Annual Securities Report

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

(The 126th Fiscal Year)

from January 1, 2025 to December 31, 2025

SHISEIDO

Shiseido Company, Limited

(E00990)

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

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[Document Title]	Annual Securities Report
[Clause of Stipulation]	Article 24, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Place of Filing]	Director-General, Kanto Local Finance Bureau
[Filing Date]	March 23, 2026
[Fiscal Year]	The 126th Fiscal Year (from January 1, 2025 to December 31, 2025)
[Company Name]	Shiseido Company, Limited
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[Name of Contact Person]	Ayako Hirofuji, Representative Corporate Executive Officer and CFO
[Place for Public Inspection]	Tokyo Stock Exchange, Inc. (2-1, Nihonbashi Kabuto Cho, Chuo-ku, Tokyo, Japan)

Part I Information on the Company

U.S. dollar amounts are converted from yen, for convenience only, at the rate of ¥156.66 = US$1 prevailing on December 31, 2025. Such translations should not be construed as representations that the Japanese yen amounts could be readily converted, realized or settled in U.S. dollars at this rate. Fractions resulting from the translations are rounded. Shiseido Company, Limited is referred to as "the Company."

1. Overview of the Company

1 Key Financial Data and Trends

(1) Consolidated financial data

Term	International Financial Reporting Standards					
	122nd	123rd	124th	125th	126th	126th
Fiscal year ended	Dec 2021	Dec 2022	Dec 2023	Dec 2024	Dec 2025	Dec 2025
Units of amount	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Thousands of U.S. dollars
Net sales	1,009,966	1,067,355	973,038	990,586	969,992	6,191,702
Profit (loss) before tax	99,111	50,428	31,037	(1,265)	(27,715)	(176,912)
Profit (loss) attributable to owners of parent	46,909	34,202	21,749	(10,813)	(40,680)	(259,671)
Comprehensive income attributable to owners of parent	85,469	84,722	55,801	38,375	(12,322)	(78,654)
Equity attributable to owners of parent	540,695	604,259	618,748	632,474	600,756	3,834,776
Total assets	1,300,979	1,307,661	1,255,497	1,331,848	1,267,256	8,089,212
Equity attributable to owners of parent per share (in yen and U.S. dollars)	1,353.45	1,512.36	1,548.20	1,583.47	1,503.64	9.60
Basic earnings (loss) per share (in yen and U.S. dollars)	117.43	85.60	54.43	(27.06)	(101.83)	(0.65)
Diluted earnings (loss) per share (in yen and U.S. dollars)	117.33	85.54	54.40	(27.06)	(101.83)	(0.65)
Ratio of equity attributable to owners of parent (%)	41.6	46.2	49.3	47.5	47.4	
Return on equity attributable to owners of parent (%)	9.3	6.0	3.6	(1.7)	(6.6)	
Price earnings ratio (times)	54.6	75.6	78.1	-	-	
Cash flows from operating activities	134,249	46,735	89,026	48,403	109,890	701,455
Cash flows from investing activities	66,733	(41,308)	(35,536)	(83,738)	(43,424)	(277,186)
Cash flows from financing activities	(190,575)	(52,418)	(75,642)	23,357	(77,248)	(493,093)
Cash and cash equivalents at end of period	156,503	119,036	104,685	98,479	91,839	586,231
Number of employees (persons) [Average number of part-time employees]	35,318 [6,613]	33,414 [5,833]	30,540 [5,319]	27,908 [5,084]	26,330 [5,665]	

Notes:
1. The Company and its consolidated subsidiaries (hereinafter collectively, "the Group") have adopted International Financial Reporting Standards (hereinafter "IFRS") from the 123rd Fiscal Year.
2. With regard to diluted loss per share for the 125th and 126th Fiscal Year, potential ordinary shares have an anti-dilutive effect because exercising stock acquisition rights decrease loss per share.
3. Price earnings ratio for the 125th and 126th Fiscal Year is not shown because the amount of profit attributable to owners of parent is negative.

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

Notes:

1. Effective from the beginning of the 123rd Fiscal Year, Shiseido Americas Corp. and its subsidiaries in the U.S. have adopted IFRS instead of U.S. Generally Accepted Accounting Principles (hereinafter "U.S. GAAP"), which had been previously applied. The consolidated financial data for the 122nd Fiscal Year has been retrospectively adjusted to reflect the change in accounting policy.
2. The retrospectively applied Japanese GAAP figures for the 122nd Fiscal Year and Japanese GAAP figures for the 123rd Fiscal Year have not been audited in accordance with the provisions of Article 193-2-1 of the Financial Instruments and Exchange Act.
3. The Group has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the 123rd Fiscal Year. The consolidated financial data for the 123rd and subsequent fiscal years are the figures after applying the new accounting standards.

(2) Non-consolidated financial data

Term	122nd	123rd	124th	125th	126th	126th
Fiscal year ended	Dec 2021	Dec 2022	Dec 2023	Dec 2024	Dec 2025	Dec 2025
Units of amount	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Thousands of U.S. dollars
Net sales	275,063	305,969	259,361	245,678	254,754	1,626,159
Ordinary income	46,341	47,765	29,459	18,032	76,763	489,997
Net profit (loss)	103,788	28,470	19,346	21,523	(113,034)	(721,524)
Share capital	64,506	64,506	64,506	64,506	64,506	411,758
Total number of shares issued (thousand shares)	400,000	400,000	400,000	400,000	400,000	
Net assets	527,496	533,379	511,508	508,363	383,716	2,449,355
Total assets	901,402	905,652	869,593	936,240	779,368	4,974,901
Net assets per share (in yen and U.S. dollars)	1,317.74	1,332.56	1,278.08	1,271.12	958.95	6.12
Dividend per share (in yen and U.S. dollars) [Interim dividends included herein]	50.00 [20.00]	100.00 [25.00]	60.00 [30.00]	40.00 [30.00]	40.00 [20.00]	0.26 [0.13]
Net profit (loss) per share (in yen and U.S. dollars)	259.81	71.26	48.41	53.87	(282.95)	(1.81)
Fully diluted net profit per share (in yen and U.S. dollars)	259.59	71.21	48.38	53.84	-	-
Equity ratio (%)	58.4	58.8	58.7	54.2	49.2	
Return on equity (%)	21.5	5.4	3.7	4.2	-	
Price earnings ratio (times)	24.7	90.8	87.8	51.7	-	
Dividend payout ratio (%)	19.2	140.3	123.9	74.3	-	
Number of employees (persons) [Average number of part-time employees]	4,260 [1,779]	4,283 [1,678]	3,952 [1,541]	4,023 [1,455]	3,850 [1,335]	
Total shareholder return (%) [Benchmark: Dividend-included TOPIX] (%)	90.6 (112.7)	92.8 (110.0)	62.5 (141.1)	42.6 (169.9)	36.0 (213.2)	
Highest share price (in yen and U.S. dollars)	8,384.0	6,795.0	7,160.0	5,272.0	2,968.0	18.95
Lowest share price (in yen and U.S. dollars)	6,375.0	4,813.0	3,740.0	2,615.0	2,135.0	13.63

Notes:

1. The Company has applied the Accounting Standards Board of Japan (hereinafter "ASBJ") Statement No. 29 "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the 123rd Fiscal Year. The consolidated financial data for the 123rd and subsequent fiscal years are the figures after applying the new accounting standards.
2. Highest share price and lowest share price were those recorded on the First Section of the Tokyo Stock Exchange before April 3, 2022, and those on the Tokyo Stock Exchange Prime Market after April 4, 2022.
3. Cash dividends per share for the 123rd Fiscal Year include a commemorative dividend of ¥50 for the 150th anniversary of the founding.
4. As for cash dividends per share of ¥40 for the 126th Fiscal Year, year-end dividends of ¥20 are subject to be resolved at the Annual General Meeting of Shareholders scheduled to be held on March 25, 2026.
5. Fully diluted net loss per share for the 126th Fiscal Year is not shown because the amount of net profit per share is negative.
6. Return on equity, price earnings ratio and dividend payout ratio for the 126th Fiscal Year are not shown because the amount of net profit is negative.

2. History

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

Month and year	Events
Mar. 2010	Acquired Bare Essential in the U.S.
May. 2010	Shiseido Dah Chong Hong Cosmetics Ltd. (currently Shiseido Hong Kong Ltd.) became a wholly owned subsidiary.
Apr. 2012	Launched a new business model using Web (watashi+)
Apr. 2014	Transferred Carita brand and Decléor brand to L'Oréal
Mar. 2015	Closed Kamakura Factory
Jun. 2015	Established Shiseido Asia Pacific Pte. Ltd.
Oct. 2015	Transferred a portion of the Company's the Cosmetics Business in Japan to Shiseido Sales Co., Ltd. Shiseido Sales Co., Ltd. changed its trade name to Shiseido Japan Co., Ltd.
Dec. 2015	Changed the fiscal year-end from March 31 to December 31
Jan. 2016	Part of the Company's corporate functions for Japan and Healthcare Business transferred to Shiseido Japan Co., Ltd.
Jan. 2016	Transferred the intellectual property rights related to fragrances of JEAN PAUL GAULTIER to PUIG
Jul. 2016	Acquired Gurwitch (owns LAURA MERCIER brand) in the U.S.
Oct. 2016	Commenced business activities based on licensing agreements for the development/production/sales of fragrance and cosmetics of DOLCE&GABBANA brand
Dec. 2017	Transferred U.S. company Zotos to Henkel
Jan. 2018	Purchase of Second Skin, artificial skin forming technology and related businesses from Olivo Laboratories, LLC in the U.S.
Apr. 2019	Completed construction of Shiseido Global Innovation Center (S/PARK)
Nov. 2019	Acquired Drunk Elephant Holdings, LLC in the U.S.
Dec. 2019	Completed construction of Nasu Factory
Jan. 2020	Opened Beauty Innovation Hub in Shanghai
Dec. 2020	Completed construction of Osaka Ibaraki Factory
Jul. 2021	Transferred Personal Care Business to Oriental Beauty Holding (currently FineToday Co., Ltd.) and its associates
Jul. 2021	Established Shiseido Interactive Beauty Co., Ltd.
Dec. 2021	Transferred three brands, bareMinerals, BUXOM, and Laura Mercier to Advent in the U.S.
Dec. 2021	Terminated global license agreement with Dolce&Gabbana S.r.l.
May. 2022	Completed construction of Fukuoka Kurume Factory
Jul. 2022	Transferred Professional Business to Henkel Group companies
Apr. 2023	Transferred the manufacturing operations of personal care products to FineToday Holdings Co., Ltd.
Dec. 2023	Transferred Shiseido Vietnam Inc. to FineToday Holdings Co., Ltd.
Feb. 2024	Acquired DDG Skincare Holdings LLC in the U.S.
Jun. 2024	Transferred all shares of FineToday Holdings Co., Ltd. to Oriental Beauty Holding (HK) Limited.
Nov. 2024	Signed a global license agreement with Max Mara
Dec. 2025	Shiseido (Thailand) Co. Ltd. became a wholly owned subsidiary.

3. Description of Business

The Group consists of the Company, 64 subsidiaries, and 3 associates, and is mainly engaged in the sale of cosmetics, cosmetic accessories, beauty foods, and pharmaceuticals, as well as research and other services related to each business.

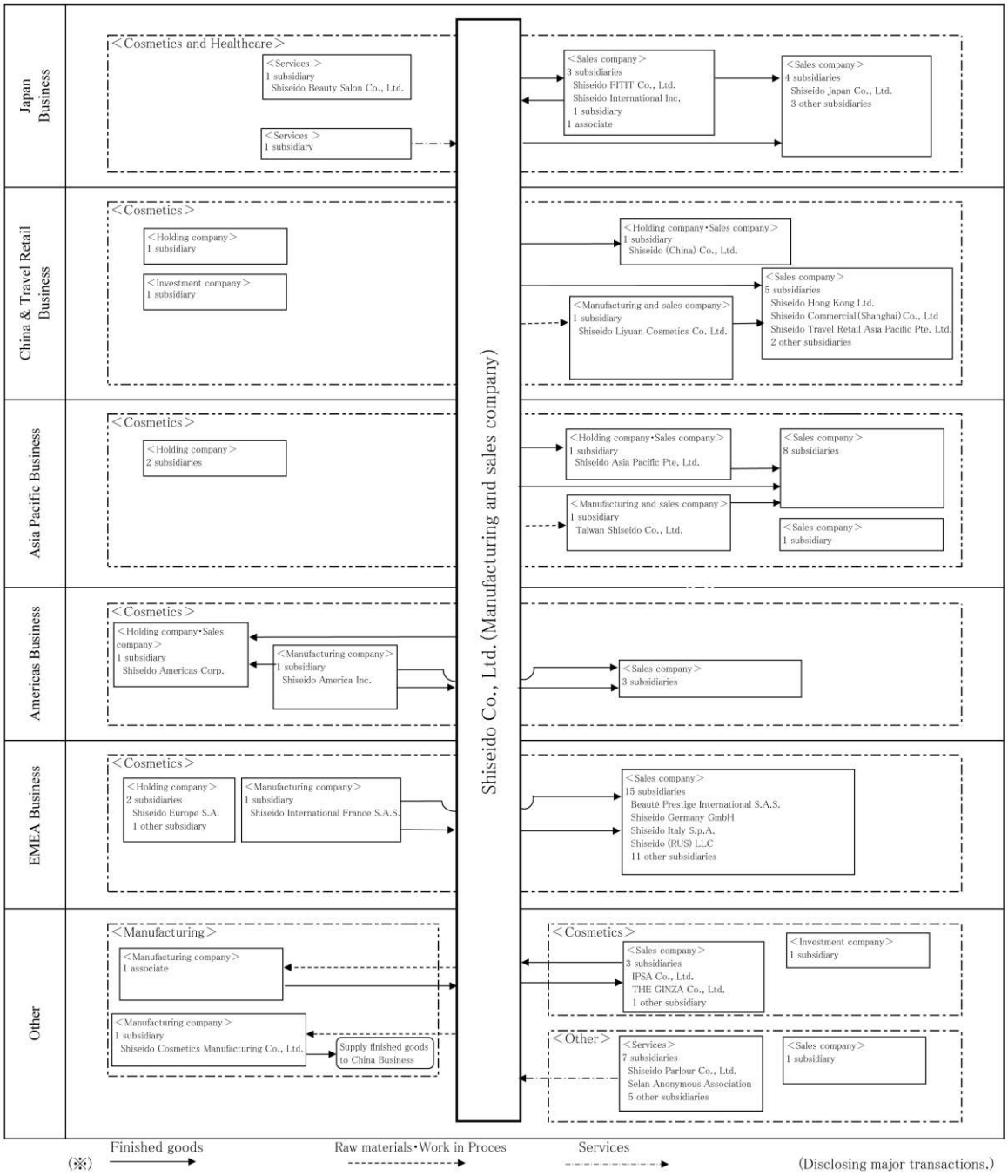
The positioning of each company in the Group's business and its relationship with the segments are as follows:

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

Segment	Principal Business	Major Companies
Japan Business	Cosmetics business (sale of cosmetics and cosmetic accessories, etc.) Healthcare business (sale of beauty foods and over-the-counter drugs), etc.	The Company Shiseido Japan Co., Ltd. Shiseido Beauty Salon Co.,Ltd. Shiseido FITIT Co.,Ltd. Shiseido International Inc. 5 other subsidiaries 1 associate (11 companies in total)
China & Travel Retail Business	Cosmetics business (production and sale of cosmetics and cosmetic accessories), etc.	The Company Shiseido (China) Co.,Ltd. Shiseido Liyuan Cosmetics Co., Ltd. Shiseido Hong Kong Ltd. Shiseido Commercial (Shanghai) Co. Ltd Shiseido Travel Retail Asia Pacific Pte. Ltd. 4 other subsidiaries (10 companies in total)
Asia Pacific Business	Cosmetics business (production and sale of cosmetics and cosmetic accessories), etc.	The Company Shiseido Asia Pacific Pte. Ltd. Taiwan Shiseido Co., Ltd. 11 other subsidiaries (14 companies in total)
Americas Business	Cosmetics business (production and sale of cosmetics and cosmetic accessories), etc.	The Company Shiseido Americas Corp. Shiseido America Inc. 3 other subsidiaries (6 companies in total)
EMEA Business	Cosmetics business (production and sale of cosmetics and cosmetic accessories), etc.	The Company Shiseido Europe S.A. Shiseido International France S.A.S. Shiseido (Rus) LLC Shiseido Italy S.p.A. Shiseido Germany GmbH Beauté Prestige International S.A.S. 12 other subsidiaries 1 associate (20 companies in total)
Other	Restaurant business, etc.	The Company The Ginza Co.,Ltd. IPSA Co.,Ltd. Shiseido Parlour Co.,Ltd. Selan Anonymous Association Shiseido Cosmetics Manufacturing Co., Ltd. 8 other subsidiaries 1 associate (15 companies in total)

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

The Group's organization is as illustrated below.



4. Information on Subsidiaries and Associates

(1) Parent company

Not applicable.

(2) Consolidated subsidiaries

Company name	Address	Share capital or investments in capital	Principal business	Ownership percentage of voting rights (%)		Description of relationship
				FY2025	FY2024	
Shiseido Japan Co., Ltd. (Note 2) (Note 6)	Chuo-ku, Tokyo	Thousands of yen 100,000	Japan Business	100.0	100.0	Purchaser of cosmetics, etc. Leasing of buildings owned by the Company Leasing out of buildings, land, and equipment to the Company Concurrent directors: Yes; Secondment and concurrent employment of employees: Yes
Shiseido Beauty Salon Co., Ltd.	Chuo-ku, Tokyo	Thousands of yen 100,000	Japan Business	100.0	100.0	Business transactions: No Concurrent directors: No; Secondment and concurrent employment of employees: Yes
Et tu sais Co., Ltd.	Chuo-ku, Tokyo	Thousands of yen 100,000	Japan Business	100.0	100.0	Purchaser of cosmetics, etc. Concurrent directors: No; Secondment and concurrent employment of employees: Yes
Shiseido FITIT Co., Ltd.	Chuo-ku, Tokyo	Thousands of yen 10,000	Japan Business	100.0	100.0	Purchaser of cosmetics, etc. Concurrent directors: No; Secondment and concurrent employment of employees: Yes
Shiseido International Inc.	Chuo-ku, Tokyo	Thousands of yen 30,000	Japan Business	100.0	100.0	Purchaser of cosmetics, etc. Concurrent directors: No; Secondment and concurrent employment of employees: Yes
Shiseido (China) Co., Ltd. (Note 2) (Note 6)	Shanghai	Thousands of Chinese yuan 565,093	China & Travel Retail Business	100.0	100.0	Purchaser of cosmetics, etc. Concurrent directors: Yes; Secondment and concurrent employment of employees: Yes
Shiseido Liyuan Cosmetics Co. Ltd.	Beijing	Thousands of Chinese yuan 94,300	China & Travel Retail Business	65.0 (32.9)	65.0 (32.9)	Purchaser of raw materials Concurrent directors: Yes; Secondment and concurrent employment of employees: Yes
Shiseido Hong Kong Ltd.	Hong Kong	Thousands of Hong Kong dollar 123,000	China & Travel Retail Business	100.0	100.0	Purchaser of cosmetics, etc. Concurrent directors: Yes; Secondment and concurrent employment of employees: No
Shiseido Commercial (Shanghai)Co., Ltd	Shanghai	Thousands of Chinese yuan 10,000	China & Travel Retail Business	100.0 (100.0)	100.0 (100.0)	Purchaser of cosmetics, etc. Concurrent directors: Yes; Secondment and concurrent employment of employees: No
Shiseido Travel Retail Asia Pacific Pte. Ltd. (Note 2)	Singapore	Thousands of US dollar 48	China & Travel Retail Business	100.0 (100.0)	100.0 (100.0)	Purchaser of cosmetics, etc. Concurrent directors: Yes; Secondment and concurrent employment of employees: No
Shiseido Asia Pacific Pte. Ltd.	Singapore	Thousands of Singapore dollar 49,820	Asia Pacific Business	100.0	100.0	Purchaser of cosmetics, etc. Concurrent directors: No; Secondment and concurrent employment of employees: Yes
Shiseido (Thailand) Co. Ltd.	Bangkok	Thousands of Thai baht 202,000	Asia Pacific Business	100.0 (99.0)	49.0 (Note 3)	Purchaser of cosmetics, etc. Concurrent directors: No; Secondment and concurrent employment of employees: No
FLELIS International Inc.	Taipei	Thousands of New Taiwan dollar 246,460	Asia Pacific Business	100.0 (100.0)	100.0 (100.0)	Purchaser of cosmetics, etc. Concurrent directors: Yes; Secondment and concurrent employment of employees: No
Shiseido Korea Co., Ltd.	Seoul	Millions of won 61,698	Asia Pacific Business	100.0 (100.0)	100.0 (100.0)	Purchaser of cosmetics, etc. Concurrent directors: Yes; Secondment and concurrent employment of employees: No
Taiwan Shiseido Co., Ltd.	Taoyuan	Thousands of New Taiwan dollar 1,154,588	Asia Pacific Business	51.0	51.0	Purchaser of cosmetics, etc. Concurrent directors: Yes; Secondment and concurrent employment of employees: Yes
Shiseido Cosmetics Vietnam Co. Ltd.	Ho Chi Minh	Millions of Vietnamese dong 235,479	Asia Pacific Business	100.0 (100.0)	100.0 (100.0)	Purchaser of cosmetics, etc. Concurrent directors: No; Secondment and concurrent employment of employees: No
Shiseido Americas Corp. (Note 2)	Delaware	Thousands of US dollar 403,070	Americas Business	100.0	100.0	Purchaser and supplier of cosmetics, etc. Guarantees Concurrent directors: Yes; Secondment and concurrent employment of employees: Yes
Shiseido (Canada) Inc.	Ontario	Thousands of Canadian dollar 61	Americas Business	100.0 (100.0)	100.0 (100.0)	Business transactions: No Concurrent directors: No; Secondment and concurrent employment of employees: No
Shiseido America Inc.	New York	Thousands of US dollar 28,000	Americas Business	100.0 (100.0)	100.0 (100.0)	Supplier of cosmetics, etc. and purchaser of raw materials Concurrent directors: No; Secondment and concurrent employment of employees: No
Shiseido Europe S.A. (Note 2)	Paris	Thousands of Euro 257,032	EMEA Business	100.0	100.0	Business transactions: No Concurrent directors: No; Secondment and concurrent employment of employees: Yes
Shiseido International France S.A.S.	Paris	Thousands of Euro 36,295	EMEA Business	100.0 (100.0)	100.0 (100.0)	Supplier of cosmetics, etc. and purchaser of raw materials Concurrent directors: No; Secondment and concurrent employment of employees: Yes
Shiseido (RUS) LLC	Moscow	Thousands of Russian ruble 106,200	EMEA Business	100.0 (100.0)	100.0 (100.0)	Business transactions: No Concurrent directors: No; Secondment and concurrent employment of employees: No
Shiseido Middle East FZCO	Dubai	Thousands of US dollar 3,488	EMEA Business	100.0 (100.0)	100.0 (100.0)	Business transactions: No Concurrent directors: No; Secondment and concurrent employment of employees: No

Company name	Address	Share capital or investments in capital	Principal business	Ownership percentage of voting rights (%)		Description of relationship
				FY2025	FY2024	
Shiseido Italy S.p.A.	Milan	Thousands of Euro 5,036	EMEA Business	100.0 (100.0)	100.0 (100.0)	Business transactions: No Concurrent directors: No; Secondment and concurrent employment of employees: No
Shiseido Germany GmbH	Dusseldorf	Thousands of Euro 8,700	EMEA Business	100.0 (100.0)	100.0 (100.0)	Business transactions: No Concurrent directors: No; Secondment and concurrent employment of employees: No
Beauté Prestige International S.A.S.	Paris	Thousands of Euro 32,937	EMEA Business	100.0 (100.0)	100.0 (100.0)	Purchaser of cosmetics, etc. Concurrent directors: No; Secondment and concurrent employment of employees: Yes
Shiseido Spain, S.A.U.	Madrid	Thousands of Euro 998	EMEA Business	100.0 (100.0)	100.0 (100.0)	Business transactions: No Concurrent directors: No; Secondment and concurrent employment of employees: No
Shiseido Group Middle East FZ-LLC	Dubai	Thousands of US dollar 326	EMEA Business	100.0 (100.0)	100.0 (100.0)	Business transactions: No Concurrent directors: No; Secondment and concurrent employment of employees: No
Shiseido UK Ltd.	London	Thousands of British pound 169	EMEA Business	100.0 (100.0)	100.0 (100.0)	Business transactions: No Concurrent directors: No; Secondment and concurrent employment of employees: No
IPSA Co., Ltd.	Minato-ku, Tokyo	Thousands of yen 100,000	Other	100.0	100.0	Purchaser of cosmetics, etc.; Leasing of buildings owned by the Company Concurrent directors: No; Secondment and concurrent employment of employees: Yes
Shiseido Parlour Co., Ltd.	Chuo-ku, Tokyo	Thousands of yen 100,000	Other	99.3	99.3	Outsourced contractor for operations of directly-managed restaurants Leasing of equipment owned by the Company Leasing out of buildings to the Company Concurrent directors: Yes; Secondment and concurrent employment of employees: Yes
THE GINZA Co., Ltd.	Chuo-ku, Tokyo	Thousands of yen 100,000	Other	98.1	98.1	Purchaser and supplier of cosmetics, etc. Concurrent directors: Yes; Secondment and concurrent employment of employees: Yes
Selan Anonymous Association (Note 2) (Note 4)	(Business operator) Chiyoda-ku, Tokyo	Thousands of yen 27,150,000	Other	- [100.0]	- [100.0]	Business transactions: No; Leasing out of a building and equipment of SHIODOME TOWER (Shiodome Office) to the Company Concurrent directors: No; Secondment and concurrent employment of employees: No
Shiseido Cosmetics Manufacturing Co., Ltd.	Shanghai	Thousands of Chinese yuan 418,271	Other	92.6 (66.3)	92.6 (66.3)	Purchaser of raw materials Concurrent directors: Yes; Secondment and concurrent employment of employees: Yes
Other 30 companies	-	-	-	-	-	-

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

Company name	Unit	Net sales	Profit	Total equity	Total assets
Shiseido Japan Co., Ltd.	Millions of yen	272,740	8,201	49,911	188,430
	Thousands of U.S. dollars	1,740,968	52,349	318,594	1,202,796
Shiseido (China) Co.,Ltd.	Millions of yen	172,833	6,183	68,906	112,010
	Thousands of U.S. dollars	1,103,236	39,468	439,844	714,988

(3) Affiliates

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

Note: Segment names are listed in "Principal businesses"

(4) Other affiliates

Not applicable.

5. Employees

(1) Employees of the Group

As of December 31, 2025

Business segment	Number of employees (persons)	
Japan Business	8,816	[2,989]
China & Travel Retail Business	5,982	[110]
Asia Pacific Business	2,377	[229]
Americas Business	1,565	[398]
EMEA Business	2,722	[271]
Other	4,868	[1,668]
Total	26,330	[5,665]

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

(2) Employees of the Company

As of December 31, 2025

Number of employees (persons)		Average age (years old)	Average length of service (years)	Average annual salary (yen)	Average annual salary (U.S. dollars)
3,850	[1,335]	39.3	11.2	7,080,304	45,195.35

Business segment	Number of employees (persons)	
Other	3,850	[1,335]

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

(3) Labor unions

The Shiseido Labor Union was founded in February 1946 as the Shiseido Employees' Union, and currently consists of 10,294 members organized by the Company and its major domestic consolidated subsidiaries.

There are no items to report regarding labor relations.

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

For more information on these initiatives, please refer to "(4) Human Capital" under "2. Sustainability Approach and Measures."

