, proactively investing in prestige and premium skin beauty categories, while at the same time striving to increase both sales and market share by expanding loyal user base through enhancing communication of the value of our innovations.

In terms of profitability improvements, we are steadily taking actions and will be bringing measurable results. We have set a target of SG&A-to-sales ratio in the low 60% range in 2025, and its roadmap is already in place.

In addition to improving the product mix by expanding the skin beauty sales ratio, we are reviewing logistics, including reducing returns and excess inventory, shortening production lead time to reduce inventory and warehousing expenses, and improving delivery efficiency. These efforts will decrease costs and also help build a sustainable society. Regarding personnel expenses, we will be optimizing our offices across Japan and improving employee work styles and business processes to maximize our ability to retain talent and boost productivity.

Q4. Could you also tell us about your reforms in digital marketing?

A. We are strengthening our digital capabilities to provide products and services tailored to each individual consumer.

In the wake of society's "new normal," consumers' values and lifestyles are changing rapidly, and their purchasing behavior and ways of gathering information are also diversifying. In our business in Japan, we have been shifting away from TV, newspaper ads, and other forms of traditional mass media that communicate the same message to everyone. Instead, we are pursuing a CRM strategy that focuses on social media and other forms of digital communication, allowing us to reach consumers at the individual level. But this is just one way of reaching people. The important thing is to build new relationships with each consumer utilizing both real interaction and digital interfaces.

In September 2022, we introduced Beauty Key in Japan, a new central membership service consolidating previously offered services. To provide an optimal beauty experience for each



and every person, it is essential that we consolidate all of the consumer data that exists for individual sales channels and brands across our stores and e-commerce into a single service. Digital CRM is only meaningful when it is connected to a physical store. In introducing this One ID system, we faced many challenges to realize data consolidation across various retailers. However, eventually we had our business partners recognize how useful it is to maintain consumer information in one place with Beauty Key, such as skin diagnostic data and preferences, and this led to the implementation of the service. We are currently centralizing various types of information and developing a CRM system that makes the best use of such information. Also, we are digitizing in-store tools and training Personal Beauty Partners (PBPs) to specialize in digital communication. Our skin diagnosis technology, in particular, has become increasingly sophisticated. We have set up skin diagnosis tools by brand and are able to provide each consumer real-time personalized beauty suggestions based on such digital advances. In March 2022, we developed our Beauty DNA Program in Japan, a skincare service offered online by PBPs that is optimized for each user based on the results of DNA testing using our proprietary algorithms. We will continue expanding our base of loyal customers by leveraging digital technologies to provide new beauty experiences optimized for each individual and offering everyone a tailor-made experience to enhance their own unique beauty.





New membership service "Beauty Key"

Screen image of Beauty DNA Program

Q5. Finally, what are your aspirations as a leader of the Japan business and its transformations?

A. As a business that symbolizes Shiseido's core value, we will revitalize and grow the business through management that emphasizes diversity.

The recovery of the Japanese market was slower than anticipated, and we struggled through 2021–2022, but our reforms have gradually begun to deliver tangible results. In 2023, as the market starts to recover, we will shift to aggressive marketing, which should lead to significant growth.

In the future, we plan to accelerate the momentum of this business growth in Japan through marketing, R&D, and further DX.



People, of course, are vital to the success of this plan. Diversity is another key element to realize agility. In the past, we use to teach "the Shiseido way" to our employees, but today, we must appreciate the values of every individual to pursue a more diverse vision for beauty tailored to each consumer. That appreciation must extend beyond Shiseido, allowing us to facilitate collaborations with knowledge and values that exist externally.

Respecting individuality and inclusion require dialogue, and therefore I wish to encourage more active communication, both between management and the field and between employees themselves in the field. Our employees understand the importance of transforming our business to help our consumers pursue their unique beauty and bring joy and happiness to their lives. It is not easy to achieve sustainable growth while increasing profitability. But we are committed to having candid discussions with our employees to draw out diverse ideas, establishing necessary action plans, and uniting them all for further growth.

At Shiseido, we want each of our consumers to enjoy life to the fullest, and it is our mission to realize a world of beauty where that is possible. In pursuit of this goal, we will continue to integrate real and digital experiences to deliver value tailored to each individual, revitalizing our Japan business at the heart of Shiseido's value creation and propelling the company on a path to sustained growth. I hope you are excited as I am. Please stay tuned.

April 2023







Investment Strategies as a Skin Beauty Company



Under SHIFT 2025 and Beyond, Shiseido will provide a personalized experience for each of our consumers and become the world's No.1 in skin beauty. To that end, we will aggressively invest in our brands, innovations, and people to enhance our value creation.

Enhancing Investment to Strengthen Our Brands



We will define the strategic positioning of each brand in our portfolio to enhance its value. We have designated four global brands as top priorities—SHISEIDO, Clé de Peau Beauté, NARS, and Drunk Elephant—where we plan to invest heavily across all regions. In Asia, we will further develop brands such as ELIXIR and ANESSA. We will also add value to our fragrance business through our unique R&D. By focusing on the diverse consumer values and differences in regions, we will strengthen locally led value creation and product development at regional headquarters, just as BAUM has done in Japan and Ulé has in EMEA. Furthermore, we will expand the men's makeup and skincare markets, which hold incredible growth potential.



/HI/EIDO

Investment Strategies as a Skin Beauty Company

To nurture and grow these brands, we will increase our marketing investments by more than 100 billion yen⁻¹ between 2023 and 2025.

In addition, we will explore various investment opportunities through M&A and corporate venture capitals to develop new business areas

*1 Cumulative total increase over 2023-2025 compared to 2022



President, Global Brands

NARS, Drunk Elephant & Tory Burch

BARBARA CALCAGNI

The Future of Skin Beauty

The pandemic forever changed the way consumers shop and what they purchase. They are now hyper-focused on wellness and the health of their skin through efficacious ingredients. As a result, complexion and skincare have blended into one and clean, sustainable products with skincare benefits are highly in demand. Accordingly, *NARS* quickly pivoted its strategy and capitalized on these trends to give consumers what they were asking for.

In 2022, NARS launched Light Reflecting Foundation. This unique foundation is a makeup-skincare hybrid that defends skin against environmental stressors and strengthens the skin's natural barrier. In its first year of launch, Light Reflecting Foundation became No.1 launch in the prestige beauty category in the US market. As NARS moves forward, we will continue to leverage Shiseido's skincare technology to develop best-in-class innovation that integrates skincare benefits.

At *Drunk Elephant*, we believe healthy skin equals happy skin, and all products are created using only biocompatible ingredients that benefit the skin. While more than 60% of *Drunk Elephant*'s business is done in the US, we opened 25 new markets in 2021 and 2022. In the upcoming years, we will continue to have a laser focus on facial skincare as a way to fuel brand awareness and build loyalty. At *Drunk Elephant*, we are also actively focused on sustainability and are launching a refill program to drive replenishment. We feel confident *Drunk Elephant* will become one of the top global brands in the future.

I am incredibly proud of what *NARS* and *Drunk Elephant* have achieved and optimistic about the future. These two brands are the future of Skin Beauty and will continue to play an integral role in helping Shiseido become the world's No.1 skin beauty company.







April 2023

Strengthening Our Innovation and Supply Networks



Maximizing Shiseido's R&D capabilities globally is essential to enhancing our brand equity. Our Global Innovation Center (GIC) in Japan will expand basic research while collaborating with our five regional innovation centers around the world. Under SHIFT 2025 and Beyond, we will continue investing around 3% of our net sales into R&D to further strengthen this global network.

To boost the competitive advantage of our brands, we will focus on refining the high quality of Japanese products and strengthening our supply network to increase productivity and improve cost efficiency. We will raise the utilization rate of the three domestic factories we've established since 2019 in Nasu, Osaka Ibaraki, and Fukuoka Kurume. In a manufacturing line in the Fukuoka Kurume Factory, the productivity has improved by 300% by utilizing cutting edge technology including IoT and robots. We will roll out these advanced technologies to other plants as well.

Investment Strategies as a Skin Beauty Company

JHIJEIDO



Nasu Factory (Start of operations: Dec. 2019)



Osaka Ibaraki Factory, West Japan Distribution Center (Dec. 2020)



Fukuoka Kurume Factory (May 2022)







Investment Strategies as a Skin Beauty Company

Investing in People

We will also expand our investment in people, the source of value creation, to enhance our brands and accelerate innovation.

PEOPLE FIRST is our philosophy and is based on the belief that investing in our talent increases corporate value. SHIFT 2025 and Beyond represents a shift from defense to offense, and under this strategy, we will increase employee engagement to further evolve our workforce into a globally competitive team.

We have always valued diversity, and by focusing on diversity and inclusion, and encouraging diverse work styles, Shiseido strives to be a company that can attract highly skilled talent from around the world.

For talent development, we will reskill our people in digital through avenues such as the SHISEIDO+ Digital Academy, where more than 8,000 employees worldwide have already received training, and the Shiseido Interactive Beauty Company Limited, where we bring IT specialists together for intensive training. Under our job-grade-based HR system, we will continue to support career development for every individual, offering a variety of training and study abroad programs and investing considerably into leadership training.

To accelerate these initiatives, we plan to open Shiseido Future University in the autumn of 2023, a facility for the professional development of Shiseido's next leaders.











Click here for the full version of the Integrated Report <a>I

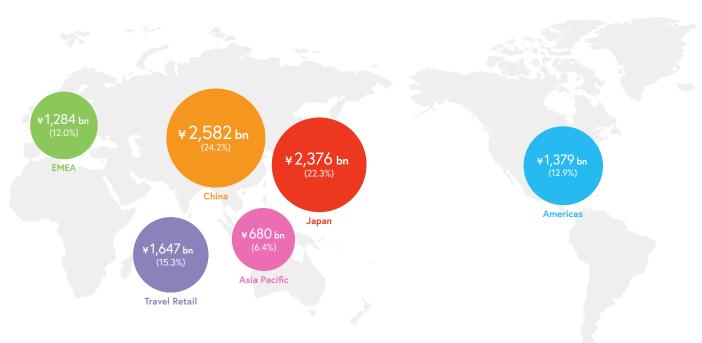
This text version PDF is a simplified re-edited version of the Integrated Report 2022 that is available on the web for those who wish to view on PDF





Net Sales by Region in 2022 and Major Brands

Net Sales (Sales Ratio)



Major Brands





Six Regional Headquarters and Our Global Management Structure



CEO, Shiseido Japan Norio Tadakawa

Career Summary

Norio Tadakawa joined Shiseido in 1989. After serving as head of overseas business and corporate planning, he led the transformation of the entire Shiseido Group as CFO from 2014 to 2019. Since 2019, he has carried out structural reforms in supply network, logistics, production, and other areas. He was appointed Chief Operating Officer of Shiseido Japan in 2020 and promoted to CEO in 2021.



CEO, Shiseido China **Toshinobu Umetsu**

Career Summary

Prior to joining Shiseido in 2011, Toshinobu Umetsu gained business expertise in brand management for global consumer brands and their marketing in Japan and Asia Pacific. As the head of corporate strategy, he led the launch of Shiseido Group's medium-term business strategies, including VISION 2020 and WIN 2023 and Beyond, as well as the executions of Group-wide transformation and new business development. He was appointed Global Chief Strategy Officer in 2019 and CEO of Shiseido China in 2023.



CEO, Shiseido Asia Pacific
Nicole Tan

Career Summary

Nicole Tan has spent more than 20 years in multiple leadership roles within the global beauty industry. Prior to Shiseido, she worked across various brands and geographies within the Estée Lauder Companies. She joined Shiseido Asia Pacific in October 2020 as its first-ever female regional CEO.