1) Submitting company

Current fiscal year				
The proportion of female employees in managerial positions (%) (Note 1)	The proportion of male employees who took childcare leave (%) (Note 2)	The wage gap between male and female employees (%) (Note 1)		
		All employees	Full-time employees	Part-time and fixed-term employees
38.9	91.1	81.1	92.4	66.6

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

2) Consolidated subsidiaries

Current fiscal year					
Company name	The proportion of female employees in managerial positions (%) (Note 1)	The proportion of male employees who took childcare leave (%) (Note 3)	The actual wage gap between male and female employees (%) (Note 1)		
			All employees	Full-time employees	Part-time and fixed-term employees
Shiseido Japan Co., Ltd.	(Note 2)	76	58.2	59.0	64.9
Japan Retail Innovation Co., Ltd.		-	37.0	65.6	63.5
Shiseido Beauty Salon Co., Ltd.		0	55.5	63.6	50.2
Shiseido Parlour Co., Ltd.		100	59.8	72.0	48.3
IPSA Co., Ltd.		-	50.5	50.6	60.5
THE GINZA Co., Ltd.		100	58.1	52.0	117.0

Notes:

1. Calculated based on the provisions of the Act on the Promotion of Women's Active Engagement in Professional Life (Act No. 64 of 2015). The wage gap between male and female employees is the ratio of the average wage of female employees to that of male employees, when the average wage of male employees is set at 100.
2. The female management ratio is monitored by Shiseido Group in Japan and the proportion of female managers in the Shiseido Group in Japan is 43.3%. As employment management is integrated within the Group, we disclose this as the entire Shiseido Group in Japan.
   The scope: Shiseido Group in Japan (17 entities)
   1) Headquarter: Shiseido Co., Ltd.
   2) Consolidated subsidiaries: Shiseido Japan Co., Ltd., SHISEIDO ASTECH Co., Ltd., HANATSUBAKI FACTORY Co., Ltd., Et tu sais Co., Ltd., EFFECTIM Co., Ltd., THE GINZA Co., Ltd., Shiseido Beauty Salon Co., Ltd., Shiseido Parlour Co., Ltd., KODOMOLOGY Co., Ltd., IPSA Co., Ltd., Shiseido Creative Co., Ltd.
   3) Other than consolidated subsidiaries: Pierre Fabre Japon Co., Ltd., Shiseido Gakuen Educational Institute Shiseido Beauty Academy, Shiseido Health Insurance Society, Shiseido Corporate Pension Fund, Shiseido Child Foundation
3. Based on the provisions of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Act No. 76 of 1991), the percentage of employees who took childcare leave, etc. is calculated based on Article 71-4, Item 2 of the Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Ordinance of the Ministry of Labor No. 25 of 1991).
4. Information is omitted for consolidated subsidiaries that are not subject to the obligatory disclosure under the provisions of the Act on the Promotion of Women's Active Engagement in Professional Life (Act No. 64 of 2015) and the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Act No. 76 of 1991).

2. Overview of Business

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

In this report, statements other than historical facts are forward-looking statements that reflect the Group's plans and expectations as of the date of submission of the Annual Securities Report in Japanese (March 23, 2026). These forward-looking statements involve risks, uncertainties and other factors that may cause our actual results and achievements to differ from those anticipated in these statements.

1) Corporate Philosophy THE SHISEIDO PHILOSOPHY

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

THE SHISEIDO PHILOSOPHY consists of:

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

〔THE SHISEIDO PHILOSOPHY〕

〔OUR MISSION〕

BEAUTY INNOVATIONS FOR A BETTER WORLD

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

Since our founding, we have been dedicated to discovering and creating new value, unlocking the possibilities of beauty to bring happiness to all.
We have always been—and always will be— committed to creating a sustainable world of beauty and wellness.

Creating a better world through the power of beauty.
That is our mission.

Under the above corporate mission, we have set our 2030 Vision as "By connecting with people, we pursue, create, and share new beauty, enriching everyone's lives." To realize this Vision, we established The Shiseido Way, which outlines the mindset and behaviors of "Shiseido JIN (people)," and partially revised The Shiseido Philosophy in January 2026.

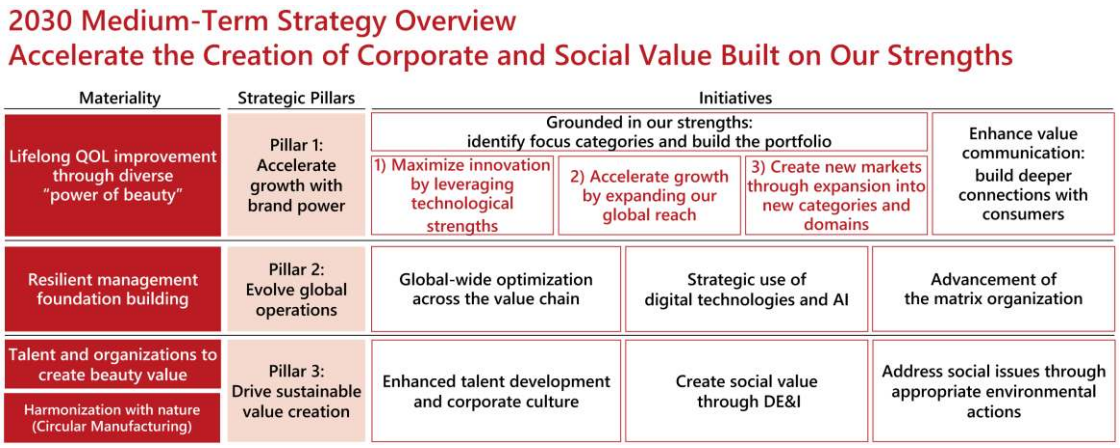
For more information on The Shiseido Philosophy, please visit our corporate website at:
https://corp.shiseido.com/en/company/philosophy/

2) 2030 Medium-Term Strategy

Shiseido Group has announced its new "2030 Medium-Term Strategy," setting its sights on the year 2030. In formulating our strategy, we re-identified material issues in light of the changes in the current business environment and through research and dialogue with multiple stakeholders. These material issues are classified into four areas: (i) Lifelong QOL improvement through diverse "power of beauty;" (ii) Resilient management foundation building; (iii) Talent and organizations to create beauty value; and (iv) Harmonization with nature (Circular Manufacturing). To address these issues, we have established three strategic pillars — "Accelerate Growth with Brand Power," "Evolve Global Operations," "Drive Sustainable Value Creation" — and will promote initiatives that leverage our core strengths.

In our previous strategy, "SHIFT 2025 and Beyond," along with the "Action Plan 2025-2026," we focused on the selection and concentration of key brands and implementing fundamental global structural reforms to fortify our business foundation. Building upon this solid base, the new strategy aims to maximize brand value through various initiatives, fostering a virtuous cycle that enables reinvestment in new value creation essential for sustainable growth. Through these efforts, we will strive to maximize both corporate and social value.

Our new Vision is: "By connecting with people, we pursue, create, and share new beauty, enriching everyone's lives." To embody this Vision, we are reaffirming our 2005 slogan, "In every moment, in every life, beauty," with a renewed interpretation that reflects the future we aspire to.



For more details on 2030 Medium-Term Strategy, please visit our corporate website at: https://corp.shiseido.com/en/ir/strategy/

2. Sustainability Approach and Measures

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

(1) Sustainability in General

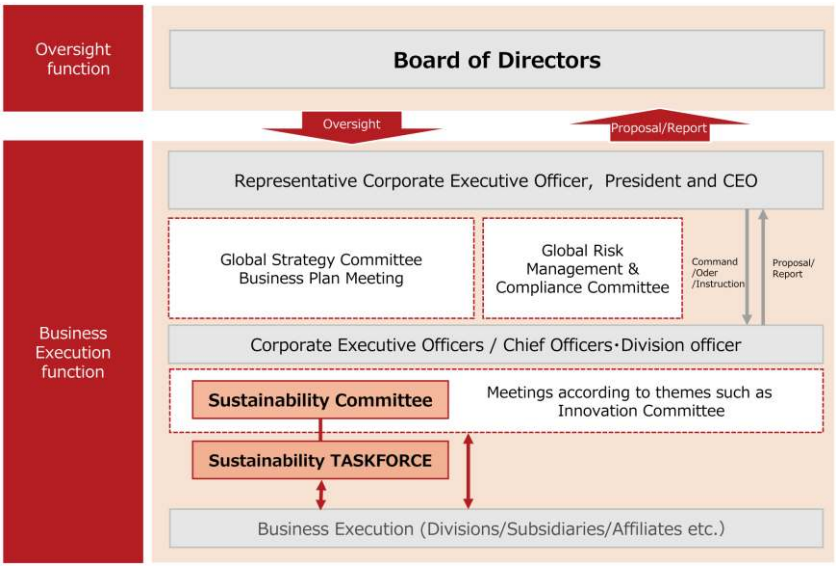
Our aim of "By connecting with people, we pursue, create, and share new beauty, enriching everyone's lives" towards 2030 through the value of beauty has been cultivated since the Company's founding based on our corporate mission of BEAUTY INNOVATIONS FOR A BETTER WORLD. The creation of sustainable value is one important pillar of our management strategy, and we are working on initiatives across the entire company to create social value through our business and to solve social and environmental issues.

1) Governance

At Shiseido, we work to promote sustainability across the entire company through our brands and regional businesses. The Sustainability Committee was set up to ensure timely management decisions related to sustainability efforts and their proper implementation across the group, the committee is held regularly.

The Sustainability Committee makes decisions on specific action plans, including strategic actions and policies related to sustainability for the entire Shiseido Group, risks and opportunities associated with such as climate change and the natural environment, and initiatives to address human rights. The committee also monitors the progress of medium- to long-term targets within our sustainability strategy. The committee consists of the Representative Corporate Executive officers and Executive Officers in charge of corporate strategy, finance, R&D, supply network, human resources, corporate communications, as well as chief officers and division officers in various areas including our brand holders, allowing us to discuss a range of issues from different perspectives. In addition, important matters in the execution of business, which require approvals are proposed or reported to the Global Strategy Committee or the Board of Directors. In order to ensure executing and promoting of sustainability actions, a Sustainability TASKFORCE was set up under the Sustainability Committee, consisting of the heads of key relevant functions. At the Sustainability TASKFORCE, practical approaches to achieve our long-term targets are discussed with relevant functions, regional headquarters, and local subsidiaries as necessary.

We also issue an annual "Sustainability Report" (Note 1) in which we disclose strategic actions and the medium- to long-term targets we have for actions that can be taken toward sustainability in our business, as well as our progress toward those goals. We also promote sustainable initiatives through long-term incentive-type remuneration for leaders in key positions in Japan and overseas, including corporate executive officers, chief officers and division officers by utilizing multiple internal and external targets concerning Environmental, Social, and Governance (ESG) targets, including CO_2 emissions (Note 2) reductions and woman ratio in managerial positions.



Notes:

1. The latest Sustainability Report can be found here: https://corp.shiseido.com/en/sustainability/report.html
2. Greenhouse gases (GHGs) include CO_2, CH_4, N_2O, HFCs, PFCs, SF_6, and NF_3, but in this report, they specifically are described as CO_2.

2) Strategy

We position “Drive sustainable value creation” as one of the key pillars of our 2030 Medium-Term Strategy. Based on our materiality, we have set forth three strategic actions and medium-term targets in each of the social and environmental areas to promote social value creation through our business and to address social and environmental challenges.

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

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

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

3) Risk management

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

4) Metrics and targets

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

[Medium-to Long-Term Targets]

- Environment

Strategic Action		Targets		Target Year (Note 1)
Reducing our environmental footprint	CO_2 emissions reduction	Scope 1 and Scope 2 (Note 2)	(46.2)% (Note 3) (SBTi validation)	2030
		Scope 3	(55)% (Note 4) (SBTi validation)	2030
	Reduction of water consumption		(40)% (Note 5)	2026
Developing sustainable products	Switching to sustainable packaging (Note 6)		100%	2025
Promoting sustainable and responsible procurement	Replacement with sustainable palm oil (Note 7)		100%	2026
	Replacement with sustainable paper (Note 8)		100%	2023 (Continued in 2025)

Notes:

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

- Society

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

(2) Climate change-related and other initiatives

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

1) Governance

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

2) Strategy

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

Risk Category			Events	Financial impact	
				Billion of yen	Millions of U.S. dollars
Opportunities	Transition drivers (Seen mainly in the 1.5/2°C scenario)		Improvement of energy efficiency Expansion of opportunities for marketing sustainable and responsible products	-	-
	Physical drivers (Seen mainly in the 4°C scenario)		Expansion of sales opportunities for products utilizing climate-responsive solutions	-	-
Risks	Transition drivers (Seen mainly in the 1.5/2°C scenario)		Increased operating costs driven by the expansion of carbon tax implementation	0.05-0.87	0.30-5.60
			Increased procurement costs driven by the expansion of carbon tax implementation	3.50	22.30
	Physical drivers (Seen mainly in the 4°C scenario)	Acute	Disruption of production and logistics due to extreme weather events, such as floods	0.87	5.60
			Instability in palm oil production due to extreme weather events such as floods, droughts, and heatwaves	0.14-0.29	0.90-1.90
		Chronic	Suspension of production activities due to water shortages	3.20	20.40
			Increased raw material procurement costs due to a decrease in pollinators	2.60	16.60

The influence of carbon tax was identified as the transition risk, with projections pointing toward approximately ¥0.05-0.87 billion ($0.30-5.60 million) in 2030. For physical risks, ¥0.87 billion ($5.60 million) of floods and ¥3.20 billion ($20.40 million) of water shortage were forecasted potentially. As for opportunities, in the 1.5/2°C scenario, high awareness by consumers means there is a market for sustainable brands and products. Similarly, the 4°C scenario identifies sales opportunities for products that can help people to live with high temperatures. At the Group, we aim to leverage these findings by mitigating risks and making the most of opportunities to provide sustainable products to consumers and promote our beauty innovations.

For nature-related risks and opportunities, we conduct a quantitative analysis of the impact on biodiversity throughout the value chain by means of a Life Cycle Assessment. This revealed that the impact is great, particularly in raw material procurement. In response, we assumed places of origin of cosmetics raw materials with high dependence on biodiversity in line with the LEAP approach recommended by TNFD and evaluated the potential impacts due to land conversion on our supply chain. We thus monetized ecosystem services by pollinators, such as honeybees, as physical risk analysis in the aspect of dependencies. At the same time, we analyzed risks on sustainability-related regulations as transitional risks along with climate change issues. Shiseido Climate/Nature-related Financial Disclosure Report is disclosed on the corporate information website.

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

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

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

3) Risk management

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

4) Metrics and targets

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

Specifically, in order to mitigate the climate-related risks, we set the reduction of CO_2 emissions as our target and also contribute to risk mitigation by regularly monitoring the situation related to climate change and implementing corresponding measures. We have set a target to reduce CO_2 emissions by 46.2% by 2030 (compared to 2019 levels) for Scope 1 and Scope 2 emissions as a science-based target aligned with the globally agreed 1.5°C trajectory. For our CO_2 emissions reduction targets across the overall value chain, our 2030 target has been validated by the Science Based Targets initiative (SBTi) (Note 1) as well as Scope 1 and Scope 2 targets, and we are working to reduce CO_2 emissions.