CEO, Shiseido Americas **Ron Gee**

Career Summary

Before turning to beauty, Ron Gee began his career at Kraft Foods, eventually transitioning to finance. He held various financial leadership positions within L'Oréal before serving as the Americas CFO of Coty. Ron joined Shiseido Americas in 2016 as CFO and was later appointed Global M&A Leader. He has also served as interim CEO from September 2020 and was promoted to CEO in 2021.



CEO, Shiseido EMEA **Franck Marilly**

Career Summary

With more than 25 years of beauty and luxury expertise, Franck Marilly has held several leadership roles in luxury brands and fragrances, having experienced business development and management in his 7 years at Unilever and 16 years at Chanel. He joined Shiseido EMEA in 2018 as CEO.



CEO, Shiseido Travel Retail **Philippe Lesné**

Career Summary

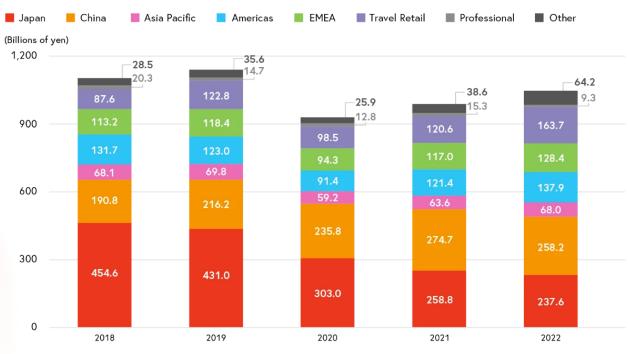
Philippe Lesné spent 15 years at LVMH Perfumes & Cosmetics on various leadership roles and international assignments. He joined Shiseido in 2009 as Managing Director, Travel Retail Asia Pacific to drive the growth of the duty-free business and was subsequently appointed CEO of Shiseido Travel Retail in 2015.

Since 2016, we have had in place a matrix organization that cross-matches six regions with brand categories. The regional headquarters are responsible for and have authority over their respective businesses. Guided by a "Think Global, Act Local" approach, these headquarters implement flexible decision-making and marketing activities attuned to the needs of local consumers.



2022 Results

Net Sales by Reportable Segment²



- 11 The Company has adopted International Financial Reporting Standards (IFRS) in lieu of the previously applied Japanese GAAP since the first quarter of the fiscal year ending December 31, 2022, and the figures for the fiscal year ended December 31, 2021 have also been reclassified to the IFRS basis. Core operating profit = Operating profit Non-recurrent items
- *2 Net sales from regional sales subsidiaries related to the Personal Care business, previously recorded in the Japan, China, and Asia Pacific Businesses, are no longer recorded with some exceptions from July 1, 2021 due to the transfer of the said business and resulting changes in commercial distribution.

 Meanwhile, Personal Care products sales from the Company and its manufacturing subsidiaries to FineToday Co., Ltd. (which has changed its company name from "Fine Today Shiseido Co., Ltd." effective January 1, 2023) and its affiliates are recorded in the Other segment effective from the same date.



Regional Overview

Net Sales by Reportable Segment³

(Billions of yen)	2021	2022	YoY Change	YoY Change %	YoY Change FX-Neutral %	Like-for-Like %*4
Japan	258.8	237.6	- 21.3	- 8.2%	- 8.2%	+ 0.3%
China	274.7	258.2	— 16.5	- 6.0%	- 18.3%	- 9.8%
Asia Pacific	63.6	68.0	+ 4.4	+ 7.0%	- 3.7%	+ 13.0%
Americas	121.4	137.9	+ 16.5	+ 13.6%	- 4.7%	+ 8.8%
EMEA	117.0	128.4	+ 11.4	+ 9.8%	+ 3.3%	+ 4.0%
Travel Retail	120.6	163.7	+ 43.1	+ 35.7%	+ 15.3%	+ 14.2%
Professional	15.3	9.3	-5.9	- 38.9%	-43.1%	-
Other	38.6	64.2	+ 25.6	+ 66.4%	+ 64.5%	- 3.4%
Total	1,010.0	1,067.4	+ 57.4	+ 5.7%	- 3.9%	+ 0.9%

^{*3} Net sales from regional sales subsidiaries related to the Personal Care business, previously recorded in the Japan, China, and Asia Pacific Businesses, are no longer recorded with some exceptions from July 1, 2021 due to the transfer of the said business and resulting changes in commercial distribution.

Meanwhile, Personal Care products sales from the Company and its manufacturing subsidiaries to FineToday Co., Ltd. (which has changed its company name from "Fine Today Shiseido Co., Ltd." effective January 1, 2023) and its affiliates are recorded in the Other segment effective from the same date.

^{*4} Excludes FX and business transfer impacts



Core Operating Profit by Reportable Segment

	2021		2022			YoY
(Billions of yen)	Core Operating Profit	Core OPM %*5	Core Operating Profit	Core OPM %*5	YoY Change	Change %
Japan	6.5	2.3%	- 13.1	- 5.4%	— 19.6	-
China	4.1	1.5%	- 3.9	- 1.5%	- 8.0	-
Asia Pacific	5.0	7.7%	4.7	6.6%	- 0.3	- 6.6%
Americas	1.6	1.3%	7.7	5.4%	+ 6.0	+ 371.6%
EMEA	2.7	2.1%	6.9	5.0%	+ 4.2	+ 155.9%
Travel Retail	22.7	18.8%	37.7	23.0%	+ 14.9	+ 65.7%
Professional	0.7	4.5%	0.8	7.7%	+ 0.0	+ 5.0%
Other	14.1	5.2%	6.1	2.0%	- 8.0	- 57.0%
Subtotal	57.5	4.5%	46.8	3.5%	- 10.8	— 18.7 %
Adjustment	— 15.0	-	4.6	-	+ 19.5	-
Total	42.6	4.2%	51.3	4.8%	+ 8.8	+ 20.6%

^{*5} Calculated using net sales including intersegment sales, or sales including internal transfers between accounts.



Operating Profit / Core Operating Profit Margin by Reportable Segment(%)¹⁶

	2018	2019	2020	2021	2022
Japan	18.8	16.7	2.9	2.3	- 5.4
China	12.8	13.5	7.8	1.5	– 1.5
Asia Pacific	11.1	10.2	5.3	7.7	6.6
Americas	- 8.7	- 4.6	— 19.5	1.3	5.4
EMEA	- 6.4	– 1.7	- 12.9	2.1	5.0
Travel Retail	20.0	25.4	14.8	18.8	23.0
Professional	3.9	2.2	- 0.3	4.5	7.7
Other	- 4.4	– 5.6	2.7	5.2	2.0

^{*6} The ratio of operating profit (loss) to net sales shows operating profit or loss as a percentage of total sales including intersegment sales, or sales including internal transfers between accounts. The Group has revised its reportable segment classifications from the fiscal year 2022. The business results of Shiseido Beauty Salon Co., Ltd., previously included in the Other segment, are now included in the Japan Business. The business results related to the brand holder functions of the NARS and Drunk Elephant brands, previously included in the Americas Business, are now included in the Other segment. The segment information for the fiscal year ended December 31, 2021 has been restated in line with the reclassification.



Japan Business

Strategic Direction

We will shift to aggressive marketing in Japan and return to a growth trajectory that outperforms the market through concentrated investment in the skin beauty category and constant product innovation.

In addition, we will advance structural reform to rebuild our earnings base.

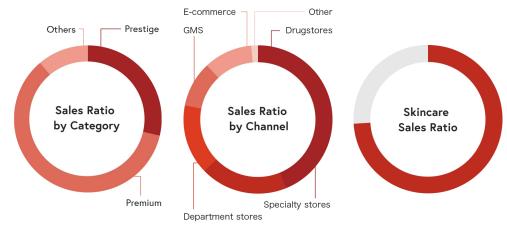
Net Sales:

¥237.6_{bn}

Core Operating Profit

Core Operating Profit Margin

Related Data



^{*} Excludes business transfer impacts

Market Environment

The first half of 2022 saw polarized consumption, particularly with customers trading down from mid-priced to low-priced products. In the third quarter, traffic recovered in department stores due to increasing opportunities to go out. The market for mid-priced products also began to recover in the second half of the year. Traffic from international tourists also gradually recovered starting in the fourth quarter.



Regional Overview

2022 Review

Strengthening Our Foundation for Further Growth: Revamping ELIXIR Lotion & Emulsion and the Introduction of "Beauty Key" Membership, etc.

- The mid-priced market, which had been slow to recover from the impact of COVID-19, started to show signs of recovery in the second half of the year.
- We continued to strengthen strategic investments in skin beauty brands throughout the year, through promotions commemorating the 150th anniversary of the Company's funding, etc.
- In September, we launched renewed *ELIXIR* lotion and emulsion with the latest collagen technology.
- We introduced Beauty Key, a new membership service that consolidates the different services
 previously offered by each sales channel such as stores and e-commerce, and by each brand.
 Beauty Key allows us not only to offer counseling services to our customers tailored to their
 needs, but also to further strengthen digital communication.



ELIXIR lotion and emulsion revamped September 2022



New membership service "Beauty Key



China Business

Strategic Direction

In light of the diversification of consumer values and stabilization of market growth, we practice 'quality'-oriented marketing that focuses on brand building and increasing the number of loyal users without overly relying on large-scale promotions and price promotions. We will focus on enhancing consumer experience, developing and fostering exclusive products, and improving customer relationship management (CRM) using our own data platform.

Net Sales:

*258.2_{bn} *-3.9_{bn}

Core Operating Profit

Core Operating Profit Margin

Related Data



Excludes business transfer impacts

Market Environment

The market slowed down significantly in the first half of 2022 due to lockdowns in Shanghai, etc. In the second half of the year, too, the cosmetics market slowed down due to intermittent lockdowns in several cities and changes in consumption trends, including the consumers' saving on the rise. The market for Double 11, China's largest e-commerce event, also dropped significantly below 2021 levels.



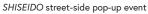
Regional Overview

2022 Review

Transition to Sustainable Growth through Enhanced Value Communication

- We promoted a shift from growth centered on large-scale promotions to sustainable growth through better communication of the true value of our brands and products based on consumer needs.
- We outperformed the market and achieved year-on-year e-commerce sales growth, despite a significant decline below 2021 levels in the market of Double 11, China's largest e-commerce event.
- Expanding into major platforms and strengthening communication focused on effects and efficacy were successful.
- We enhanced provision of experience value unique to real stores and continuous initiatives to expand our loyal consumer base.







Clé de Peau Beauté promotion on TikTok



Asia Pacific Business

Strategic Direction

We are continuing to strengthen our portfolio of prestige brands while, at the same time, focusing on business development to meet the unique needs of the region. In addition, we established and expanded our business base to steadily capture expected market growth in India and other markets.

Net Sales:

¥68.0_{bn}

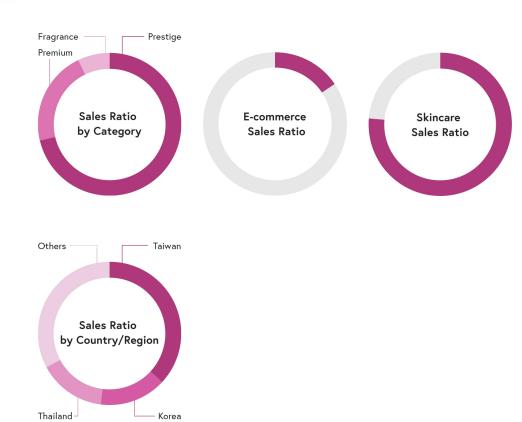
Core Operating Profit

*4.7_{bn}

Core Operating Profit Margin

6.6%

Related Data



* Excludes business transfer impacts



Regional Overview

Market Environment

Markets recovered in many countries and regions (except Taiwan) as economic activity normalized in 2022.