We also joined the RE100 (Note 2) initiative in 2022. To reduce Scope 1 and 2 CO_2 emissions, we decided to introduce an internal carbon pricing (ICP) system and began to apply it for making decisions on decarbonization investments in energy-efficient facilities, renewable energy facilities, and the similar in 2024.

Regarding biodiversity, we disclose our medium- and long-term targets of shifting from paper and palm-derived materials, which are known for their deep connection deforestation, to certified materials and other resources not involved in deforestation. In doing so, we are advancing sustainable and responsible procurement with minimal impacts on nature and biodiversity.

At our company, we perceive climate change and marine plastic waste issues as urgent global environmental issues, and we are strengthening our efforts to develop sustainable products. Through innovation that are aligned with Shiseido's 5R's (Note 3) policy for packaging development, we worked on initiatives for plastic packaging to achieve our target of 100% sustainable packaging by 2025. These include encouraging refills to promote reusing packaging, adopting recyclable design through mono-materialization, reviewing of materials, and reducing packaging weight (Note 4). Furthermore, looking ahead to 2030, we have set a new goal to actively use recycled and biomass-derived materials and to elevate the ratio of these materials to 15%, not only for plastic containers as previously targeted, but also for container materials including glass. In addition, for primary packaging made of PET (polyethylene terephthalate), we have set a goal to use 30% of PCR (post-consumer recycled) material to promote more circular manufacturing.

Notes:

1. A global initiative that promotes the setting of science-based greenhouse gas emission reduction targets for companies to achieve the targets of the Paris Agreement
2. RE100 is a global initiative bringing together the world's most influential companies committed to 100% renewable electricity for electricity used in their business operations.
3. Packaging development policy: respect, reduce, reuse, recycle, and replace.
4. Actual results for 2025 will be disclosed in the Sustainability Report to be issued in 2026.

GHG emissions (Unit: t-CO_2e)

The data marked with ● in the table below has been third-party certified.

Scope		Description	Internal data	Emission factor	2019	2024
Scope 1		Direct emissions from our activities	- Fuel consumption	Reference-1	27,036●	17,825●
Scope 2		Indirect emissions deriving from the use of energy provided by others	- Power and steam consumption	Factor provided by power company	51,714●	10,212●
Scope 3		Indirect emissions other than Scope 2				
1	Purchased goods and services	Emissions generated from upstream of the supply chain, such as raw materials, advertising service, LUC due to palm-and paper-derived material production.	- Raw material procurement volume - POSM procurement volume - Advertising expenses - Palm- and paper-related raw material procurement	IDEA v3.1 Ecoinvent 3.9 Reference-2 Reference-3	1,210,000	474,000●
2	Capital goods	Emissions generated from making capital goods.	- CAPEX	Reference-2	231,000	123,000●
3	Fuel-and energy-related activities	Emissions generated in the process of mining, extraction, refining, transportation of energy and fuels.	- Amount of energy consumption	IDEA v3.1	15,600	8,710
4	Upstream transportation and distribution	Emissions generated from procurement transportation and shipping transportation.	- Raw material procurement volume - Product volume - Distance between our factories and sales sites	IDEA v3.1 Ecoinvent 3.9	110,000	44,400●
5	Waste generated in operations	Emissions generated in the process of transportation and waste treatment from our operations.	- Waste generated by material type and disposal method	IDEA v3.1	20,700	23,900●
6	Business travel	Emissions from employee business-related travel	- Travel expenses - Number of trips by destination - Transportation distance	IDEA v3.1 Reference-2	14,700	6,310
7	Employee commuting	Emissions from employee commuting between home and Shiseido's site	- Commuting expenses	IDEA v3.1 Reference-2	5,200	7,580
8	Upstream leased assets	Leased properties	- Power and fuel consumption	IDEA v3.1	0	9
9	Downstream transportation and distribution	Emissions generated in storage and stores	- Sales volume Product bottom area	Reference-4	252,000	65,000●
10	Processing of sold products	Not applicable. The products sold do not need to be processed for consumer use			0	0
11	Use of sold products	Emissions from product use, such as rinsing, drying up.	- Energy, water, and consumable goods consumed in product use	IDEA v3.1	1,580,000●	121,000●

12	End-of-life treatment of sold products	Emissions generated in decomposition of ingredients, and the process of transportation and waste treatment from products sold	- Amount of carbon derived from fossil resources in the molecules that make up the ingredient and packaging components - Waste generated by material type	IDEA v3.1	148,000●	49,300●
13	Downstream leased assets	Not applicable			0	0
14	Franchises	Not applicable			0	0
15	Investments	Emissions from associates and stock investees	- Scope 1 and Scope 2 emissions of associates and stock investees - Shareholding Ratio	-	4,240	1,470

References (including Japanese websites):
1. https://policies.env.go.jp/earth/ghg-santeikohyo/files/calc/itiran_2023_rev4.pdf
2. https://www.env.go.jp/earth/ondanka/supply_chain/gvc/estimate_05.html
3. Germer, J. et al. (2008) Environment, Development and Sustainability, 10, 697–716
4. https://www.keidanren.or.jp/policy/2024/085_kobetsu35.pdf

(3) Diversity Equity and Inclusion initiatives

Diversity, Equity & Inclusion (DE&I) is an important initiative for the Company to achieve our corporate mission. We foster an organizational culture that utilizes various perspectives and creates innovation by recognizing and respecting differences including gender, age, nationality, sexual orientation, gender identity, and disabilities.

1) Governance

Our approach to DE&I governance follows the same framework as our sustainability-related operations. For more details, please refer to "1) Governance" under "(1) Sustainability in General."

Regarding human rights, we have established a human rights project framework under the Sustainability Committee to conduct human rights due diligence. For significant human rights issues identified through our biennial human rights risk assessment, the responsible departments implement corrective actions and report on their progress every six months. The human rights project team regularly reports these updates to the Sustainability Committee, which monitors the company's risk mitigation status. Additionally, significant achievements and challenges related to human rights are reported to or reviewed by the Board of Directors each year.

2) Strategy

We will leverage our company's long-standing expertise in DE&I to spread it across our society through our employees, businesses, and brands, driving sustainable value creation. In the social area, we have identified "Advancing Gender Equality" and "Empowering People through the Power of Beauty" as strategic action areas, and we are working globally to support one million people in each of these areas by 2030. In terms of "Advancing Gender Equality," we aim to achieve for a ratio of 50% women leaders across all management levels within our group companies in Japan by 2030. Additionally, we are committed to respecting the human rights of all stakeholders, including employees, consumers, and suppliers.

Advancing Gender Equality

As a company originating in Japan, we place gender equality at the forefront of our priorities. We participate in the 30% Club Japan, an initiative aimed at increasing the proportion of women in executive positions in Japanese companies. Through cross-company sharing of best practices and partnerships with institutional investors and universities, we have strengthened the impact of efforts to break away from homogeneity and drive innovation.

・Shiseido DE&I Lab

The Shiseido DE&I Lab, a joint research initiative with universities, identifies and visualizes challenges companies face in achieving gender equality, particularly in Japan, which lags globally in women's empowerment. By widely disseminating solutions and insights both internally and externally, we are driving the advancement of DE&I in Japanese society. In 2025, we held the "Shiseido DE&I Lab Symposium" for the first time to mark International Women's Day, with 1,287 participants. In October, we published research findings on the impact of building an inclusive workplace, contributing to the dissemination of practical management approaches. As a result of these initiatives, as of January 1, 2026, the ratio of women managers reached 43.3% in Japan and 60.3% globally.

・Supporting Education for Girls

Since 2019, *Clé de Peau Beauté* has been committed to championing education as a means of advancing gender equality and empowering girls and women worldwide. Through its global partnership with UNICEF, *Clé de Peau Beauté* supports developing skills for girls, such as in STEAM, that unlocks their potential for a better future, reinforcing its commitment to creating a more equitable society. Additionally, through its signature philanthropic initiative, the Power of Radiance Awards, the brand recognizes and supports individuals who advocate for girls' education. In 2025, at the Osaka Kansai Expo, a talk session themed "STEAM × Gender" was moderated by a recipient of the same award, and a talk event for girls aspiring to pursue STEAM fields themed "The Future of Beauty" was held, thereby contributing to raising awareness among younger generations. We held the award ceremony for the 18th Shiseido Female Researcher Science Grant, continuing our long standing support for the careers of women researchers conducting research at Japanese universities and other institutions.

These initiatives have been highly recognized both within and outside the company, and in March 2025, we were selected as a Nadeshiko Brand company for the fifth consecutive year. Our leadership has also been recognized globally, as exemplified by Nicole Tan, CEO of Shiseido Asia Pacific Pte. Ltd., being named by Fortune as one of the "Most Powerful Women in Asia 2025."

Empowering People Through the Power of Beauty

Around the world, there are people who avoid interactions with others due to various concerns and difficulties, such as age, illness, disability, or changes in physical appearance. Unconscious biases and fixed ideas that are pervasive in daily life can suppress the expression of each individual's beauty, making it difficult for them to maintain social connections. We advocate the power of beauty as instrumental in mental and physical well-being, as well as social well-being (Note1). As a beauty company that enables diverse beauty, we are working toward a society where everyone can celebrate each other's beauty.

・Shiseido Life Quality Makeup

Through programs such as Shiseido Life Quality Makeup for those with serious skin concerns and the LAVENDER RING MAKEUP & PHOTOS WITH SMILES supporting people living with cancers, we have provided social support to improve quality of life. In February 2025, Perfect Cover, which marked its 30th anniversary, underwent a full renewal with an expanded shade range designed to accommodate diverse global skin tones, and, in collaboration with organizations such as the French Vitiligo Association, began activities in France. In June, on World Vitiligo Day, we further strengthened our efforts to promote understanding of vitiligo and advance initiatives that support the realization of diverse expressions of beauty.

・Social Initiatives in Partnership with Local Communities and Governments

In Japan, the Social Area Leaders of Shiseido Japan Co., Ltd., who work exclusively on addressing social issues in local communities, take the lead in planning and implementing social initiatives in collaboration with municipalities across the country. Their activities include cosmetic therapy seminars for older people, appearance care seminars for individuals undergoing cancer treatment, Shiseido Guide Makeup seminars for people who are blind or have low vision, and personal appearance sessions for students and working adults, thereby supporting positive social participation among diverse groups. In July 2025, we established the "Shiseido Cosmetic Therapy Certification," and in March in Japan we held an appearance care seminar for medical professionals involved in cancer care, followed by a cosmetic therapy lecture in Taiwan, further promoting the dissemination of specialized beauty care both domestically and internationally.

・Support for People with Disabilities

As part of our efforts to enhance accessibility, we provide an online beauty consultation service for the deaf and hard of hearing using sign language, lip reading, and chat, and we also offer seminars for people who are blind or have low vision. We promoted initiatives to expand employment opportunities for people with disabilities, including hosting a sign language career exchange event on the International Day of Sign Languages. We also supported the expansion of employment opportunities by serving as a Gold Sponsor of the "DIVERSITY CAREER FORUM 2025." In the Valuable 500, a global initiative promoting the inclusion of people with disabilities, our executive officers participated in the international conference and deepened collaboration with global companies. As a participating company, we continue to advance multifaceted initiatives—including product development, marketing, and employment.

・Supporting the LGBTQ+ Community

Within our organization, employee participation contributes to a more inclusive workplace. In 2025, employees participated in Pride parades held around the world in celebration of LGBTQ+ rights. We also published the "Expressing Your True Colors," a makeup guide that provides techniques tailored to the beauty needs of transgender women and non-binary individuals. Specialists from Shiseido Japan Co., Ltd., serve as instructors for the related makeup seminars, further promoting our support for the LGBTQ+ community. We have hosted the "Diversity Week" three times for Shiseido Group employees in Japan, increasing dialogue opportunities with LGBTQ+ individuals and people with disabilities through employee resource groups.

・"*ANESSA* Sunshine Project" to Support Children's Mind and Physical Growth

Since 2024, Shiseido's sunscreen brand *ANESSA* has been implementing the "*ANESSA* Sunshine Project,"(Note2) an initiative implemented across 12 countries and regions in Asia to support the healthy growth of children's minds and bodies through activities in the sun. Based on the research findings that playing outside nurtures across five key areas of child development (physical, emotional, social, intellectual, and psychological,) and particularly enhances autonomic nervous system function to build life skills like motivation and initiative (Note3), our company hosts events to encourage playing outdoor voluntarily and provide UV protection knowledge to educators and parents. To date, the project has supported a total of 171,000 children.

These diverse initiatives have also been recognized externally. Shiseido Life Quality Makeup received the ACAP Awards for Consumer-Oriented Activities, and our initiatives supporting the LGBTQ+ community earned the Rainbow Certification for the second consecutive year in the PRIDE Index 2025.

Notes:

1. Social well-being is defined as the sustaining of meaningful relationships with society and people.
2. Chinese Mainland, Hong Kong, Indonesia, Japan, Korea, Macau, Malaysia, the Philippines, Singapore, Taiwan, Thailand, and Vietnam.
3. Based on research by Dr. Akira Maehashi, Ph.D. (Medicine), Professor at the Faculty of Human Sciences, Waseda University, and a leading expert in child health and welfare.

Respecting Human Rights

Shiseido upholds human rights as a fundamental principle in our business operations, fostering engagement with employees, business partners, and human rights organizations. The Shiseido Code of Conduct and Ethics defines the actions expected of Shiseido employees. As a guideline for fulfilling our responsibility to respect human rights, we have established the Shiseido Policy on Human Rights. We expect our suppliers to fully comply with the Shiseido Group Supplier Code of Conduct, which outlines standards for human rights, legal compliance, labor practices, intellectual property protection, confidentiality, environmental protection, and fair trade.

Since 2020, we have been establishing and operating a human rights due diligence process. We identify negative human rights impacts our company may have on society through risk assessments and promote improvement actions to prevent and mitigate them. We continue our activities to further reduce human rights risks by regularly reporting and disclosing our progress. In cooperation with external human rights experts, we identify relevant human right issues by referencing international human rights codes, non-financial disclosure standards, and the Corporate Human Rights Benchmark (CHRB). The identified issues were categorized by relevance to each Shiseido stakeholder (employees, consumers, business partners, shareholders, and members of society). The severity and likelihood of both visible and potential human rights impacts were then assessed through interviews with employees and reviews of internal and external documents. We also evaluated the level of risk for each issue based on the status of Shiseido's preventive and corrective measures.