Taiwan has experienced a recovery trend since the third quarter.

2022 Review

Continued E-commerce Sales Growth by Expansion to Major E-commerce Platforms

- We experienced substantial growth in countries and regions such as South Korea and Southeast Asia due to increased customer traffic to brick-and-mortar stores tied to economic reopening.
- E-commerce sales continued to grow thanks to efforts including further expansion to major e-commerce platforms and increased opportunities for consumer contact through digital technology.
- Brand leaders SHISEIDO, Clé de Peau Beauté, NARS, and ANESSA drove overall growth.



ANESSA Perfect UV Skincare Milk



Americas Business

Strategic Direction

We have established a robust business foundation after accomplishing the necessary structural reforms. Our attention will now shift towards reinforcing our foundation for future growth as the next key pillar of expansion. In addition to aggressively strengthening our brands, we will focus on promoting locally generated innovation and evolving our consumer engagement by using digital technologies.

Net Sales:

*137.9 bn

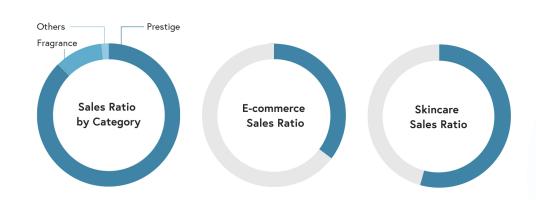
Core Operating Profit

¥ **7.7** bn

Core Operating Profit Margin

5.4%

Related Data



^{*} Excludes business transfer impacts

Market Environment

The beauty market grew across all categories as economic activity normalized. The prestige beauty market remained strong despite the inflationary pressure and recession concerns.



2022 Review

Strong E-Commerce Growth through Enhanced Digital Marketing

- The beauty market continued to grow across all categories as the impact of COVID-19 eased and economic activity normalized.
- NARS expanded market share thanks to the success of its new product, Light Reflecting Foundation, and robust e-commerce growth stemming from enhanced digital marketing.
- Brand SHISEIDO also performed well due to strengthening promotions.



Light Reflecting Foundation, a new NARS product



EMEA Business

Strategic Direction

We aim to strengthen and nurture our prestige brands, building upon an earnings base enhanced by structural reforms and expanding our revenue in fragrance. We are also committed to exploring emerging skincare domains aligned with current market trends, such as sustainability.

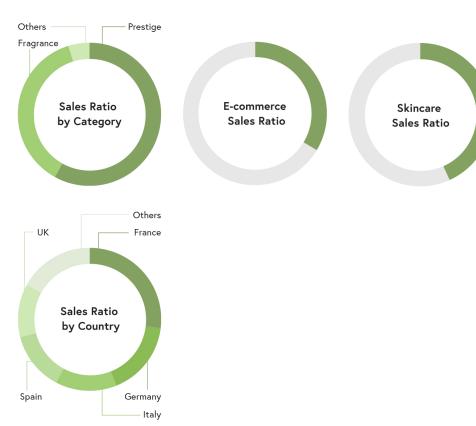
Net Sales:

*128.4_{bn} *6.9_{bn}

Core Operating Profit

Core Operating Profit Margin

Related Data



Excludes business transfer impacts



Regional Overview

Market Environment

The beauty market grew across all categories as economic activity normalized and showed no decline in consumer purchase, remaining strong despite the concerns of inflation and recession. The makeup category showed particularly strong growth which had severe impact in 2021 due to COVID-19.

2022 Review

Prestige Brands Delivered Strong Growth

- NARS and narciso rodriguez achieved strong growth and increased their market share through promotions capturing demand recovery.
- Drunk Elephant expanded steadily, contributing to sales growth.



 $\it narciso\ rodriguez\ released\ the\ new\ fragrance$ MUSC NOIR ROSE.



Travel Retail Business

Strategic Direction

With the recovery of international travel and the growth in China's Hainan island, we will increase investment in our Hainan business and prestige brands and strive to differentiate our brands and products by offering items exclusive to Travel Retail.

Net Sales:

¥163.7_{bn} ¥37.7_{bn}

Core Operating Profit

Core Operating Profit Margin

23.0%

Related Data



Excludes business transfer impacts



Regional Overview

Market Environment

The market slowed after the second quarter due to the impact of the Shanghai lockdowns, and the Hainan lockdown in August. Meanwhile, travel continued to pick up, and number of travelers increased in the US and Europe as economic activities normalized. Tourism in Japan also began to recover with the easing of border restrictions.

2022 Review

Online and Offline Grew as International Travel Recovered

- Travel began to pick up again following the relaxation of COVID-19 restrictions, with rapid recovery centered in US and Europe.
- There was strong growth in Hainan despite the impact of lockdowns thanks to e-commerce growth and opening a new store in October at the world's largest duty-free shopping mall in Haikou.



Our newly opened store in Hainan at the Haikou International Duty Free Shopping Complex







Business Strategy

Message from the CFO

Director **Executive Officer** Chief Financial Officer

Takayuki Yokota



66 We will aim for core operating profit margin of 15% by strong sales achieved through enhanced brand marketing investments as well as cost optimization.

Q1. Please give us a review of the previous medium-term strategy WIN 2023 from a financial perspective.

A. When WIN 2023 was initially launched in August 2020, we assumed that the market would recover from COVID-19 in the second half of 2020 for China and the second half of 2021 for Japan, but these assumptions turned out very different. Due to the sluggish market recovery of our largest regions, Japan and China, both sales and profits fell far short of our initial plan. In particular, recovery of sales growth and profitability of our Japan business is now the most important points to be tackled.

In order to achieve "selection and focus" in our business, we went through major structural reforms which resulted in divesting over 200 billion yen in sales and completed the successive transactions as planned. As a result, the ratio of skincare sales expanded to over 70% and profitability in the Americas and EMEA significantly improved. As we went through a challenging business environment, we continued to invest for medium-to-longterm growth, accelerated digital transformation (DX), and establish new factories (Nasu, Osaka Ibaraki, Fukuoka Kurume), which are now running smoothly. These efforts have improved productivity and laid the foundation needed to support our future growth. In addition, the cash obtained through structural reforms was used to reduce interest-bearing debt, helping us secure a strong financial base and prepare the company for future growth.

- Q2. Could you explain the financial targets of SHIFT 2025 and Beyond, the new mediumterm strategy announced in February 2023?
- A. The strategy of SHIFT 2025 and Beyond is essentially to shift from defense to offense. We aim to expand sales and improve efficiency through strategic investments, increase



Message from the CFO

profitability and our capabilities to generate cash, and shift to a highly profitable business structure that allows us to generate the fund for continued future investment.

We aim to increase sales at a compound annual growth rate (CAGR) of 8% from 2023 to 2025 and CAGR of 6% for the following two years, starting from the base point of 0.9 trillion yen in 2022, which excludes the impact of business transfers. Until 2025, we are determined to focus on recovery in Japan and China while strengthening our brands to exceed market growth in each region and gain share.

In addition to such robust sales growth, we will promote cost optimization in each region to achieve an operating profit margin of 15% as initially targeted in WIN 2023. Our core operating profit margin target in SHIFT 2025 and Beyond is 12% in 2025 and 15% in 2027, with EBITDA margins of 18% and 20%, respectively.

*1 The Company has adopted International Financial Reporting Standards (IFRS) in lieu of the previously applied Japanese GAAP since the first quarter of the fiscal year ending December 31, 2022. Core operating profit = operating profit - non-recurring items

	2022	2023 Plan		2025 Target	t	2027 Target
Net Sales	¥0.9 tn* (¥1.1 tn)	¥1.0 tn	•	vs. 2022* CAGR+8%	•	vs. 2025 CAGR+6%
Core Operating Profit Margin	4.8%	6%	•	12%	•	15%
EBITDA Margin	9.6%	12%	•	18%		20%

The starting point of CAGR +8% is the 2022 Net Sales excluding impact of foreign exchange translation and business transfers

Regarding capital efficiency, we will drive growth by leveraging the financial base established through previous structural reforms.

With higher profitability, we will increase the return on invested capital (ROIC)—our most important capital efficiency indicator—and return on equity (ROE) to 12% and 14%, respectively, in 2025.

With major investments, including structural reforms and production site construction, completed, free cash flow is expected to reach 100 billion yen⁻² in 2025. In terms of financial stability, we are targeting a net debt-to-equity ratio of less than 0.2 and a net debt-to-EBITDA ratio of less than 0.5 by 2025. Our policy to maintain a single A rating remains unchanged, which allows us to finance the required sources of funds for future investments at low cost and in a timely manner, and we will continue to monitor capital efficiency to control our financial leverage.

*2 Excludes cash outflow related to M&A



THITEIDO

		2022	
Return on capital	ROIC	5.2%	12%
improvement	ROE	6.0%	14%
Co. L. marrowski and	Free Cash Flow	¥5.4 _{bn}	¥100 bn ^{*1}
Cash generation capability improvement	DSI	150 days (210 days ^{※2})	180 days
Carried Communications and a second	Net D/E	0.05 ×	0.20 × or less
Sound financial position	Net D/EBITDA	0.31 ×	0.50 × or less

^{%1} Excluding cash-out related to M&A

Q3. Please explain the key points to achieving your goals.

A. The biggest driver to achieve our target profit ratio is to expand sales. Shiseido plans to achieve a net sales CAGR of 8% by 2025, with Japan, China, and Travel Retail becoming the primary driver for businesses growth. In both Japan and China, it will be important to seize opportunities for market recovery and expand our market share through aggressive investment in skin beauty categories and to target Chinese consumers across these regions, including Travel Retail. We also plan to achieve growth that outperforms the market and expands the scale of our business in Asia Pacific, Americas, and EMEA.



*Excludes impact of foreign exchange translation and business transfers

The starting point of CAGR +8% is the 2022 Net Sales excluding impact of foreign exchange translation and business transfers

^{※2} Excluding impacts from product supply due to business transfer and from impairment loss (estimation)



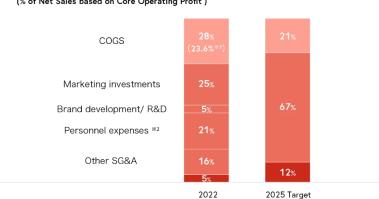
Message from the CFO

To transition to a high profitability business structure, one of our major targets for 2025 is to achieve a COGS ratio of 21%, an improvement of 2.6 percentage points compared to 23.6% on a like-for-like basis¹³ in 2022 while maintaining our SG&A ratio at 67%, the same level as 2022.

By promoting FOCUS¹⁴, we expect to drive cost reduction by decreasing the number of returns and inventory write-offs through improving forecast accuracy. Other drivers include further improvements to our brand and product mix, higher capacity utilization at new factories, reduction of outsourcing, and optimizing the supply network sites. Regarding SG&A, whilst making additional investments of more than 100 billion yen over the next three years to enhance brand values, it is essential to reduce personnel and other expenses ratio. We will reduce and optimize fixed costs by improving productivity and

- Excluding impacts from product supply due to business transfers, and FX
- FOCUS (First One Connected & Unified Shiseido) is the name of our business transformation project which emphasizes the standardization of business processes and the deployment of an integrated core systems to accelerate and improve productivity across our business

efficiency through the completion of FOCUS and cost structure reforms in each region.