In 2025, we conducted our third human rights risk assessment across the entire Shiseido Group and monitored progress in mitigating human rights risks. In December 2024, we established the "Basic Policy on Customer Harassment," followed by the publication of the "Responsible Marketing and Advertising Policy" in April 2025 and the "Shiseido Group Accessibility Statement" in June 2025. Through these policies, we continue to strengthen our framework for protecting the human rights of all stakeholders.

For further details on these initiatives, please refer to our corporate website below.
https://corp.shiseido.com/en/sustainability/society/

3) Risk management

In terms of risk management related to DE&I risks and opportunities, we are addressing this together with overall sustainability risk management. For more details, please refer to "3) Risk management" under "(1) Sustainability in General" above.

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

4) Metrics and targets

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

(4) Human Capital

Based on our "PEOPLE FIRST" philosophy, we view our PEOPLE (employees) as the source of value creation and position the strengthening of our people and organization as one of our key management priorities, which we actively pursue.

1) Governance

The Company positions the enhancement of human capital at the core of its management strategy and formulates and implements its people strategy accordingly. The People & Culture Division formulates the people strategy based on the medium-term business strategy, which is reviewed by the Board of Directors after discussions at "Global Strategy Committee" (Note). Furthermore, we have a system in place to achieve high transparency and objectivity in promoting the initiatives. Important management decisions are deliberated fairly from various perspectives and implemented with the approval and support of the Corporate Executive Officers and the Representative Corporate Executive officers such as succession planning for key positions, placement and promotion of the right people in the right positions, validation of individual performance assessments, assessment of regional headquarters management members and determination of remuneration (Regional Remuneration Committee).

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

2) Strategy

In 2025, under the "Action Plan 2025–2026," we focused on building a resilient business structure to achieve sustainable profit growth in the fast-paced market. In terms of human capital initiatives, we continued to strengthen our organizational foundation by prioritizing internal structural reforms.

In November 2025, we launched a new people strategy in conjunction with the announcement of the "2030 Medium-Term Strategy." Under this strategy, we aim to build an organization that enables employee growth by empowering employees across the Group to develop as "Shiseido JIN"—individuals who can share exceptional and enduring value with the world even during difficult times. To achieve this, we have defined the following three strategic pillars and will promote a wide range of initiatives to strengthen our human capital:

(1) Increase opportunities to take on new challenges
(2) Embody Shiseido's core values
(3) Foster a globally unified organization

＜Increase opportunities to take on new challenges＞

To continuously enhance corporate value in a rapidly changing business environment, we believe it is essential for employees to grow by taking on new challenges and for leaders to actively support these efforts in the field. As employees repeatedly take on challenges with the support of their leaders, they acquire portable skills that enable them to adapt to changes. To expand opportunities for more of employees to take on new challenges, we will increase opportunities to participate in cross-functional projects that transcend organizational boundaries in addition to our job-based HR system and internal job posting program. Going forward, we will position global mobility as a strategic talent development initiative and increase investment in global talent development and career development. Furthermore, to better understand individual strengths and broaden access to diverse opportunities, we will enhance the visibility of employee skills. In addition, based on the leadership model developed in 2024, we will actively introduce training programs for leaders including frontline managers, to strengthen the mindset and capabilities they need to lead not only business but also the development of people and organization, thereby creating an organization in which all the leaders strongly support employee growth.

＜Embody Shiseido's core values (Note)＞

We believe that, particularly during times of transformation, the values we have cherished since our founding need to be shared across the entire organization. Making these values the standard for organizational decision-making and employee behavior will serve as the driving force for sustainable corporate value creation. Based on this belief, we have redefined our core values and are now focusing on embedding and activating them within our people and our organization.

This redefinition was formulated through extensive discussions within the Global Leadership Team, including the President and CEO, as well as regional CEOs, and was shaped by an uncompromising commitment to the unique identity of the Shiseido Group. Moving forward, we will carefully navigate this activation process. By encouraging continued dialogue among colleagues, we aim to help each employee connect these values to their own roles and responsibilities, enabling them to truly embody these principles as the foundation for their daily judgments and actions.

Furthermore, to ensure the next generation inherits the Shiseido Group's strengths in our value creation and value communication capabilities, we will provide employees with diverse career paths and development opportunities. Alongside this, we will advance discussions on the planned and systematic development of specialized talent.

Note: For details on Shiseido's core values, please refer to "About Us / The Shiseido Philosophy" on our corporate website: https://corp.shiseido.com/en/company/philosophy/

＜Foster a globally unified organization＞

As the Shiseido Group continues structural reforms across the organization, global collaboration and synergy have become increasingly important. We will further strengthen connections between Global Headquarters and regional organizations to enhance our agility as a global organization, while fostering an inclusive culture in which diverse employees can fully leverage their individual strengths. Specifically, within our corporate functions, we aim to build an organizational structure that enables globally integrated and efficient operations and maximizes value by clarifying roles and reporting lines across global and region headquarters as well as optimizing governance. In parallel, the HR function will integrate previously fragmented HR processes and data, establishing a foundation for data-driven rapid decision-making and execution. To foster an inclusive organizational culture, we have continued to hold events such as "Brand Day" and "Diversity Week," providing opportunities for employees to connect and deepen mutual understanding. From both policy and operational perspectives, we have also continued initiatives to promote the advancement of women, support the inclusion of employees with disabilities, and help employees balance childcare and work. Especially regarding the advancement of women employees, we aim to achieve a 50% ratio of women in management positions by 2030. We will further support their growth through initiatives to cultivate women leaders and mentoring programs with women executives.

In addition to the above, as other initiatives to strengthen our people and organizational capabilities, we have implemented initiatives such as "Strategic Talent Management," which involves assigning the right people to the right positions across the Shiseido Group and strategically developing talent; "Performance Management," which aims to improve mid- to long-term business performance to foster employee growth through stretched assignments; and "Support for Autonomous Career Development," which include workshops and e-learning for proactive career development and strengthening expertise and "Career Development Plans (CDPs)," where employees create their own medium- to long-term career goals. For employees in Japan, under the Job-Based HR System already in place, we are enhancing professional expertise and supporting employees in taking greater ownership of their careers. Amid ongoing internal structural reforms, we continue to promote skill development by providing learning opportunities such as Shiseido Future University and LinkedIn Learning, enabling employees to access diverse challenge opportunities. We offer three types of training programs depending on their purpose and target participants: nomination-based programs, elective programs, and mandatory programs. Mandatory programs include new employee training, third-year training, newly appointed manager training, and manager workshops. "NEXT LEADERSHIP SESSION for WOMEN" is a distinctive nomination-based program designed for women identified as candidates for management roles that supports them in recognizing and overcoming their own and others' unconscious biases while developing management capabilities and discovering their unique leadership style.

To enable employees to choose work styles that suit their lifestyles and preferences, we promote a flextime system without core hours (Superflex) and the "Shiseido Hybrid Work Style," which flexibly combines remote and office work according to business needs. In addition, to enhance employee experience and productivity through workstyle transformation, we have introduced the "Shiseido AI Concierge," a generative AI–based tool aimed at improving operational efficiency. We also recognize employee health and occupational safety as critical priorities. Centered on the "Shiseido Health Declaration" and the "Shiseido Vision Zero Declaration (Safety Declaration)," we continue to work toward creating safe and secure workplaces. These efforts have been externally recognized, and we are certified as a 2025 Health & Productivity Management Outstanding Organization (White 500) and received of the Promotion Award at the Women's Health Management® Awards hosted by the Women's Healthcare Awareness & Menopause Network Society.

The changes in our people and organization through these initiatives are continuously monitored using the engagement scores, and we will establish a PDCA cycle by analyzing effects and issues. In 2025, the Shiseido Group and its affiliates conducted an engagement survey of all directly employed employees, achieving a response rate of 91%. The global positive response rate across the three questions used to calculate the engagement score was 71%. Looking at individual questions, "satisfaction with the company" (74%) and "willingness to contribute to the company" (74%) showed relatively high scores, while "sense of fulfillment at work" (65%) was comparatively lower. Going forward, we will focus on creating an environment that encourages and supports more employees to proactively take on challenges, grow, and experience a stronger sense of fulfillment in their work.

3) Risk management

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

4) Metrics and targets

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

Items		KPIs	2025 Results
Workforce Metrics	Acquisition and Turnover	Number of employees (Japan)	13,175 people
		Number of new hires (Japan)	363 people
		Ratio of mid-career hires among new hires (Shiseido Co., Ltd., Shiseido Japan Co., Ltd.)	37.5%
		Voluntary employee turnover rate (Japan)	6.8%
	Diversity, Equity and Inclusion	Ratio of women in top management (Global)	50.0%
		Ratio of women in management positions (Japan) (Note)	43.3%
		Ratio of women employees (Japan)	77.1%
		Gender pay gap (Shiseido Co., Ltd.) (Note)	92.4%
		Ratio of foreign employees (Japan)	2.3%
		Ratio of employees with disabilities (Japan)	3.06% (As of June 1, 2025)
		Note: For details on the "Ratio of Women in Management Positions" and "Gender Pay Gap," please refer to "(4) The proportion of female employees in managerial positions, the proportion of male employees who took childcare leave and the actual wage gap between male and female employees" under "1. Overview of the Company 5. Employees."	
Workplace Environment		Positive response rate for employee engagement survey (Global)	71%
		Annual rate of paid leave taken per person (Japan)	84.1%
		Number of individuals taking childcare leave (Japan)	364 people
		Regular health checkup participation rate (Japan)	100%
		Number of fatalities and functional loss incidents due to work-related accidents (Japan)	0

＜External Evaluations and Awards＞

Throughout fiscal year 2025, the Group received the following evaluations and awards from third-party organizations.

Item	Honors	2025 Results
Diversity, Equity and Inclusion	MSCI Japan Empowering Women (WIN) Select Index 2025	Continuously selected
	Morningstar Japan ex-REIT Gender Diversity Tilt Index	Group 1 (highest)
	work with Pride Association: PRIDE index Corporation (Japan)	Gold (highest rating) and Rainbow certification
	METI (Ministry of Economy, Trade and Industry) and Tokyo Stock Exchange Nadeshiko (Japan)	Selection
Improvement of the internal environment	METI and Nippon Kenko Kaigi 2025 Certified Health & Productivity Management Outstanding Organizations: White 500 under the large enterprise category (Japan)	Certification

3. Business and Other Risks

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

Such items associated with future events are based on our judgment as of the Annual Securities Report in Japanese filed to Director-General, Kanto Local Finance Bureau on March 23, 2026. Please note that the potential risks are not limited to those listed below.

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

The Global Risk Management & Compliance Committee and the Global Strategy Committee chaired by the CEO and composed of Regional CEOs and Officers are held regularly to risks related to group-wide and specific projects and deliberate countermeasures toward them. Risk-related information of the Group is gathered by the Risk Management Department under the Chief Legal Officer.

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

In 2025, material risks were identified through a holistic approach combining multiple and comprehensive methods. Specifically, the Risk Management Department interviewed and discussed with Officers, Regional CEOs, and Directors for their view on Group risks. Regional risk assessments and input from relevant functions were also taken into consideration as Risk Management Department, with input of the experts' knowledge identified material risks affecting the achievement of our 2030 Medium-Term Strategy*.

* Strategic Pillars of 2030 Medium-Term Strategy

1	Accelerate Growth with Brand Power	- Maximize Innovation by Leveraging Technological Strengths - Accelerate Growth by Expanding Our Global Reach - Create New Markets through Expansion into New Categories and Domains
2	Evolve Global Operations	- Pursuing Operational Excellence across the Value Chain - Strategic use of Digital Technologies and AI - Advancement of the Matrix Organization
3	Drive Sustainable Value Creation	- Talent Strategy: Building an Organization that Enables Employee Growth - Sustainability Strategy: Creating Social Value through DE&I and Addressing Social Issues through Responsible Environmental Actions

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

Table 1 <Risk Evaluation Methodology>

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

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

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

Consumer & Social-Related	- Adaptation to Changing Consumer Values★ - Pace of Cutting-Edge Innovation - New Technology and Speed of Digital Acceleration - Corporate and Brand Reputation - Environment (Climate Change, Biodiversity, etc.) - Diversity, Equity & Inclusion (DE&I) - Natural Disaster, Infectious Disease and Terrorism - Geopolitical Tensions★
Operation & Fundamental-Related	- Organizational Capability and Corporate Culture★ - Business Structure Transformation - Operating Infrastructure - Supply Network - Compliance - Privacy - Regulatory★ - Quality Assurance - Governance Structure - Information Security
Others	- Exchange Rate Fluctuations - Business Investment - Material Litigation, etc.

As a noteworthy point of the risk assessment results mentioned above, the individual risks identified are more interlinked than in the past and interdependency of the countermeasures is also increasing. In addition to that, we have identified risks that have increased their risk levels compared to the previous fiscal year: “Adaptation to Changing Consumer Values,” “Geopolitical Tensions,” “Organizational Capability and Corporate Culture,” and “Regulatory,” and we are strengthening our countermeasures against them.

The following outlines our key strategic initiatives, expected uncertainties (Threats and Opportunities), countermeasures, change in risk level and relationship with 2030 Medium-Term Strategy for each material risk. Please note that the following is based on our assumptions as of March 23, 2026.