(% of Net Sales based on Core Operating Profit)

*1 Excludes impacts from product supply due to business transfer and from impairment loss **%2** Including POS personnel expenses

Q4. What is your strategy for capital and cash allocation in maximizing corporate value?

A. We want to achieve a virtuous cycle by aggressive investment that drives profitability which enhances corporate value.

Our capital policy remains unchanged. We will improve intrinsic profitability and cash generation rather than increasing ROE through excessive leverage. We have set ROIC to be the most important indicator of capital efficiency, which we will continue to improve through various steps which include balance sheet management, reviewing our business portfolio, and selling idle assets that do not contribute to growth.

Under SHIFT 2025 and Beyond, we expect to generate a cumulative operating cash flow of 400 billion yen over three years by improving profitability through investment in brands, innovations, and people.

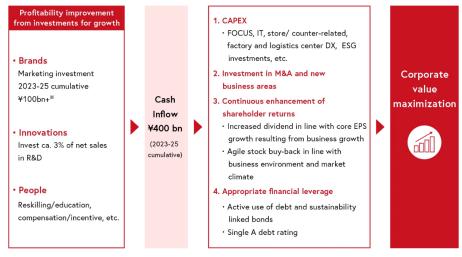
The cash generated will first be allocated to capital investments such as FOCUS, IT facilities in each region, DX for factories and distribution centers, and the introduction of advanced environmentally friendly equipment. We will also allocate sources to M&A and



new businesses and technology investments.

M&A will target specific areas that cannot be developed in-house or requires a faster pace of growth and to gain sufficient return on investment.

Shiseido is committed to enhancing shareholder returns in line with improved profitability based on stable cash dividends, while managing our financial leverage appropriately.

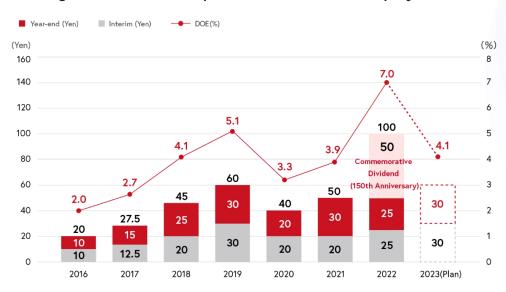


%Total increased amount vs. 2022,

Marketing investments include POS personnel expenses and are recorded as expenses

Furthermore, we will adhere to the previous policy to maximize shareholder returns both through immediate direct means, and though medium-to-long-term stock price increases. Upon determining our dividend levels, we consider consolidated financial results and free cash flow, aiming to realize long-term steady returns with a dividend-on-equity (DOE) ratio of 2.5% or higher. Shiseido is committed to increasing dividends in line with core EPS growth over the medium term, based on our earnings.

Changes in cash dividend per share / Dividend on equity (DOE)







∕HI∕EIDO

Q5. Finally, please tell us where you focus on as CFO.

A. As the CFO of Shiseido, my mission is to ensure steady execution of SHIFT 2025 and Beyond and drive transformation by acting as a catalyst in improving our profitability and cash generation whilst maintaining high governance and compliance standards.

I am the project owner of the FOCUS, a Group-wide project that aims to achieve many of the profitability improvements and corporate value enhancements I mentioned above. FOCUS mission is not merely system reform—it is digital business transformation. The introduction of a globally integrated enterprise resource planning (ERP) system across all regions will go live in the first half of 2024, followed by all factories and R&D facilities by the end of 2025. We have also prepared a roadmap of three phases—standardization, automation, and sophistication —as we head towards 2030. Many benefits are expected after the start of operation, including inventory optimization by improving the accuracy of supply and demand forecasting, reduction of slow-moving inventories, optimizing operational efficiency by developing global standard processes, and improvement of marketing ROI through data visualization. The global data obtained through FOCUS will help make real-time business analysis and more agile, sophisticated decision-making possible. By changing how each employee works, it will improve productivity and allow us to reallocate time to value creation. In this way, we will achieve our goal of becoming the "Global No.1 Data-Driven Skin Beauty & Wellness Company."

I believe that it is important to continue constructive dialogue with our shareholders and investors to increase our corporate value over the medium to long term. Shiseido will continue to provide information on market trends, strategy updates, and sustainability activities, as well as the achievements and challenges regarding our initiatives. I will make every effort to listen to the concerns of our shareholders and investors, address those concerns as management, and apply their perspectives in management and IR activities. We will also constantly examine more effective ways of disclosure to enhance dialogue with external parties.

April 2023

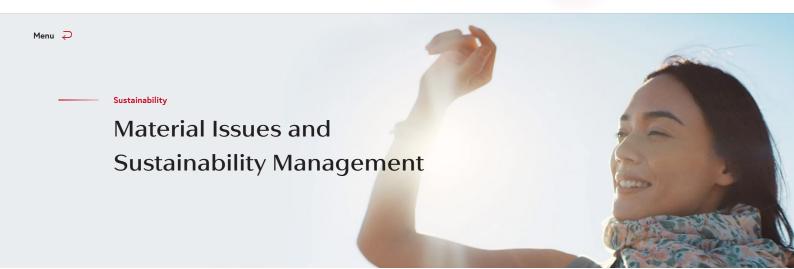
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Promoting Our Sustainability Strategy



We will create social value through our business in close collaboration with diverse internal and external stakeholders by setting social value at the core of our value creation.

Representative Director President and COO

Kentaro Fujiwara

In line with Shiseido's mission of BEAUTY INNOVATIONS FOR A BETTER WORLD, we are committed to realizing a sustainable world where everyone can enjoy a lifetime of happiness through the power of beauty toward 2030. Last year, we marked an incredible milestone and celebrated the 150th anniversary of our founding. We believe driving business by setting social value at the core of value creation to keep exceeding the expectations of our consumers from

We view sustainability as encompassing environment, society, economy, and corporate entities like us. In 2022, we incorporated functions to create and promote Shiseido Group's overall approach to sustainability into our Corporate Strategy department. We also established new sustainability functions within our major departments, working to create social value and address social issues through our core business.

For society, we will further strengthen diversity and inclusion. As one of Japan's leading companies in women's empowerment, we will encourage a further increase in the ratio of women in management positions, especially in Japan. In addition, we will continue to solve social issues through the power of beauty and fostering diverse talent globally.

For environment, we are accelerating the actions to reduce environmental impact, including CO_2 emissions reduction, and driving innovation of sustainable products. We are also engaging



consumers to help us reduce CO_2 emissions and plastic waste by encouraging refillable and replaceable packaging. At the same time, we established the new recycling model in collaboration with companies from other industries that have expertise in this area. Sustainability is becoming increasingly important for corporate management, which we also see as a growth opportunity. Together with our diverse stakeholders both internal and external, we endeavor to maintain a high level of transparency and work to create social value through our business.

Shiseido's Strategic Actions Toward Sustainability

Shiseido has established six strategic actions based on different material issues, three each in the areas of environment and society, in order to realize a sustainable world where everyone can enjoy a lifetime of happiness through the power of beauty.

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

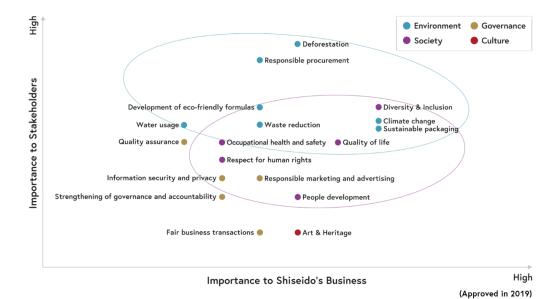
Our actions for the environment are based on the idea of *banbutsu shisei*¹ the phrase from which our company name "Shiseido" originates. We are working to develop technologies and business models that can reduce environmental impact and realize a circular economy. To do so, we are taking the following three strategic actions throughout the entire value chain: "Reducing our environmental footprint", "Developing sustainable products, and "Promoting sustainable and responsible procurement".

*1 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."



Material Issues

At Shiseido, we are committed to creating a sustainable world and enhancing people's sense of happiness and fulfillment through value creation, as we have done since our founding. To select social and environmental issues to be addressed through our business, we compiled a list of sustainability issues based on interviews, surveys, and discussions with stakeholders. We first examined the importance of these issues to Shiseido's business and to all of our stakeholders, from employees and consumers to business partners, shareholders, and society, and the earth. We then categorized and prioritized the issues along two axes and defined 18 material issues.





How We Formulated Our Material Issues

The following process was implemented to define material issues.



Identify social and environmental issues in consideration of all stakeholders based on their expectations and demands along with various perspectives collected from:

- · Experts in environmental and social fields globally
- Consumer feedback (from company surveys conducted in five countries)
- External surveys, reports from major international organizations (GRI, SASB, SDGs etc.), and investor feedback
- Executive officer^{*2} and employee feedback



Shortlist the identified issues based on their relevance to our businesses and make a more informed analysis

- Issues are narrowed down to those highly relevant to our businesses through discussions with executive officers⁻² and various internal divisions.
- Issues are then selected by scoring them based on the two axes of importance to our businesses and importance to the entire company's stakeholders (employees, consumers, business partners, shareholders, society, and the earth).
- The questions and strategic actions surrounding these issues are then confirmed by the executive officers².



Submit the finalized list of material issues to the Sustainability Committee for approval

*2 Until the end of FY2021, it was the "corporate officer".



Strategic Actions & Corresponding SDGs

Shiseido has established six strategic actions based on different material issues, three each in the areas of environment and society. To implement these initiatives, we are distributing management resources on a priority basis in each department across the entire company.

Material Issues	Strategic Action	Corresponding SDGs			
Climate change Development of eco-friendly formulas	1. Reducing our environmental footprint	6 SILVERIAN 11 SECRETARY 12 SECRETARY 13 DEAK 14 SECRETARY 13 DEAK 14 SECRETARY 13 DEAK 14 SECRETARY 15 DEAK 1			
Sustainable packagingDeforestation	2. Developing sustainable products	3 institution 9 Sentence 12 instance 13 institution			
Responsible procurementWaste reductionWater usage	Promoting sustainable and responsible procurement	8 EDITION COLORS 12 CONCENTS 15 ST COLORS 15			
Diversity and inclusion	4. Advancing Gender Equality	5 means 10 means €			
Quality of lifeProfessional developmentOccupational health and safety	5. Empowering people through the power of beauty	3 constants 5 count 10 minute 1 minute			
Respect for human rights	6. Promoting respect for human rights	8 ESSIGNORM 10 WEAR STATE STAT			
Strengthening of governance and accountability Fair business transactions Quality assurance Responsible marketing and advertising Information security and privacy Art and heritage	 We are committed to maintaining and improving the transparency, fairness, and speed of management initiatives by enhancing corporate governance as well as maximizing corporate and shareholder value over the medium term through dialogue with all stakeholders—consumers, employees, shareholders, the environment, and society at large—to fulfill our responsibilities as a public entity and optimize value distribution to each stakeholder.⁺³ We promote activities in art and heritage through our corporate culture that generates social value and shares a uniquely Japanese aesthetic with the world. 				

^{*3} We will not disclose strategic actions related to governance materiality.