<Consumer & Social-Related>

Risk	Key Initiatives/Uncertainties (Threats and Opportunities)/Countermeasures	Change in risk level (Year-on-Year)	Relationship with 2030 Medium-Term Strategy
Adaptation to Changing Consumer Values	**[Key Strategic Initiatives]** - Maximize innovation by leveraging technological strengths. - Accelerate growth by expanding our global reach. - Create new markets through expansion into new categories and domains. - Ensure brand equity through elevating price strategy on a global basis. - Enhance demand forecasting, optimize initiatives, and advance consumer experience through the use of data and AI. **[Uncertainties]** - Changes in consumer income and spending willingness driven by macroeconomic conditions may lead to sales and profits that exceed or fall short of our business plan. (Threat/Opportunity) - If our response to diversifying consumer values and purchasing behavior is delayed or insufficient, competitors may capture opportunities. (Threat) - Successful marketing strategies addressing changing consumer values may lead to higher-than-expected sales and profits. (Opportunity) **[Countermeasures]** - Identify "where to win" by leveraging our competitive advantage. - Define category strategies aligned with markets and our competitive advantage. - Sharpen brand value and build and foster customer loyalty. - Accelerate workforce diversity across the Group. - Accelerate value creation and business development through open innovation with external partners. - Promote cross-brand governance to optimize strategy and maximize return on investment through the department and committee responsible for global brand strategy. - Through the consumer and market intelligence department, gather consumer information in an accurate and timely manner. - Explore new business and value creation models under the direct leadership of CEO.	↗	1,2 and 3
Pace of Cutting-Edge Innovation	**[Key Strategic Initiatives]** - Select and concentrate on R&D based on our unique R&D philosophy "DYNAMIC HARMONY." - Establish three innovation pathways to convert research outputs into value: (i) utilize technologies as the brand core, (ii) utilize technologies as the corporate core, and (iii) create new categories. - Accelerate the conversion of our technology and R&D strength into our brand values, and continuously deliver new value driven by bold science and technologies. - Strengthen the value-creation framework that develops both brand value and category value, founded on basic research. - Continue to invest in R&D with ca.3% of net sales ratio target. **[Uncertainties]** - New or competing technologies may make existing technologies obsolete. Cosmetics and other regulations of certain countries could result in restriction of our technologies, making it difficult to provide new value to consumers. (Threat) - A slowdown in basic research with medium-to long term view, or in the development of alternative ingredients and formulations that advance sustainability, as well as delays in M&A or external collaborations, could reduce our ability to meet consumer needs and weaken competitiveness. (Threat) - Innovation in services, processes, and organization could create new value for consumers and establish competitive advantages. (Opportunity) **[Countermeasures]** - Establish new categories such as medical & derma and lifestyles and explore new domains including life stage partnerships and beauty checkups. - Continue to invest in cosmetics R&D and agile and optimized investment allocation. - Continuously generate seeds for cross-brand commercialization and communicate them effectively to consumers. - Conduct joint research with external organizations. Leverage expertise of startup companies to focus on consumer trends. - Utilize co-creation and verification frameworks with consumers to validate new value propositions and accelerate commercialization. - Define and monitor KPIs to measure R&D returns (such as R&D expenses to net sales ratio, number of researchers, sites, patent applications, academic papers, and numbers of seeds created and utilized, etc.). - Expand strategic secondments to external organizations to develop innovation talent, and enhance specialist roles aligned with organizational plans to strengthen expertise-based capabilities.	→	1

Risk	Key Initiatives/Uncertainties (Threats and Opportunities)/Countermeasures	Change in risk level (Year-on-Year)	Relationship with 2030 Medium-Term Strategy
New Technology and Speed of Digital Acceleration	**[Key Strategic Initiatives]** - Strengthen AI investment and accelerate practical adoption to enhance value creation, advance and automate back-office operations, and improve customer experience and loyalty. **[Uncertainties]** - Possibility of a decline in market share due to delays in the transformation of business models and value creation through digital utilization, as well as delays in the standardization of data and processes compared with competitors, which may lead to increased compliance risks and higher costs. (Threat) - Insufficient safeguards for the use of generative AI could result in information leakage, infringement of intellectual property rights including copyrights, or problems caused by unexpected behavior and instances where AI can go wrong, potentially giving rise to various risks and issues. (Threat) - DX workforce attrition due to competitive threats. (Threat) - Blending online and in-store experiences could enable more distinctive consumer value. (Opportunity) - Effective use of generative AI could enhance competitive advantage. (Opportunities) **[Countermeasures]** - Use AI to strengthen personalized consumer experiences and loyalty, including optimization of media mix and delivery of personalized experiences using customer data. - Continue building digitally optimized teams and digital capabilities through targeted hiring, upskilling, and retention. - Continue digital skin-analysis services to deepen personalized engagement with customers. - Accelerate first-party data acquisition through service and technology offered online and in stores.	→	1 and 2
Corporate and Brand Reputation	**[Key Strategic Initiatives]** - Promote communication with a wide range of stakeholders from both economic and social perspectives to maintain and enhance corporate and brand reputation. - Enhance brand value through multifaceted marketing activities leveraging consumer insights and data. **[Uncertainties]** - Communications or actions by the Group, as well as by ambassadors, influencers, or external parties supported by the Group, may attract public criticism regardless of their accuracy, potentially affecting our reputation. (Threat) - The circulation of counterfeit products may prevent the value we provide from being appropriately conveyed to consumers and may adversely affect our brand image. (Threat) **[Countermeasures]** Following countermeasures are implemented to mitigate reputation risk cases in advance. - Continue education and awareness initiatives for employees engaged in marketing and communications. - Continuously enhance prior review processes for communications, including advertising and promotional content, the selection of brand ambassadors and influencers, and support activities for external parties, with consideration given to market-specific characteristics and potential ethical or social criticism. - Monitor information related to the Group in online environments. - Establish and promote a responsible marketing and advertising policy to ensure transparent marketing and advertisement activities. - Communicate thoroughly the social media policy in the Company. Following actions are executed to strengthen the response in the event of an incident. - Maintain coordinated incident response closely with Regional HQs. - Continue collaboration with relevant authorities to combat counterfeit products.	→	1,2 and 3

Risk	Key Initiatives/Uncertainties (Threats and Opportunities)/Countermeasures	Change in risk level (Year-on-Year)	Relationship with 2030 Medium-Term Strategy
Environment (Climate Change, Biodiversity, etc.)	**[Key Strategic Initiatives]** - Establish the "Shiseido Beauty Circular Model" to advance circular product development and enhance sustainability for people and the planet, contributing to a richer natural environment. - Pursue activities-reducing our environmental footprint, developing sustainable products, and promoting sustainable and responsible procurement. **[Uncertainties]** - Insufficient progress on environmental initiatives may erode stakeholder trust and preference, potentially weakening demand. (Threat) - Inadequate management of climate- and nature-related issues, including regulatory compliance, may adversely affect our operations, financial performance, and corporate value. (Threat) - Advanced sustainable product development can build trust, create new social value in beauty, and enhance corporate value. (Opportunity) **[Countermeasures]** - Set policies, targets, and KPIs and regularly review company-wide progress, under our sustainability initiatives implementing governance framework. - Promote activities to achieve sustainability within each brand. - Publish a Sustainability Report summarizing policies, initiatives, and KPIs and performances. - Promote sustainable product development, including the use of eco-friendly materials and sustainable packaging. - Set targets for CO_2, water, and resource circularity, and manage them. - Advance responsible procurement and traceability for key raw materials with material environmental and social impacts. - Continue climate- and nature-related risk assessment, scenario analysis, and disclosure in line with Task Force on Climate-related Financial Disclosures (TCFD) and Taskforce on Nature-related Financial Disclosures (TNFD) recommendations.	→	1, 2 and 3
Diversity, Equity & Inclusion (DE&I)	**[Key Strategic Initiative]** - Accelerate initiatives focused on gender equality, empowering people through the power of beauty, and promoting respect for human rights, aiming to create a world where everyone can live beautifully and authentically. - Foster an inclusive culture to leverage diversity and establish a globally unified organization. - Drive transformation in Japanese companies and Japanese society as a whole by supporting women's advancement not only within our own company but also through information support to other companies. **[Uncertainties]** - Possibility of losing stakeholder trust and preference due to insufficient efforts in DE&I, which is a strength of Shiseido. (Threat) - Inadequate management of business and human rights issues, without considering the characteristics of each market, may adversely affect corporate value. (Threat) - Our efforts can create social value and strengthen stakeholder trust. (Opportunity) - An inclusive culture can attract and retain diverse talent, promote innovation and enhance corporate value. (Opportunity) **[Countermeasures]** - Advance brand-level initiatives that contribute to sustainability realization. - Publish a Sustainability Report summarizing the Company's policies, initiatives, and KPIs. - Promote DE&I in Japan through the Shiseido DE&I Lab. - Participate in the "30% Club Japan," which aims to increase the proportion of women among executives at Japanese companies, and the "Unstereotype Alliance Japan Office," an international industry collaboration initiative led by UN Women that works to eliminate stereotypes in advertising and other media. - Promote diverse programs such as Shiseido Life Quality Makeup (SLQM), which helps improve the quality of life for people with deep skin concerns through the transformative power of makeup. - Implement human rights due diligence and remedial actions to prevent and mitigate risks.	→	1, 2 and 3

Risk	Key Initiatives/Uncertainties (Threats and Opportunities)/Countermeasures	Change in risk level (Year-on-Year)	Relationship with 2030 Medium-Term Strategy
Natural Disaster, Infectious Disease and Terrorism	**[Key Strategic Initiatives]** - Maintain and update business continuity plans (BCPs) and promote regular training and education. - Optimize the global value chain to ensure business continuity. **[Uncertainties]** - Increasingly severe and frequent natural disasters such as earthquakes, flood damages, tornadoes, and fires, and events such as terrorism or civil unrest may cause harm to people and assets and disrupt the supply chain, potentially hindering operations and supply. (Threat) - Pandemics may suppress consumption and adversely affect sales and profitability. (Threat) **[Countermeasures]** - Operate various BCPs globally, with ongoing training, education, and periodic reviews. - Strengthen the global supply network to enable flexible and continuous supply during crises.	→	2
Geopolitical Tensions	**[Key Strategic Initiatives]** - Accelerate growth driven by brand value and achieve sustainable improvements in profitability. **[Uncertainties]** - Possibility of consumer pullback on our products due to increased anti-Japan sentiments in markets where we operate. (Threat) - Deterioration of business environment due to political instability in markets where we operate, including disruptions to international logistics. (Threat) - Our profitability may deteriorate if the increased cost of raw materials caused by global price inflation leads to an increase in the price of our goods/services, as consumers may be less motivated to purchase our products. (Threat) - Unstable political conditions, strained diplomatic relationships of countries, trade policy dispute and conflicts in countries where we operate could deteriorate our business environment and lead to negative impacts on production, supply, and sales of our products. (Threat) **[Countermeasures]** - Accelerate business transformation globally to minimize risks even when we face unexpected changes in the market environment. - Optimize sales balance across regions. - Strengthen and leverage the scale of our global supply network resilience to be able to be flexible at a time of crisis, without interrupting supply. - Ensure business continuity through the establishment of a company-wide crisis management framework and ongoing training.	↗	1 and 2

<Operation & Fundamental-Related>

Risk	Key Initiatives/Uncertainties (Threats and Opportunities)/Countermeasures	Change in risk level (Year-on-Year)	Relationship with 2030 Medium-Term Strategy
Organizational Capability and Corporate Culture	**[Key Strategic Initiatives]** - Establish "Shiseido as an organization that enables employee growth" as a key pillar of the 2030 Mid-Term People Strategy, with a strong focus on employee growth and retention. - Establish The Shiseido Way as our values, mindset, and actions that shape how we work towards Our Mission and Vision, and promote initiatives that ensure these principles are practiced in employees' daily work. **[Uncertainties]** - Inability to attract and retain the best people may lead to people shortages in realizing our business objectives. (Threat) - Possibility of securing a competitive advantage by hiring and retaining top talents. (Opportunity) - Possible increase in productivity of the entire Group through the promotion of business process using AI and IT tools and work style reforms. (Opportunity) **[Countermeasures]** - Plan to increase our investment in talent development to three times the 2025 level toward 2030. - Aim to shorten the distance between the leadership team and employees, to intentionally increase opportunities for direct discussion of management policies, vision and values, and to continue to build a highly transparent organizational culture, while promoting a sense of unity and alignment of employees throughout the organization. - Promote workplace with flexibility and diversity, such as a workstyle combining office and remote work to achieve maximum results (hybrid work style) and permitting part-time jobs. Improve employee wellbeing. - Build an integrated and efficient global operating and organizational structure by reviewing the global talent database and clarifying roles, reporting lines, and governance across global and regional HQs. - Introduce the Job Grade HR System and a remuneration system commensurate with individual contributions to ensure transparency in personnel evaluation and improve employee motivation. - Expand opportunities for employees to take on challenges by, in addition to the existing internal job posting system, increasing participation in cross-functional projects that are not limited by organizational affiliation. - Implement an original leadership program at Shiseido Future University focusing on the people selected from the Group companies in Japan and overseas who will become next-generation management leaders, with the aim of nurturing leaders who have a sense of beauty and a richness of spirit befitting a beauty company, and cutting-edge global-level business knowledge to create Shiseido's unique value and innovations. - Strengthen retention of people by offering total rewards, including global mobility and competitive compensation systems.	↗	1,2 and 3
Business Structure Transformation	**[Key Strategic Initiative]** - Promote the 2030 Medium-Term Strategy to maximize brand value, achieve new growth, enhance both corporate and social value, and realize a core operating profit margin of 7% in 2026 and over 10% in 2030. **[Uncertainties]** - Business plan achievement may be negatively affected if regional/divisional business restructuring does not progress as targeted and profitability and cash flow is not improved. (Threat) - Growth in the cosmetics market may fall below expectations with slowdown of economic growth in our markets, affecting management plans. (Threat) - Accelerate improvements in profitability and capital efficiency as brand portfolio optimization, asset-light initiatives, and operational enhancement progress. (Opportunity) **[Countermeasures]** - Accelerate sales growth through proactive investment in focus areas, while promoting cost optimization, improving profitability across all regions, strengthening financial discipline, and advancing initiatives to enhance ROIC.	→	2

Risk	Key Initiatives/Uncertainties (Threats and Opportunities)/Countermeasures	Change in risk level (Year-on-Year)	Relationship with 2030 Medium-Term Strategy
Operating Infrastructure	**[Key Strategic Initiative]** - Stabilize the FOCUS system, a project aimed at standardizing and modernizing business processes globally, and leverage standardized global data to drive agile management. **[Uncertainties]** - Delays or post-go-live issues in global IT rebuilds or migrations, or delays in system responses to changes in the business environment, may lead to disruptions in operations and declines in operational efficiency and quality, thereby hindering the global management foundation and potentially affecting the execution of management plans. (Threat) - Global IT standardization can reduce cost, improve efficiency, and accelerate decision-making through better data utilization, enhancing competitiveness. (Opportunity) **[Countermeasures]** - Ensure the stable operation of FOCUS system and advance back-office digitalization. - Apply a robust implementation methodology—including rehearsals, user training and post-go-live stabilization support—to ensure business, system and people readiness. - Implement high-availability global cloud IT infrastructure to ensure resilience. - Activate contingency plans when necessary to avoid or mitigate business impact.	→	2
Supply Network	**[Key Strategic Initiatives]** - Optimize the entire value chain from two perspectives—global optimization and lead time reduction—to achieve end-to-end efficiency. - Drive continuous process improvement and invest in advanced technologies in manufacturing and supply. - Focus on safety, sustainability and quality. **[Uncertainties]** - Economic factors such as exchange rate fluctuations, inflation and tariff changes and events such as natural disasters or supplier operational/IT disruptions may impede procurement and logistics, making stable production and supply difficult. (Threat) - Leveraging Japan's manufacturing excellence at our factories in Japan can increase the value delivered to consumers. (Opportunity) - Optimizing end-to-end supply network operations—including planning, inventory management, procurement, production, and logistics—can improve profitability and strengthen competitiveness. (Opportunity) **[Countermeasures]** - Optimize the Global Manufacturing and Logistics Network to deliver "asset light" performance and improve COGs and agility. - Strengthen our S&OP process, in order to balance supply and demand in an agile and profitable manner. - Stabilize supply by diversifying suppliers of key materials, securing emergency inventories, and building strategic supplier partnerships. - Integrate inventory management and optimize freight costs. - Strengthen monitoring of compliance with the Shiseido Group Supplier Code of Conduct. - Establish and implement "Global Safety Management System" and "Supply Network Sustainability Roadmap." - Ensure global adherence to the "Policy for Responsible Procurement."	→	2 and 3

Risk	Key Initiatives/Uncertainties (Threats and Opportunities)/Countermeasures	Change in risk level (Year-on-Year)	Relationship with 2030 Medium-Term Strategy
Compliance	**[Key Strategic Initiative]** - Strengthen global legal compliance structure to support business growth, including new business domains such as digital and beauty tech, AI, derma and wellness, and M&A integration. **[Uncertainty]** - Shiseido is subject to laws and regulations in countries in which we operate around the world relating to product safety, ingredients and labeling, employee health and safety, intellectual property, antitrust and competition, data privacy, environment, employment and labor, taxes, product claims, corporate governance, Tokyo Stock Exchange (TSE) listing and disclosure. Unexpected changes to these laws and regulations could have a material impact on the business cost. Failure to comply with these laws and regulations could expose the Company to civil and/or criminal fines, penalties and sanctions impacting our corporate reputation. (Threat) **[Countermeasures]** - Office of the Chief Legal Officer (CLO) works in conjunction with regional legal leaders to reinforce global compliance with Company rules and policies as well as external laws and regulations. Response teams are activated in any affected Regions or markets to ensure timely and effective actions in protecting the safety of our consumers and our employees. - Foster an ethical culture and a framework of our ways of working that set out our non-negotiable standards embodied in our "Shiseido Code of Conduct and Ethics" expected from all employees. Provide training and awareness on areas such as anti-corruption, anti-trust, anti-harassment and anti-discrimination, as well as privacy and data protection. - Operate the "Shiseido Global Hotline" at HQ and regional hotlines to directly receive reports from all employees of the Group and support early detection and remediation of potential violations.	→	2
Privacy	**[Key Strategic Initiative]** - Obtain and use personal data with appropriate consent to enhance consumer experiences and personalized services. **[Uncertainties]** - Data breaches or delayed/inadequate responses to applicable data-protection laws could lead to non-compliance, penalties, and reputational harm. (Threat) - Failure to meet evolving societal expectations and consumer concerns regarding data protection may reduce trust and business opportunities. (Threat) - By appropriately addressing the aforementioned threats, effective privacy practices can build confidence among customers and other stakeholders in entrusting personal data to the Company, supporting the achievement of business objectives. (Opportunity) **[Countermeasures]** - Establish and maintain global governance for personal data handling, ensuring appropriate controls and building trust with consumers, business partners and employees. - Ensure transparency regarding privacy practices and data protection efforts. - Continuously update data protection policies to reflect evolving laws and regulations. - Identify and securely manage personal data, and provide ongoing employee training and awareness. - Conduct company-wide privacy assessments on a continuing basis and address identified vulnerabilities.	→	2

Risk	Key Initiatives/Uncertainties (Threats and Opportunities)/Countermeasures	Change in risk level (Year-on-Year)	Relationship with 2030 Medium-Term Strategy
Regulatory	**[Key Strategic Initiative]** - HQ leads in collecting information and analyzing risks related to the ever-changing new regulations and social trends, sharing information with related departments, including overseas regions, and strengthening the system for the smooth launch of innovative products and services. **[Uncertainty]** - If we are unable to properly develop new products or modify existing product formulations in compliance with regulatory changes and tightening regulations in each country, our technologies and products may become subject to regulatory restrictions, which could have a significant impact on our business plans and cause us to lose the trust of society and consumers. (Threat) **[Countermeasures]** - Monitor regulatory trends in each country and formulate strategies for cosmetics and other regulatory requirements through a dedicated department within HQ. - Strengthen the linkage between products and technical information (formulations), and the product lifecycle management system. - Strengthen our response to changing regulations in collaboration with our local regulatory teams, local industry associations and external experts. - Conduct compliance assessments of environmental and other regulations based on the ISO14001 to ensure strict compliance with laws and regulations.	↗	1,2 and 3
Quality Assurance	**[Key strategic Initiative]** - Ensures high standard of quality assurance and control, through processes from product design, production, and sales, based on the recognition that providing safe and reliable products is a core Shiseido value and the source of competitive advantage. **[Uncertainties]** - Insufficient application of our quality standards could impair our ability to consistently deliver safe, reliable products to consumers. (Threat) - By manufacturing products outside Japan that meet the same high quality standards as those in Japan and delivering high-quality products to consumers worldwide, trust in the brand—particularly outside Japan—may be enhanced, potentially contributing to business growth. (Opportunity) **[Countermeasures]** - Set group quality and safety standards and verify conformance at each stage, including design and development, raw material management, manufacturing, and shipment. - Conduct ongoing objective setting, governance and risk assessment for quality. - Aggregate and share information related to customer inquiries and complaints for global utilization. - Maintain internal response frameworks for customer inquiries and quality incidents, and conduct regular simulation training. - Expand the scope of quality audit by the quality assurance department.	→	1 and 2

Risk	Key Initiatives/Uncertainties (Threats and Opportunities)/Countermeasures	Change in risk level (Year-on-Year)	Relationship with 2030 Medium-Term Strategy
Governance Structure	**[Key Strategic Initiative]** - Strengthen individual functions within a matrix organization while promoting overall optimization to build a highly agile global operating structure. - Continuously enhance transparent governance and provide increased focus to specific areas that contribute to sustainable growth and long-term corporate value creation under a Company with Three Statutory Committees. **[Uncertainties]** - If authority is not appropriately delegated and responsibilities are not fulfilled, or if there are deviations from rules in decision-making and business execution, it may become increasingly challenging to maintain efficient and legally compliant operations and damage the organization's sustainability. (Threat) - Strong corporate governance and structured transparent leadership creates opportunity to increase investor confidence, reduce capital costs and enhance long-term value creation. (Opportunity) **[Countermeasures]** - Strengthen the separation of execution and oversight, thereby enhancing the effectiveness of the Board of Directors, by appointing the external director as the chairperson of the Board. - Regularly review decisions relating to the Company's business through the Company's Officers, and propose or report important matters to the Board of Directors. - Clarify the responsibility and authority of HQ/ Regional HQs for each function and brand to ensure group governance through regular reporting and on-going global leadership meetings. - Strengthen the governance structure by establishing internal controls globally, including a Group-wide risk management system.	→	2
Information Security	**[Key Strategic Initiative]** - Strengthen global capabilities to use information and data securely as digital adoption expands. **[Uncertainties]** - Cyberattacks or unauthorized access could cause system outages or data leaks, disrupting production, sales, and other operations, and potentially resulting in liability to customers and business partners as well as reputational harm to the Company. (Threat) - Increasing access points from flexible work and external collaboration may heighten data-leak risks if controls are inadequate. (Threats) - Effective information governance can build trust and support achievement of business objectives. (Opportunity) **[Countermeasures]** The following countermeasures are implemented, referencing the ISO and National Institute of Standards and Technology (NIST) frameworks. - Strengthen global coordination, governance, and control for information security, and conduct regular drills to prepare for external attacks and emergencies. - Continuously update information security and data protection policies to reflect internal and external changes. - Provide ongoing employee awareness and training on information security. - Reinforce security measures from a medium-to-long-term perspective, such as filtering, PC terminals, and cloud security to address increasingly sophisticated and diverse external threats. - Enhance monitoring of the Security Operations Center (SOC) on a global scale, involving external experts, for improved management/operation of increasing amount of sensitive data and diversifying data access points. - Strengthen controls across prevention, detection, and post-incident response to prevent leakage of confidential information. - Assess threat trends and the effectiveness of current controls—including vulnerability assessments—to quantify risk levels.	→	2

<Others>

Risk	Key Initiatives/Uncertainties (Threats and Opportunities)/Countermeasures	Change in risk level (Year-on-Year)	Relationship with 2030 Medium-Term Strategy
Exchange Rate Fluctuations	**[Key Strategic Initiative]** - Increase our ratio of overseas sales as a global beauty company. **[Uncertainties]** - Possibility of significant fluctuations in exchange rates for settlements in foreign currencies, related to import/export transactions. (Threat/Opportunity) - As transaction figures reported in local currencies for an overseas affiliate are converted into Japanese yen at the time of preparing the consolidated financial statements, the appreciation of the Japanese yen may adversely affect business results. (Threat) - Investments in overseas affiliates could result in reduced net assets due to currency exchange adjustments and the appreciation of the Japanese yen. (Threat) **[Countermeasures]** - Hedge exchange rate fluctuation risks with forward exchange contracts. - Monitor and respond to fluctuations in major global currencies.	→	2
Business Investment	**[Key Strategic Initiative]** - Promote growth investments that align with Company strategy and reinforce brand foundation and rebuild profitable foundation. **[Uncertainties]** - If market/business conditions deteriorate at levels not anticipated at the time of investment decisions and our business plans are not successfully carried out, impairment losses on goodwill and intangible assets recorded through M&A may negatively affect company performance. (Threat) **[Countermeasures]** - Regular performance monitoring and reporting of monitoring results to the Board. - Consider future directions and countermeasures to improve business performance in cooperation with relevant brands, regional HQs and HQ corporate departments. - For large-scale investment projects, proposals will be submitted to the decision-making body after thorough examination by the Investment/Divestment Committee.	→	1 and 2
Material Litigation, etc.	**[Key Strategic Initiatives]** - Continuously strengthen legal compliance structure and governance with a litigation and reputational risk mitigation focus in order to continuously build trust with all stakeholders. - Robust management and mitigation of material litigation/claims and heightened attention on proper controls and preventative measures, including best in class contract, standard operating procedures, adherence to the Shiseido Code of Conduct and Ethics, employee training and reporting avenues such as ethics hotlines. **[Uncertainties]** - With a presence across approximately 120 countries/regions globally, there is a possibility that we will face lawsuits and/or claims and/or government investigations under the different legal systems of each country. (Threat) - During the current fiscal year, there have been no significant lawsuits or similar matters filed that would have a major impact on our company. However, there is a possibility of significant impact on the Group's business performance should a major material litigation occur in the future with an unfavorable ruling for the Group, which could adversely affect our financial position and business performance. (Threat) **[Countermeasures]** - Established legal teams at our HQ and Regional Affiliates, led by the Company's Chief Legal Officer to ensure effective strategies and defenses. Subject matter legal experts/external law firms are retained in support of all legal strategies and defenses in significant and/or material matters. - Continuously provide legal training to employees regarding legal environment and country-specific laws and regulations impacting our business in areas of legal impact to the business, such as anti-corruption, antitrust, anti-discrimination. - Ensure all commercial agreements have clear business terms that include indemnification and other protections to reduce the risk of disputes. - Proactively ensure all IP is protected globally to guard against infringement claims. - Conduct due diligence on all significant commercial and business transactions.	→	2

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

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

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

(1) Consolidated performance

	Unit	Net Sales	Core Operating Profit	Operating Profit (Loss)	Profit (Loss) before Tax	Loss Attributable to Owners of Parent	EBITDA
Fiscal year ended December 31, 2025	Millions of yen	969,992	44,520	(28,788)	(27,715)	(40,680)	95,218
Fiscal year ended December 31, 2025	Thousands of U.S. dollars	6,191,702	284,182	(183,761)	(176,912)	(259,671)	607,800
Fiscal year ended December 31, 2024	Millions of yen	990,586	36,359	7,575	(1,265)	(10,813)	89,564
Year-on-Year Increase (Decrease)	%	(2.1)	22.4	-	-	-	6.3
FX-Neutral	%	(2.1)					
Like-for-Like	%	(1.8)					

Notes:
1. Core operating profit is calculated as operating profit excluding profits or losses incurred by non-ordinary factors (non-recurring items), such as costs and expenses related to structural reforms, impairment losses, acquisitions, etc.
2. EBITDA is calculated by adding depreciation and amortization expenses to core operating profit (excluding depreciation of right-of-use assets).
3. Like-for-like increase (decrease) in net sales excludes the impacts of foreign exchange translation, and all business transfers in the fiscal years 2025 and 2024, as well as the services provided during the transition period, and the impact of sales prior to the acquisition of *Dr. Dennis Gross Skincare* in the fiscal year 2024 and its corresponding period in the fiscal year 2025 ("business transfer and acquisition impacts").

During the fiscal year ended December 31, 2025, the global economy continued to experience rising uncertainty amid escalating geopolitical risks and other factors.

The domestic cosmetics market grew at a moderate pace. While the number of foreign visitors to Japan continued to surge, hitting new record highs throughout the year, inbound cosmetics market saw slower-than-expected growth due in part to a sharp decline in the number of Chinese tourists in December.

The overseas cosmetics market witnessed signs of recovery despite the headwinds which persisted across regions during the year. The duty-free retail market including Hainan Island continued to be impacted by challenging market environment due to subdued consumer spending amid worsening economic sentiment, however, the market started to show signs of recovery with the upgrade of offshore duty-free policy in Hainan Island. Meanwhile, China's cosmetics market also returned on a recovery trend. The cosmetics markets in the U.S. and Europe both continued modest growth albeit at a slower-than-expected pace.

Driven by its corporate mission, BEAUTY INNOVATIONS FOR A BETTER WORLD, the Shiseido Group (the "Group") actively promotes innovations aiming to resolve social and environmental issues with a focus on diversity, equity and inclusion.