A System for Promoting Sustainability

At Shiseido, we work to promote sustainability across the entire company through our brands and regional businesses. In 2022, the Sustainability Committee met regularly to ensure timely management decisions related to sustainability and their implementation. The committee decides on Group-wide sustainability strategies and policies, discusses specific topics such as TCFD reporting and human rights actions, and monitors the progress of medium-to-long-term goals. The committee consists of the representative directors and executive officers in charge of Corporate Strategy, R&D, Supply Network, Corporate Communications, and our brands, as well as other executive officers from different fields, allowing us to discuss a range of issues from different perspectives. In addition, the Global Strategy Committee and the Board of Directors are specifically consulted when a decision is needed on important matters related to business execution. We also publish an annual sustainability report for our global stakeholders in which we disclose the medium-to-long-term targets we have for actions we can take toward sustainability in our core business, as well as the progress toward those goals. Shiseido also promotes sustainable initiatives through long-term incentive-type remuneration for internal directors and executive officers by utilizing multiple internal and external targets concerning Environmental, Social, and Governance (ESG) targets, including CO2 emissions and women's empowerment.





Sustainability

Targets and Progress



Medium-to-Long-term Sustainability-related Targets

Strategic Action	Environment	Targets		Target Year	2022 Results
Reducing our environmental	CO ₂ Emissions	Carbon neutral*1		2026	45% (compared with 2019)
		CO ₂ emission reduction (SBTi, Scope 1+2)	46.2%*1	2030	Plan to disclose in 2024
footprint		CO₂ emission reduction (SBTi, Scope 3)	55%*2	2030	
	Water	Water consumption reduction	40%*3	2026	37% (compared with 2014)
Developing sustainable products	Packaging	Sustainable packaging	100%*4	2025	64%
3. Sustainable and responsible procurement	Palm Oil	Sustainable palm oil	100%*5	2026	36% (palm oil equivalent basis)
	Paper	Sustainable paper	100%*6	2023	97% (paper weight basis)

- *1 At all our sites (compared to 2019)
 *2 Throughout our value chain, excluding Shiseido sites (compared to 2019)
 *3 For all our sites, intensity per sales, compared with 2014.
- *4 For sale of products with plastic packaging.
- *5 Physical supply chain models, identity preserved, segregated, and/or mass balance.
 *6 Such as certified paper and recycled paper.



Targets and Progress

Strategic Action	Society	Targets		Target Year	Results
In Shiseido		Ratio of female leaders at all levels in Japan	50%	2030	Directors and A&SB Members 40.0%*7 Executive Officers 35.3%*8 Managers in Japan 37.6%*9
4. Advancing Gender Equality	In society	Empower women at workplaces in Japan Support education and financial independence for socially vulnerable women worldwide	1 million people (to reach directly)	2030	Related indicators are posted on the Sustainability page of our
5. Empowering people through the power of beauty	In society	 Cultivate self-efficacy through Shiseido Life Quality Beauty activities Foster self-esteem through respect for diverse beauty 	1 million people (to reach directly)	2030	corporate website ∟Z

- *7 As of April 1, 2023, Directors and Audit&Supervisory Board Members
- *8 As of April 1, 2023
- *9 As of January 1, 2023

Major Initiatives

1. Reducing our Environmental Footprint

Every company must commit to addressing environmental issues and taking real actions, not only to protect the global environment and preserve biodiversity but to ensure sustainable social and economic development as well as sustainable business growth. Shiseido has set medium-to-long-term targets for reducing CO_2 emissions¹⁰ (the bulk of greenhouse gas emissions), conserving water resources, and reducing waste, which are major environmental issues, and we are working with stakeholders throughout the value chain to accomplish those targets. In response to climate change, we obtained certification for our science-based targets¹¹ in 2022 to reduce CO_2 emissions by 2030 throughout the entire value chain and have also joined RE100. This global initiative promotes a 100% switchover to renewable electricity in business operations. We will continue working to reduce CO_2 emissions, creating opportunities for innovation in this area.

- *10 Greenhouse gases usually include CO₂, CH₄, N₂O, HFCs, PFCs, SF₆, and NF₃, but in this report, unless otherwise specified, GHGs is referred to as CO₂.
- *11 Scope 1, Scope 2, and Scope 3





Targets and Progress

Scenario Analysis Based on TCFD Recommendations

Given the seriousness of the impact of climate change issues on business growth and social sustainability, Shiseido has been disclosing information in line with TCFD's framework. Disclosures include the results of our qualitative and quantitative analyses of the risks and opportunities associated with the transition to a decarbonized society and changes in the natural environment due to climate change for both the 1.5/2°C and 4°C scenarios, as well as our major actions, over the short, medium, and long term.

Details of Scenario Analysis

Assuming temperature increases of 1.5/2°C and 4°C, we analyzed risks and opportunities according to the Representative Concentration Pathways (RCP) and Shared Socioeconomic Pathways (SSP), two scenarios presented by the Intergovernmental Panel on Climate Change (IPCC). Regarding transitional risks, the risk factors associated with the transition to a decarbonized society — such as policy, regulation, technology, market, and consumer awareness — 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 risk of increased costs due to the carbon tax as of 2030 is projected to have a potential financial impact of approximately 100 to 800 million yen, depending on the number of countries and regions where the carbon tax will be introduced.

In terms of opportunities, in the $1.5/2^{\circ}C$ scenario, the support for brands and products that address sustainability is expected to increase as the consumers become more environmentally conscious. In the $4^{\circ}C$ scenario, we expect sales opportunities for products that respond to rising temperatures will expand. By developing new solutions with innovation, we aim to supply sustainable products that mitigate risk and present new opportunities.

For more information on our assessment of climate-related risks and opportunities, including the assumptions for our scenario analysis, information on governance, risk management, and indicators and targets, please refer to The Report of Climate-related Financial Disclosure and our Sustainability Report .

See below for external assessments of our sustainability efforts and endorsements of our global initiatives.

Corporate Information, Stock Information, and External Evaluations





∕HI∕EIDO

2. Developing Sustainable Products

Sustainable packaging plays a critical role in our efforts to reduce our environmental footprint related to climate change and marine debris. We are accelerating efforts that include designing sustainable packaging.

Shiseido has established a goal to achieve 100% sustainable packaging by 2025 based on our packaging development policy, 5Rs (Respect, Reduce, Reuse, Recycle, and Replace). In order to reduce our environmental footprint, we are working to reduce packaging weight, reduce plastic usage by expanding refillable packaging, promote recycling by designing easy-to-recycle packaging, and use and recycled materials (PCR).

In 2022, we collaborated with SEKISUI CHEMICAL CO., LTD. and Sumitomo Chemical Co., Ltd. on a joint initiative and began establishing a circular economy model for plastic cosmetics packaging in which used cosmetics plastic packaging are collected, converted to resources and materials without sorting, and recycled back into plastic cosmetics packaging. The three companies will advance this cross-sectoral alliance while also calling on related industries and companies to join in the effort, striving to create a circular economy.



A circular economy promoted through collaboration of the three companies

3. Sustainable and Responsible Procurement

At Shiseido, we utilize finite natural resources to operate our business. We understand that these resources are limited, and as such, we place the utmost importance on our responsibility in the sustainable and responsible procurement of raw materials at every stage of the supply chain. This includes the reduction and reuse of resources from the perspectives of environmental preservation, biodiversity in response to the circular economy. We also consider it essential to work with suppliers to address issues such as human rights.

Shiseido has disclosed medium-to-long-term targets for palm oil and paper, which are raw materials of concern from an environmental and social perspective, and we are promoting a transition to sustainable raw materials. We have presented code of conduct, policies, and guidelines for working with suppliers. Based on a 2022 revision of the Shiseido Group Procurement Policy, we will evaluate suppliers from a sustainability perspective and increase business with high-performing suppliers.



THITEIDO

4. Advancing Gender Equality

Shiseido participates in the 30% Club Japan, working to achieve gender balance in corporate decision-making bodies. As a part of this global initiative that originated in the UK, it aim to boost female representation on company board in Japanese companies. The Japan chapter was launched in May 2019 with the goal of achieving a 30% ratio of female directors 12 at TOPIX 100 companies by 2030, and the second term of the program began in May 2022. Masahiko Uotani, Shiseido's Representative Director, Chairman and CEO, served as Chair and continues in this role for the second term. He is active in the TOPIX Presidents' Committee, a community of chairpersons and presidents of 35 companies 13 listed in the TOPIX 100 and TOPIX Mid 400. In the second term, the 30% Club Japan's integrated approach launches fully through collaboration to develop initiatives that work for stakeholders at companies as well as the whole society. An Investor Group comprising 31 companies and a University Group comprising nine universities work with the TOPIX Presidents' Committee to promote the initiatives in tangible ways. Shiseido will lead the transformation of Japanese companies toward breaking away from homogeneity and promote the active participation of women and generation of innovations emerging therefrom.

- *12 The ratio of female directors in TOPIX 100 boards of directors (including auditors for companies with a board of auditors)
- *13 As of March 31, 2023









Targets and Progress

Empowering People through the Power of Beauty

At Shiseido, we strive to empower everyone through the power of beauty. For decades, we have been engaged in social contribution and research that promote well-being through the power of beauty—physical, mental, and social well-being. We will continue to carry out Shiseido Life Quality Beauty initiative to help people to feel confident, and free to be themselves, regardless of age, illness, or disability.

Since 2017, we have participated in LAVENDER RING, a multilateral project in Japan to support and empower people with cancer. As part of the project, Shiseido have led MAKEUP & PHOTOS WITH SMILES photo exhibit. In 2022, Shiseido expanded internationally to four countries and regions (China, Singapore, Taiwan, and Thailand), reaching a total of 107 cancer survivors, with 120 employee volunteers participating. After seeing the smiles of so many cancer survivors, we received numerous requests to continue the program from the patient groups and the medical institutions we collaborated with.







Makeup scene in Singapore

Photo session in China

6. Respect for Human Rights

At Shiseido, respect for human rights is at the core of our DNA. Shiseido respects and supports international norms related to human rights, starting with the UN Guiding Principles on Business and Human Rights and the International Labor Organization's (ILO's) Core Labor Standards—the former stipulating the fundamental human rights of all people and the latter stipulating basic rights at work. We are committed to eradicating human rights issues — including forced labor and child labor — as well as workplace harassment, which is an issue that has become more prevalent due to changes in social structure and the rise of more diverse values. Unless appropriate action is taken to deal with all human rights issues, it can lead to serious corporate risks. The Shiseido Code of Conduct and Ethics sets forth the actions that must be taken and shared by every individual working for the Shiseido Group. Based on these standards, which are consistent with the highest ethical principles, we promote respect for human rights through initiatives in the global supply chain, which extends to a broad range of stakeholders, multiple countries and regions, and diverse cultures.





Menu ightharpoonup

Governance

Messages from External Directors











In this section, we would like to share with you specific reflections from each of our external directors. We selected a few key questions often asked by our shareholders and investors, and had our external directors provide answers.

Our newly appointed external director also shared his aspirations.

Question for external directors appointed prior to 2020 (Ms. Oishi and Mr. Iwahara):

- Q. How do you feel about the outcomes of our medium-term strategy WIN 2023, and can you share your thoughts regarding the appointment of Shiseido's new president in 2022?
- A. Despite continued evolution through structural reforms under CEO Masahiko Uotani's leadership, Shiseido suffered greatly during COVID-19. Amid such challenges, achieving the goals of WIN 2023, our medium-term strategy for 2021–2023, is a critical step for Shiseido's future. While we have struggled to deliver products to consumers due to the COVID-19 pandemic, we have continued to push forward with structural reforms without cutting corners. I believe we have been able to execute strategic actions, such as transitioning to a more agile structure, focusing management resources on skincare brands that leverage our R&D, and building new consumer touchpoints that integrate online and offline experiences. I hope that Shiseido will continue to strive to provide unique added-value offerings as one-of-a-kind beauty company in the world. In implementing our strategies, it has also been crucial to have the right leadership, and succession was a critical issue that capable of making a significant impact on the very foundation of our company. It took years of planning and discussions, from involving all



Independent External Director
Member, Nomination & Remuneration
Advisory Committee
Kanoko Oishi
(Appointed as External Director in 2016)



Messages from External Directors

our external directors in developing the succession criteria to finally interviewing the new president. I am proud of both the process and our result, and I am pleased to announce the appointment of Kentaro Fujiwara to lead Shiseido into the next chapter.

A. At Shiseido, we have been working toward achieving our medium-term strategy WIN 2023, established by the Board of Directors in 2021. In particular, we have made swift and significant progress in structural reforms, such as the transfer of our Personal Care business and three of our makeup brands. I also highly commend our efforts to promote e-commerce and develop new products in response to environmental changes, such as advancement of IT implementation, COVID-19, and changes in consumer awareness.

However, due to the worldwide impact of COVID-19, our operating margin up to 2022 was significantly lower than the target of 15% set in WIN 2023. In our new medium-to-long-term strategy, we are determined to further promote reforms aimed at improving profitability and productivity and to once again aim for an operating margin of 15%. At the same time, we are committed to achieving our sustainability goals.

Last year, after several years of careful consideration regarding the successor to CEO Masahiko Uotani by both the Nomination & Remuneration Advisory

Committee and the Board of Directors, we appointed Kentaro Fujiwara as Shiseido's next President and COO. I believe that over the next two years, Mr. Fujiwara will gain the experience necessary to manage the company alongside current CEO Uotani. To help ensure a smooth transfer of leadership two years from now, I plan to continue supervising and supporting the company in my role as an external director.



Independent External Director Chair, Nomination & Remuneration Advisory Committee Shinsaku Iwahara (Appointed as External Director in 2018)

RELATED LINKS November 2022

Notice of a New Management Structure and the Change of Representative Directors

Regarding the New Management Structure

✓

Messages from External Directors

THITEIDO

Question for our external directors appointed in 2022 (Mr. Lake and Ms. Tokuno):

- Q. What were the key areas of focus for the Board of Directors and the Nomination & Remuneration Advisory Committee in the past year, and how are they related to your aspirations going forward?
- A. In celebrating the Company's 150th anniversary, the Board of Directors has deliberated extensively in developing a new medium-to-long-term strategy. As the Corporate Governance Code states, "The board should view the establishment of corporate goals (business principles, etc.) and the setting of strategic direction" as one of its most important roles and responsibilities, and accordingly, the Board of Directors' engagement in the medium-to-long-term strategic planning is critically important. In an ultra-VUCA (volatile, uncertain, complex, and ambiguous) era, it is also important to address strategic planning from the perspective of integrated risk management, placing risk assessment at the center of strategy. The Board must also integrate deliberate strategies (strategies formulated through conscious and analytical processes) and emergent strategies (strategies created through processes that sense and analyze changes in the environment and evolve through learning) to flexibly meet the expectations of key stakeholders. From this perspective, I am honored to be able to participate in "free, open, and constructive discussions" under Shiseido's leadingedge corporate governance framework. In particular, the realization of the new business management structure that integrates strategy development and succession planning has enabled Representative Director, Chairman, and CEO Uotani and Representative Director, President, and COO Fujiwara to work side-by-side in formulating the new medium-to-long-term strategy. I am confident that this will further strengthen the effectiveness of strategic and succession planning processes and their execution. Against this backdrop, in addition to conducting appropriate oversight of operational execution, I will do my utmost to fulfill my responsibilities as an external director.



Independent External Director
Member, Nomination & Remuneration
Advisory Committee
Charles D. Lake II
(Appointed as External Director in 2022)



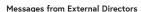
THITEIDO

A. The 2022 Nomination & Remuneration Advisory Committee discussed the nomination of Kentaro Fujiwara as our next President, and executive remuneration structure many times. While Shiseido's executive remuneration system has been thoroughly examined in detail, we have concerns regarding whether it truly rewards actions that contribute to the long-term improvement of corporate value, even if they do not show results in the short term. This is especially concerning performance-based compensation. While we understand that measuring these actions using numerical targets is difficult, we would like to continue our discussions and create an executive remuneration system that genuinely contributes to improving corporate value over the long term. In 2023, we formulated and announced a new mediumto-long-term strategy focusing on the Japanese market and brand equity, key areas for further company development. Shiseido has a 150-year history and is a proud Japanese company. Its longevity is a testament to the constant innovation that has taken place. I am eager for us to move forward and achieve our new medium-tolong-term strategy without forgetting the innovation that has always been part of our DNA. Shiseido can turn the page on these events to start its next chapter and continue to grow with a sense of urgency and the

confidence and passion to do so.



Independent External Director
Member, Nomination & Remuneration
Advisory Committee
Mariko Tokuno
(Appointed as External Director in 2022)



THITEIDO

Introducing Our New External Director

On My Appointment as External Director

I am honored to join the Board of Directors at Shiseido, a company that continually provides significant value to society.

A global leader throughout its long history, Shiseido has laid out a forward-looking value creation process to achieve its mission, yet the company is eager to further accelerate its transformation. I believe that one of the roles expected of the Board of Directors is to be a strong supporter of the management team's flexible ideas and sound risk-taking.

I am committed to contributing to Shiseido's

I am committed to contributing to Shiseido's continued value creation by understanding the expectations of our diverse stakeholders and engaging in constructive discussions with other board members and the management team.



External Director Yoshihiko Hatanaka

*1 Appointed on March 24, 2023

April 2023







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 corporate governance as the "platform to realize sustainable growth through fulfilling OUR MISSION." We strive to maximize medium-to-long-term corporate and shareholder value by implementing and reinforcing corporate governance to maintain and improve management transparency, fairness, and speed, and through dialogue with all stakeholders, from employees, consumers, business partners, and shareholders to society and the earth. At the same time, by fulfilling its responsibilities as a public entity of society, Shiseido works to optimize the value it delivers to respective stakeholders.

The Shiseido Integrated Report 2022 makes the most of its digital connectivity to focus on the following unique content.

For general and detailed information regarding corporate governance, please refer to the links below.

Corporate Governance (Corporate website)

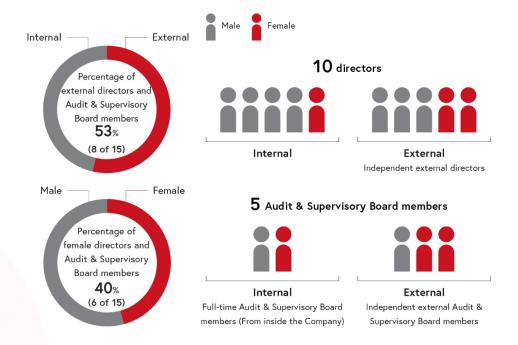
• Corporate Governance System

- Basic Concept for Corporate Governance
- Principles of the Corporate Governance Code (CG Code) and Shiseido's Response
- Remuneration for Directors, Audit & Supervisory Board Members, and Executive Officers
- Audit Structure
- Compliance and Risk Management
- Internal Control Systems of the Company



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Shiseido's Governance in Numbers¹¹



		Number of members	Number of meetings	Attendance ratio	
	Internal	External	Total	(Jan-De	ec 2022)
Board of Directors	5	5	10	13	100%
Nomination & Remuneration Advisory Committee	1	5	6	10	95.8%
CEO Review Meeting	0	6	6	1	100%
Audit & Supervisory Board	2	3	5	12	100%

^{*1} As of March 31, 2023

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Directors and Audit & Supervisory Board Members (Skill Matrix)¹²

RELATED LINKS

Career Summaries of Directors and Audit & Supervisory Board Members





Masahiko Uotani Representative Director, Chairman and CEO



Kentaro Fujiwara Representative Director, President and COO



Yukari Suzuki Director, Senior Executive Officer



Norio TadakawaDirector,
Senior Executive Officer



Takayuki Yokota Director



Kanoko Oishi External Director (Independent)



Shinsaku Iwahara External Director (Independent)



Charles D. Lake II External Director (Independent)



Mariko Tokuno External Director (Independent)



Yoshihiko Hatanaka External Director (Independent)



Takeshi YoshidaAudit & Supervisory Board
Member



Hiromi Anno Audit & Supervisory Board Member



Hiroshi Ozu External Audit & Supervisory Board Member (Independent)



Yasuko Gotoh External Audit & Supervisory Board Member (Independent)



Ritsuko Nonomiya External Audit & Supervisory Board Member (Independent)



Features of Shiseido's Corporate Governance

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- : Knowledge and expertise which the Company especially expects the relevant candidate to demonstrate
- O: With the relevant knowledge and expertise

	Main knowledge and	expertise required													
	Masahiko Uotanii Representative Director, Chairman and CEO	Kentaro Fujiwara Representative Director, President and COO	Yukari Suzuki Director, Senior Executive Officer	Norio Tadakawa Director, Senior Executive Officer	Takayuki Yokota Director	Kanoko Oishi External Director (Independent)	Shinsaku Iwahara External Director (Independent)	Charles D. Lake II External Director (independent)	Mariko Tokuno External Director (Independent)	Yoshihiko Hatanaka External Director (Independent)	Takeshi Yoshida Audit & Supervisory Board Member	Hiromi Anno Audt & Supervisory Board Member	Hiroshi Ozu External Audit & Superisory Board Member (Independent)	Yasuko Gotoh External Audit & Supervisory Board Member (Independent)	Ritsuko Nonomiya Estemi Audt & Supervisory Board Member (Independent)
Years in current position at Shiseido (As of March 31, 2023)	8years and 9months	-	3years	3years	2years	7years	Syears	1years	Tyeers		Syeers		byears	4years	3years
Corporate Management	•	•		0	0	•		•	•	•				0	0
Sales and Marketing	•	•	•	0		•			•		0	•			
Research & Product Development			•									0			
Supply Network		0		•	0										
© ≣ Finance	0	0		•	•	0	0	0		0	•	0	0	•	•
DX		0	0		0			0							
People and Organization Development, and D&I Acceleration	•		•	0		0		0	0				0		
Corporate Governance	0			0	0		•	•	0	0	0	0	•		0
Global Understanding	•	•	0		•	0	0	•	0	•	0	0		0	•

Main experience



Corporate Management

Assess changes in the management environment, develop appropriate strategies, and support responsible management execution



Sales and Marketing

Accurately grasp the business environment and consumer preferences and develop strategies in anticipation of them to secure predominance in the industry



Research & Product Development

 $Constantly \ pursue \ innovative \ research^{'} \& \ development \ and \ solid \ product \ quality \ to \ secure \ predominance \ in \ the \ industry$



Supply Network

Build efficient, high-quality supply chain management



Finance

Engage in appropriate financial activities aiming to re-build the earnings base to ensure financial soundness



Strongly promote DX to build a corporate structure with DX as its strength



People and Organization Development, and D&I Acceleration

Encourage the promotion of diverse and talented people and promote the development of an organization for that with a view to achieving sustainable growth



Corporate Governance

Develop a strong corporate governance system as a basis for all business activities



Global Understanding

Support the development of strategies as a global company with understanding of diverse values and cultures



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CEO Succession Plan



- and the Audit and Supervisory Board members meeting (once). Succession planning roadmap
 - ✓ Success profile and ideal CEO model/ requirements
 - Selection of candidates from Outside/ Inside the Company
- feedback
- · Candidates were screened at the Nomination & Remuneration Advisory Committee (6 times) and the Audit and Supervisory Board members and external directors meetings (4 times), as well as through assessments by external experts, presentations by candidates, and personal interviews with candidates.
- visory Committee and the Board of Directors meeting
- · The successor was announced.

In response to the 5-year extension of the incumbent CEO's term of office decided in 2019, the Company developed the framework of a succession plan and launched it after obtaining approval at the Board of Directors meeting so that the successor can smoothly take over CEO's responsibilities without any problem. In this 5-year succession plan, after selecting the successor over the first three years, the successor works as the COO in cooperation with the CEO for the remaining two years. The Company aims to realize a smooth CEO succession and strengthen its management structure by making the successor have ample time to take on the responsibility to lead the Company in cooperation with the incumbent CEO.

The CEO and the members of the Nomination & Remuneration Advisory Committee had fully discussed the necessary qualifications and requirements for CEO, the focal point of successor selection, training policy, etc., from a medium-to-long-term perspective, and taking into account the Company's business environment, and then examined/implemented training programs for the carefully screened candidates so that they can fully demonstrate their ability. The members of the Nomination & Remuneration Advisory Committee had taken much time to hold in-depth discussions while collecting information from the incumbent CEO, referring to the results of the assessments conducted by external experts, and conducting personal interviews with candidates so that they can nominate the best successor among all candidates selected from inside/outside the Company. Additionally, they had regularly exchanged opinions with external Audit & Supervisory Board members. All things considered, the successor of the CEO was finally approved at the Board of Directors meeting.

Toward the launch of the new management structure in January 2023, the successor of the CEO was selected in accordance with the framework of the succession plan and through the objective and transparent process mainly led by external directors and Audit & Supervisory Board members. The external directors and Audit & Supervisory Board members continue to monitor the new management structure so that the COO can, through the joint management of the CEO and COO, smoothly assume the post of CEO.



Features of Shiseido's Corporate Governance

Effectiveness of the Board of Directors

The Company believes that a truly effective Board of Directors requires exhaustive discussions at the Board meetings upon sharing appropriate information with external directors regarding the Company's basic management policy and important management topics. Important topics are carefully deliberated by the Board over a number of meetings, including off-site meetings, ensuring that policies and decisions made are backed by a sufficient amount of information and deliberation. The Company also places particular importance on the diversity of its directors and Audit & Supervisory Board members, with the belief that diverse opinions stemming from various expertise and insights result in versatile discussions, which are indispensable for an effective Board.

Key Topics Discussed by the Board of Directors and Meetings of Directors in 2022

- · Appointment of the Next President
- · Medium-to-Long-Term Strategy
- · Sustainability Management Strategy
- Strategies for Future Business in Japan
- · Strategies for Future Business in China
- Transfer of the Manufacturing Business of Personal Care Products
- Transfer of Professional Business
- · Corporate Governance
- · Major Risks Faced by the Shiseido Group
- Information Security Initiatives
- Reports on Investor Relations (e.g., Investor Feedback)



Features of Shiseido's Corporate Governance

Opportunities to Share Information and Exchange Opinions with External Directors and Audit & Supervisory Board Members Outside of Board Meetings

In 2022, we made efforts to enhance understanding of the company among external directors by regularly providing them with more information and opportunities to exchange opinions. As a result, there were more information sharing and discussions compared to 2021.

	2021	2022
Discussion meetings	2	4
Auditor reports to external directors and Audit & Supervisory Board members	2	2
Meetings to exchange opinions between external directors and auditors	1	1
Meetings to exchange opinions between external directors and Audit & Supervisory Board members	0	2
On-site visits	2*3	4*4
Total	7	13

 $^{^{\}star}$ In addition, we conduct interviews with the executives in charge of key areas when a new external director is appointed

^{*3} Osaka Ibaraki Factory, West Japan Distribution Center

^{*4} Fukuoka Kurume Factory, Kakegawa Factory, Shiseido Corporate Museum, Global Innovation Center

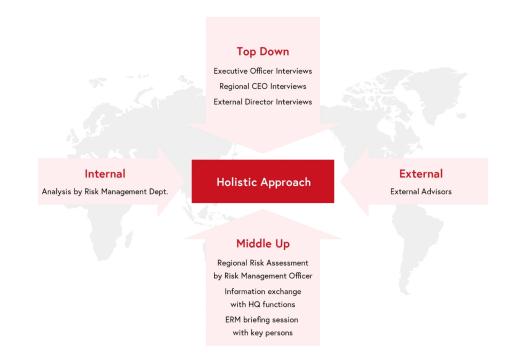




Risk Management System and Operational Framework

The risk management of Shiseido Group is primarily focused on building trust with multiple stakeholders and achieving our management strategy. We thus consider risks as "uncertainties" that could impact the achievement of our strategies, seeing them as both potential threats and opportunities to our businesses. Based on this approach, we have established a risk management structure and place measures for managing these risks proactively and expeditiously.

We adopt a holistic approach to identifying and assessing significant material risks to the company, as exemplified by the chart below. Specifically, the HQ Risk Management Department has interviewed the Group CEO, executive officers, regional CEOs, and external directors to assess their views on Group risks. Regional risk assessments, exchanging information with relevant functional departments, and input from external advisors have been taken into consideration in identifying material risks that could impact the achievement of the medium-term strategy SHIFT 2025 and Beyond.





Risk Management

The identified material risks have been evaluated with three measurements of "the impact on business," "likelihood of risk manifestation," and "vulnerability" as shown below. The Group's risks assessment and countermeasures are also periodically reviewed by the Global Risk Management & Compliance Committee, headed by the Group CEO and composed of regional CEOs and executive officers, as well as the Global Strategy Committee. Furthermore, we have identified risk owners for each risk to clarify responsibility for countermeasures. A transparent monitoring and communicative framework has been placed within the Global Risk Management & Compliance Committee and the Board of Directors to regularly discuss and assess the progress in addressing these risks.

Risk Assessment Evaluation Axes

The impact on business	 What is the quantitative impact on our business (including sales) if the risk materializes? What is the qualitative impact on our corporate, brand image, and corporate culture?
Likelihood of risk manifestation	When and where could the risk materialize? How severe could it be?
Vulnerability	 Are our countermeasures sufficient? Can external factors control the likelihood of the risk to occur?

Identify

Identify and categorize risks based on interviews with executive officers, regional CEOs, and external directors, as well as insights by external experts

Assess

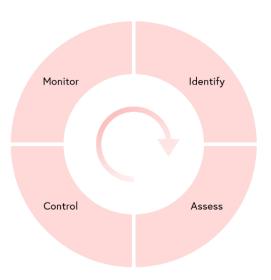
Analyze and compute risk levels based on the following evaluation axes: impact on business, likelihood of risk manifestation, and vulnerability

Control

Plan and implement risk management (avoidance, mitigation, transfer, acceptance)

Monitor

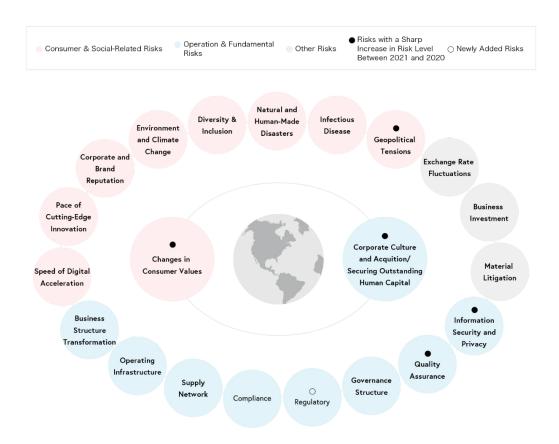
Review and monitor formulation and progress of measures





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Identified Material Risks



Risks identified through our risk assessment in 2022 have been organized into three risk categories: "Consumer & Social-Related Risks," "Operation & Fundamental Risks," and "Other Risks."

It is notable that the connections between each risk are becoming stronger, and accordingly, so are the related countermeasures. In addition, we have assessed five risks whose risk levels have risen sharply compared to 2021: "Changes in Consumer Values," "Geopolitical Tensions," "Corporate Culture and Acquisition/ Securing Outstanding Human Capital," "Quality Assurance," and "Information Security & Privacy," and we are strengthening the countermeasures. We have also added "Regulatory" as a new material risk, which is becoming increasingly important as we nurture brands with unique value and develop new businesses in categories like beauty devices and inner beauty.

RELATED LINKS

Click here for an overview of our 21 critical risks analysis and related countermeasures



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About SHISEIDO

Corporate Information

Founded

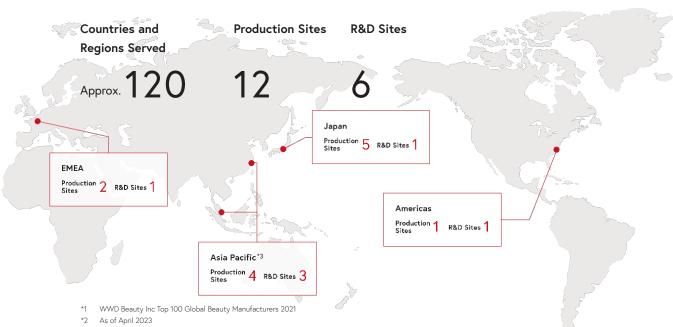
Position amongst Global Manufacturers*1

1872 No.5

Position amongst Japan and Asia Cosmetics Manufacturers⁴¹

No.1

Global Expansion²



*3 China Business, Asia Pacific Business, Travel Retail Business



Employees

Employees*4

Nationalities Employed*5

Approx. 39,000 Approx. 100

Percentage of Female Managers*

58.1%

Japan 37.6 % Overseas 72.0 %

2022 Results

Net Sales

*1,067.4_{bn}

YoY +5.7% FX-neutral -3.9%

Like-for-like*7 +0.9 %

Core Operating
Profit

51.3%

YoY +20.6 %

Core Operating Profit Margin

4.8%

YoY +0.6 %

ROIC ROE

5.2_% 6.0_%

^{*4} The number of employees includes full-time employees and temporary employees. Temporary employees include part-time workers but exclude dispatched employees. As of the end of December 2022.

^{*5} As of January 1, 2023

 $^{^{\}star}6$ $\,$ As of January 1, 2023 for Japan; as of December 31, 2022 for overseas

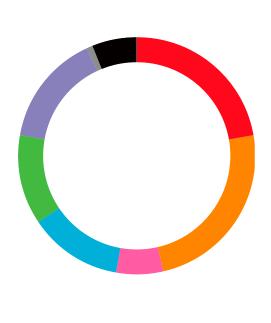
 $[\]star 7$ Excluding FX and business transfer impacts



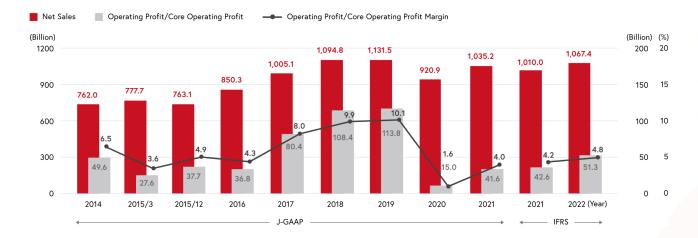
Facts & Figures

Net Sales and Sales Ratio by Reportable Segment YoY growth (like-for-like)¹⁸

	Share of Total Sales	Net Sales	YoY
• Japan	22.3%	¥ 237.6 bn	+ 0.3 %
• China	24.2%	¥ 258.2 bn	- 9.8 %
• Asia Pacific	6.4%	¥ 68.0 bn	+13.0 %
• Americas	12.9%	¥ 137.9 bn	+ 8.8 %
• EMEA	12.0%	¥128.4 bn	+ 4.0 %
• Travel Retail	15.3%	¥163.7 bn	+14.2 %
Professional	0.9%	¥ 9.3 bn	-
• Others*9	6.0%	¥ 64.2 bn	- 3.4 %



Net Sales/Operating Profit/Operating Profit Margin¹⁰



- *8 Excluding FX and business transfer impacts
- *9 Includes HQ functions, IPSA, manufacturing business, Shiseido Parlour, and other businesses
- *10 The fiscal year ended December 31, 2015 is the nine months from April 1, 2015 to December 31, 2015 for Shiseido and its consolidated subsidiaries in Japan and the 12 months from January 1, 2015 to December 31, 2015 for all other subsidiaries. Adopted IFRS in lieu of the previously applied Japanese GAAP since the first quarter of the fiscal year ending December 31, 2022.



Focus Growth Areas

Skincare Sales Ratio*11

75%

Investment Strategies as a Skin Beauty Company > Prestige Sales Ratio*11

Business Categories and Brand \rightarrow

EC Sales Ratio*11

33%



Research & Development

Awards Received at IFSCC*12 Congresses and Conferences*13

29

R&D Investments

Number of researchers*14

*26.7 bn Approx.1,200

Ratio to Net Sales 2.5~%

^{*11} Excluding FX and business transfer impacts

^{*12} The International Federation of Societies of Cosmetic Chemists, an international organization where cosmetic engineers from around the world gather for the development of safer and more beneficial cosmetic technologies.

^{*13} As of December 2022. Total number of top awards and honorable mentions. Figures include awards received at the IFSCC Conference, which is held in odd-numbered years.

^{*14} As of the end of December 2022 (including research staff)







Share of Total Sales / YoY Sales Growth

	2022 Share of Total Sales	2022 YoY Sales Growth
Prestige	60 %	+ 3 %
• Premium	29 %	$\triangle 5\%$
Fragrance	6%	+ 12 %
• Other *2	5%	+ 3 %



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^{*1} Excluding FX and business transfer impacts

^{*2} Includes Shiseido Parlour and other businesses

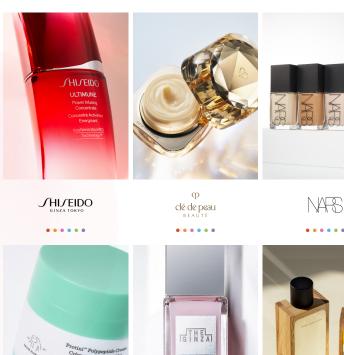


Core Businesses

PRESTIGE

High-end, high-added-value cosmetic products available at department stores and specialty cosmetic stores, primarily sold through beauty consultants / personal beauty partners.

Main Regions of Availability: • Japan • China • Asia Pacific • Americas • EMEA • Travel Retail







ÍΡSΛ





BAUM

BENEFIQUE











Premium

Mid-priced cosmetics that consumers select themselves, primarily sold in drugstores and general merchandise stores. Counseling tailored to each market, brand, and sales channel is also available as needed.

Main Regions of Availability: • Japan • China • Asia Pacific • Americas • EMEA • Travel Retail









ELIXIR

ANESSA

program

HAKU









MAQUIIIAGE

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PRIOR

REVITAL







AUPRES 欧珀莱

SIDEKICK



FRAGRANCE

Luxury designer fragrance

Main Regions of Availability: • Japan • China • Asia Pacific • Americas • EMEA • Travel Retail









ISSEY MIYAKE

narciso rodriguez

SEAGE LUTENS

TORY BURCH



Beauty drinks and supplements that aim to improve the health of skin from the inside to support people in realizing unique beauty and wellness throughout their lives

Main Regions of Availability:

• Japan • China • Asia Pacific





The Collagen

B INRYU



LIFE QUALITY BEAUTY

Brands that help support and substantially improve the quality of life of people with serious skin concerns due to genetics, accident, illness, or medical treatment

Main Regions of Availability:

• Japan • China • Asia Pacific















Corporate Information

Head Office	Shiseido Company, Limited 7-5-5, Ginza, Chuo-ku, Tokyo 104-0061, Japan Phone: +81-3-3572-5111
Foundation	September 1872
Incorporation	June 1927
Capital	64,506 million yen
Number of Employees	33,414 [5,833] ⁻¹
Ordinary General Meeting of Shareholders	Late March
Accounting Auditor	KPMG AZSA LLC

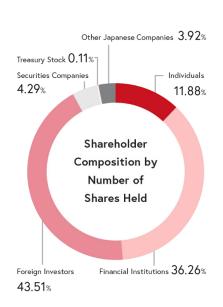
As of December 2022. The number of employees shown denotes full-time employees. The annual average number of temporary employees is shown in brackets. Temporary employees include contract employees and part-time workers but exclude dispatched employees.

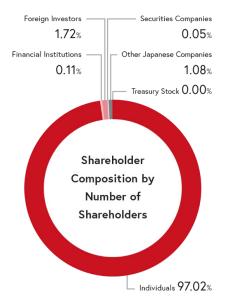


Stock Information²

Common Shares Issued	400,000,000 (including 452,452 in treasury stock)
Number of Shareholders	67,756
Stock Listings	Common Stock: Tokyo Stock Exchange (Code: 4911) American Depositary Receipts: U.S. Over-the-Counter
Share Units	100

^{*2} As of December 31, 2022







Principal Shareholders

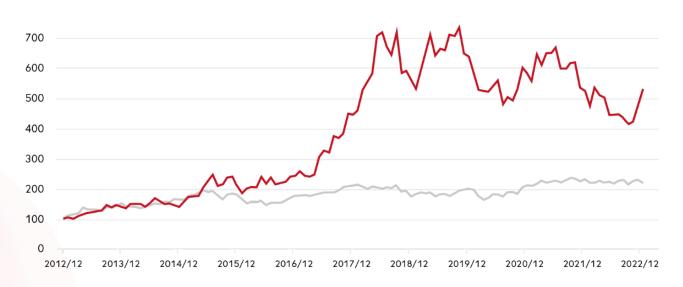
Shareholders	Number of Shares Held (Thousand shares)	Percentage of*3 Shareholding (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	79,995	20.02
Custody Bank of Japan, Ltd. (Trust Account)	26,988	6.75
THE BANK OF NEW YORK MELLON AS DEPOSITARY BANK FOR DEPOSITARY RECEIPT HOLDERS	7,617	1.90
Mizuho Trust & Banking Co., Ltd. re-trusted to Custody Bank of Japan, Ltd. Employees Pension Trust for Mizuho Bank	7,000	1.75
THE BANK OF NEW YORK 134104	6,633	1.66
SSBTC CLIENT OMNIBUS ACCOUNT	6,616	1.65
STATE STREET BANK WEST CLIENT-TREATY 505234	6,592	1.65
BNYM TREATY DTT 15 4	6,106	1.52
Nippon Life Insurance Company	5,615	1.40
JP MORGAN CHASE BANK 385781	5,228	1.30

^{*3} Calculations of percentage of shareholding are based on the total number of issued and outstanding shares excluding treasury stock.



Stock Price Performance (10 Years)⁻⁴





^{*4} Closing price on December 31, 2011 indexed at 100

Total Shareholder Return*5

	1 year	3 years		5 ye	ears	10 years	
		Cumulative	Annual	Cumulative	Annual	Cumulative	Annual
Shiseido	2.3%	- 13.9%	- 4.9%	23.6%	4.3%	446.4%	18.5%
TOPIX	- 2.5%	18.1%	5.7%	17.2%	3.2%	174.2%	10.6%

^{*5} Return on investment assuming that dividends are reinvested. Annual rate based on the geometric mean of cumulative returns. Source: calculated by Shiseido based on data from Tokyo Stock Exchange.

$\textbf{Ratings}^{^{\star_{\!\!\!6}}}$

Credit rating agency	Long-term bond rating
Moody's	A3 (Outlook: Stable)

^{*6} As of April, 2023



Engagement through IR Activities

Major IR Activities in 2022

Activity	Frequency (times)	Details
Financial results briefings for analysts and institutional investors	4	Quarterly briefing sessions
IR meetings with analysts and institutional investors	Approx. 500	IR interviews, teleconferences, and online meetings for domestic and foreign analysts and institutional investors
IR events	10	IR events by executive officers (large meetings for domestic and foreign investors, new technology / new product announcements, individual investor briefings, shareholder's meeting, etc.)

External Evaluations⁷

Main ESG Indexes Selection Status

Global

Dow Jones Sustainability Indices Powered by the S&P Global CSA



Japan







FTSE Blossom Japan Sector Relative Index

2022 CONSTITUENT MSCI JAPAN





THE INCLUSION OF Shise ido Company, Limited IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, AND THE USE OF MSCI LOGOS, TRADEMARKS OR INDEX NAMES HEREIN, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, AND THE USE OF MSCI LOGOS, TRADEMARKS OR INDEX NAMES HEREIN, AND THE USE OF MSCI LOGOS, TRADEMARKS OR INDEX NAMES HEREIN, AND THE USE OF MSCI LOGOS, TRADEMARKS OR INDEX NAMES HEREIN, AND THE USE OF MSCI LOGOS, TRADEMARKS OR INDEX NAMES HEREIN, AND THE USE OF MSCI LOGOS, TRADEMARKS OR INDEX NAMES HEREIN, AND THE USE OF MSCI LOGOS, TRADEMARKS OR INDEX NAMES HEREIN, AND THE USE OF MSCI LOGOS, TRADEMARKS OR INDEX NAMES HEREIN, AND THE USE OF MSCI LOGOS, TRADEMARKS OR INDEX NAMES HEREIN, AND THE USE OF MSCI LOGOS, TRADEMARKS OR INDEX NAMES HEREIN, AND THE USE OF MSCI LOGOS, TRADEMARKS OR INDEX NAMES HEREIN, AND THE USE OF MSCI LOGOS, TRADEMARKS OR INDEX NAMES HEREIN, AND THE USE OF MSCI LOGOS, TRADEMARKS OR INDEX NAMES HEREIN, AND THE USE OF MSCI LOGOS, TRADEMARKS OR INDEX NAMES HEREIN, AND THE USE OF MSCI LOGOS, TRADEMARKS OR INDEX NAMES HEREIN, AND THE USE OF MSCI LOGOS, TRADEMARKS OR INDEX NAMES HEREIN, AND THE USE OF MSCI LOGOS, AND THE USE OF MSCI LOGOS, AND THE USE OF MSCI LOGOS, AND THE USEDO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF Shiseido Company, Limited BY MSCI OR ANY OF ITS AFFILIATES. THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.

*7 As of March 2023



 $\label{thm:corporate_continuous} \textbf{Corporate Information, Stock Information, and External Evaluations}$

Main ESG Indexes Selection Status

		2018	2019	2020	2021	2022
Dow Jones Sustainability Index	World	_	_	_	•	•
	Asia/Pacific	_	_	_	•	•
FTSE4Good Index Series		•	•	•	•	•
MSCI ESG Leaders Indexes		•	•	•	•	_
FTSE Blossom Japan Index		•	•	•	•	•
FTSE Blossom Japan Sector Relative Index		_	_	_	•	•
MSCI Japan ESG Select Leaders Index		•	•	•	•	_
MSCI Japan Empowering Women Index		•	•	•	•	•
S&P/JPX Carbon Efficient Index		•	•	•	•	•
SOMPO Sustainability Index		•	•	•	•	•





Value Creation

Business Strategy



Corporate Information, Stock Information, and External Evaluations

Sustainability-related Evaluations / Awards and Collaborations with External Organizations















Other Evaluations / Awards





RELATED LINKS

External Evaluations and Awards

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