In November 2024, the Group launched the "Action Plan 2025-2026" to be executed over the two years in order to better drive a swift recovery in our profitability and ensure sustainable growth thereafter. Under the Action Plan, we are striving to "reinforce brand foundation," "rebuild profitable foundation," and "enhance operational governance" to establish a resilient business model and deliver sustainable profit growth even in the midst of volatile market conditions. In the fiscal year 2025, the Group has completed key strategic actions for structural reforms by steadily advancing its priority agendas towards achieving a core operating profit margin of 7% in 2026.

And the Group unveiled the "2030 Medium-Term Strategy" with the vision of shifting to a new growth trajectory by leveraging competitive advantage that lies in its value creation and value communication capabilities and maximizing its corporate value.

Under the 2030 VISION "By connecting with people, we pursue, create, and share new beauty, enriching everyone's lives" built on the core value of contributing to society that goes back to its foundation, the Group will be aiming to drive above-market sales growth, achieving a core operating profit margin of 10% or more by 2030 based on three strategic pillars; "accelerate growth with brand power," "evolve global operations," and "drive sustainable value creation."

1) Net sales

Net sales decreased 2.1% year-on-year to ¥970.0 billion ($6,191.7 million) on a reported basis, down 2.1% year-on-year on a FX-neutral basis, or down 1.8% year-on-year on a like-for-like basis, excluding the impacts of foreign exchange translation, business transfers and acquisition impacts. Net sales on a like-for-like basis decreased year-on-year, reflecting primarily the decline in consumer spending in the China & Travel Retail Business, particularly in the first half of the year, as well as the ongoing challenges with *Drunk Elephant* in the Americas Business. However, sales returned to growth in the latter half of the year driven by the growth of key brands.

2) Cost of sales

Cost of sales decreased by 4.4% year-on-year to ¥227.0 billion ($1,448.9 million). The cost of sales ratio decreased 0.6 percentage points year-on-year to 23.4% mainly due to improvements in the brand and Product Mix, along with a decrease in the allowance for inventory write-downs related to imbalanced stock distribution. The cost of sales ratio on a like-for-like basis, excluding the impact of business transfers and the impact of impairment losses, decreased 0.4 percentage points year-on-year to 23.0% mainly because of cost reductions resulting from inventory write-down.

3) Selling, general and administrative expenses

Selling, general and administrative (SG&A) expenses decreased 3.4% year-on-year to ¥725.6 billion ($4,631.4 million). The breakdown of this result on a core operating profit basis is as follows:

a) Marketing costs (Note 1)

The ratio of marketing costs to net sales increased 0.7 percentage points year-on-year to 29.3% due to increased investment expenses for enhancing brand equity, more than offsetting a decrease due to agile cost management.

b) Brand development / R&D expenses

The ratio of brand development and R&D expenses to net sales decreased 0.1 percentage points year-on-year to 3.8%.

c) Personnel expenses (Note 2)

The ratio of personnel expenses to net sales was 22.3%, representing a decrease of 0.6 percentage points year-on-year, despite an increase in the provision for bonuses, due to the effects of structural reforms in the Japan, China & Travel Retail, and Americas Businesses.

d) Other SG&A expenses

The ratio of other SG&A expenses to net sales decreased 0.5 percentage points year-on-year to 17.0% due to structural reforms and Group-wide cost management.

R&D expenses, which are included in SG&A expenses, reached ¥27.1 billion ($172.7 million), bringing the ratio of R&D expenses to net sales to 2.8%. For details on research and development activities, please refer to 6. Research and development activities.

Notes:

1. The ratio of marketing costs to net sales was 38.3% if expenses related to personal beauty partners (PBP) were included.
2. The ratio of personnel expenses to net sales was 13.3% if expenses related to PBP were not included.

4) Core operating profit

Core operating profit increased ¥8.2 billion ($52.1 million) year-on-year to ¥44.5 billion ($284.2 million), offsetting a year-on-year profit decline in the China & Travel Retail Business and the Americas Business with positive impacts from better product mix attributed to the growth of key brands and the benefits of structural reforms and Group-wide cost management.

5) Operating profit (loss)

Operating profit (loss) decreased ¥36.4 billion ($232.1 million) year-on-year despite a year-on-year increase in core operating profit, incurring a loss of ¥28.8 billion ($183.8 million) which reflected the impact of a goodwill impairment loss of ¥46.8 billion ($298.9 million) recognized in the year, based on the results of an impairment test conducted in light of the declined profitability in the Americas Business.

6) Loss before taxes

Loss before tax increased ¥26.4 billion ($168.8 million) year-on-year to ¥27.7 billion ($176.9 million). This was due to a decline of operating profit by ¥36.4 billion ($232.1 million) from the previous fiscal year incurring a loss of ¥28.8 billion ($183.8 million), which was partially offset by a provision for impairment losses on long-term loans in the previous fiscal year as an expense related to seller note.

7) Loss attributable to owners of parent

Loss for the year attributable to owners of the parent increased year-on-year by ¥29.9 billion ($190.6 million), incurring a loss of ¥40.7 billion ($259.7 million). While core operating profit increased and Loss allowance for long-term loans receivable decreased, this was offset by the recognition of an impairment loss of goodwill in the Americas Business.

8) EBITDA

EBITDA increased year-on-year by ¥5.7 billion ($36.1 million) to ¥95.2 billion ($607.8 million), with a margin of 9.8%.

Major foreign currency exchange rates applicable to income and expense accounting line items in the Company's financial statements for the current fiscal year are JPY149.7/USD, JPY169.0/EUR, and JPY20.8/CNY.

(Performance by reportable segment)

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

Net sales (sales to external customers)

Classification	Fiscal year ended December 31, 2025		% of Total	Fiscal year ended December 31, 2024 (Reference)		% of Total	Year-on-Year Increase (Decrease)				
							Amount		%	FX-Neutral	Like-for-Like
	Millions of yen	Thousands of U.S. dollars		Millions of yen	Thousands of U.S. dollars		Millions of yen	Thousands of U.S. dollars			
Japan Business	295,343	1,885,248	30.4%	294,272	1,878,412	29.7%	1,071	6,836	0.4%	0.4%	0.7%
China & Travel Retail Business	342,244	2,184,629	35.3%	357,786	2,283,838	36.1%	(15,542)	(99,208)	(4.3)%	(3.5)%	(3.5)%
Asia Pacific Business	73,290	467,828	7.6%	71,650	457,360	7.2%	1,639	10,462	2.3%	1.4%	1.8%
Americas Business	106,584	680,352	11.0%	118,547	756,715	12.0%	(11,962)	(76,356)	(10.1)%	(8.7)%	(9.5)%
EMEA Business	141,129	900,862	14.5%	132,665	846,834	13.4%	8,463	54,021	6.4%	3.1%	3.2%
Other	11,399	72,763	1.2%	15,663	99,981	1.6%	(4,263)	(27,212)	(27.2)%	(27.0)%	(14.6)%
Total	969,992	6,191,702	100.0%	990,586	6,323,158	100.0%	(20,593)	(131,450)	(2.1)%	(2.1)%	(1.8)%

Core operating profit (loss)

Millions of yen

Classification	Fiscal year ended December 31, 2025	Ratio to Net Sales	Fiscal year ended December 31, 2024 (Reference)	Ratio to Net Sales	Increase (Decrease)	Percentage Change	Total sales including intersegment sales and internal transfers between segments (Reference)	
							FY2025	FY2024
Japan Business	38,972	13.1%	25,879	8.8%	13,092	50.6%	296,450	295,036
China & Travel Retail Business	64,525	18.7%	71,979	19.9%	(7,453)	(10.4)%	345,662	361,524
Asia Pacific Business	5,079	6.8%	4,903	6.7%	176	3.6%	74,557	72,663
Americas Business	(11,566)	(10.4)%	(9,248)	(7.4)%	(2,318)	-	111,175	124,725
EMEA Business	3,949	2.7%	2,659	1.9%	1,289	48.5%	146,426	138,133
Other	(1,259)	(9.5)%	(1,130)	(6.6)%	(129)	-	13,196	17,178
Subtotal	99,700	10.1%	95,043	9.4%	4,656	4.9%	987,468	1,009,262
Adjustments	(55,179)	-	(58,683)	-	3,504	-	(17,475)	(18,676)
Total	44,520	4.6%	36,359	3.7%	8,160	22.4%	969,992	990,586

Thousands of U.S. dollars

Classification	Fiscal year ended December 31, 2025	Ratio to Net Sales	Fiscal year ended December 31, 2024 (Reference)	Ratio to Net Sales	Increase (Decrease)	Percentage Change	Total sales including intersegment sales and internal transfers between segments (Reference)	
							FY2025	FY2024
Japan Business	248,768	13.1%	165,192	8.8%	83,570	50.6%	1,892,315	1,883,289
China & Travel Retail Business	411,879	18.7%	459,460	19.9%	(47,574)	(10.4)%	2,206,447	2,307,698
Asia Pacific Business	32,421	6.8%	31,297	6.7%	1,123	3.6%	475,916	463,826
Americas Business	(73,829)	(10.4)%	(59,032)	(7.4)%	(14,796)	-	709,658	796,151
EMEA Business	25,207	2.7%	16,973	1.9%	8,228	48.5%	934,674	881,738
Other	(8,037)	(9.5)%	(7,213)	(6.6)%	(823)	-	84,233	109,651
Subtotal	636,410	10.1%	606,683	9.4%	29,720	4.9%	6,303,255	6,442,372
Adjustments	(352,221)	-	(374,588)	-	22,367	-	(111,547)	(119,214)
Total	284,182	4.6%	232,089	3.7%	52,087	22.4%	6,191,702	6,323,158

Notes:

1. From the fiscal year ended December 31, 2025, the "China Business" and the "Travel Retail Business" have been changed to the "China & Travel Retail Business." The business results related to the operation of domestic sales by IPSA Co., Ltd. and the operation of sales of health & beauty foods, etc. by healthcare business previously included in the "Other" are now included in the "Japan Business." The method of calculating profit or loss for reportable segments have been changed. For more details, please refer to "6. Operating Segments" under "5. Financial Information, 1. Consolidated Financial Statements and Notes, (1) Consolidated Financial Statements, Notes to the Consolidated Financial Statements." Segment information for the fiscal year ended December 31, 2024 has been restated to reflect these changes.
2. Like-for-like increase (decrease) in net sales excludes foreign exchange translation, business transfer and acquisition impacts.
3. The "Other" includes the restaurant business, etc.
4. The ratio of core operating profit (loss) to net sales shows core operating profit or loss as a percentage of total sales including intersegment sales and internal transfers between segments.
5. The "Adjustments" in core operating profit (loss) primarily reflects the head office expenses that are not allocated to each operating segment, the difference between the allocation amount to each operating segment and the actual amount, cost differences, etc. From the fiscal year ended December 31, 2025, the head office expenses that were previously recognized in the "Other," are recognized in the "Adjustments". The expenses are incurred mainly by head office administration departments, R&D, etc.

1) Japan Business

In the Japan Business, we are focusing our activities on high-growth, high-profit brands and products as well as consumer touchpoints to accelerate business growth through the implementation of our business transformation plan "Mirai Shift NIPPON 2025" and we have made steady progress in improving profitability through our continued efforts on fixed cost reduction. During the year, we delivered growth with core brands led by *SHISEIDO* and *ELIXIR*, benefitting primarily from the strength of new products infused with cutting-edge technology. On the contrary, while the number of foreign visitors to Japan surged to a record high in the year, inbound sales in the Business decelerated owing primarily to the changes in consumption behavior of foreign visitors coupled with their fading appetite for spending in light of the increasing price convergence in domestic and overseas markets.

As a result, we ended the period with net sales of ¥295.3 billion ($1,885.2 million), up 0.4% year-on-year on a reported basis, or up 0.7% year-on-year on a like-for-like basis excluding the impacts of business transfers. Core operating profit was ¥39.0 billion ($248.8 million) with a year-on-year increase of ¥13.1 billion ($83.6 million), primarily reflecting the positive impacts from a year-on-year increase in gross profit driven by higher sales as well as the benefits of structural reforms.

2) China & Travel Retail Business

In the China & Travel Retail Business, while the Business was unfavorably impacted by the decline in consumer spending amid worsening economic sentiment, signs of recovery were seen in the latter half of the year. In China, *Clé de Peau Beauté* and *NARS* drove growth particularly in the e-commerce channels, fueled by the strong sales during "Double 11," the largest e-commerce event in China. In Travel Retail (sales of cosmetics and fragrances primarily through airport and downtown duty-free stores), while the Business was benefitted from a steady shift towards a business model focused on tourists, sales declined year-on-year amid ongoing challenges due to declining consumer spending by Chinese tourists in China and South Korea.

As a result, net sales were ¥342.2 billion ($2,184.6 million), down 4.3% year-on-year on a reported basis, down 3.5% on a FX-neutral basis, or down 3.5% year-on-year on like-for-like basis excluding the impacts of foreign exchange translation and business transfers. Core operating profit decreased ¥7.5 billion ($47.6 million) year-on-year to ¥64.5 billion ($411.9 million), with a decline in gross profit from lower sales being partially offset by the positive impacts of structural reforms including fixed cost reductions.

3) Asia Pacific Business

In the countries and regions of the Asia Pacific Business, while the Business continued to be unfavorably affected by the market contraction in Taiwan, sales increased year-on-year driven primarily by the markets in Southeast Asia particularly Thailand and South Korea, with our key brands such as *Clé de Peau Beauté*, *SHISEIDO* and *ELIXIR* being the key drivers of growth.

As a result, net sales were ¥73.3 billion ($467.8 million), up 2.3% year-on-year on a reported basis, up 1.4% year-on-year on a FX-neutral basis, or up 1.8% year-on-year on a like-for-like basis excluding the impacts of foreign exchange translation and business transfers. Core operating profit increased ¥0.2 billion ($1.1 million) year-on-year to ¥5.1 billion ($32.4 million), owing primarily to an increase in gross profit driven by higher sales.

4) Americas Business

In the Americas Business, while we delivered a year-on-year revenue growth with *SHISEIDO* and *Clé de Peau Beauté*, overall, we posted a year-on-year revenue decline weighted down by the ongoing challenges with *Drunk Elephant* as well as *NARS,* which was primarily impacted by the differences in the timing of shipping deliveries.

As a result, net sales were ¥106.6 billion ($680.4 million), down 10.1% year-on-year on a reported basis, down 8.7% on a FX-neutral basis, or down 9.5% year-on-year on a like-for-like basis excluding the impacts of foreign exchange translation, business transfers and acquisitions. Core operating loss increased year-on-year by ¥2.3 billion ($14.8 million) to ¥11.6 billion ($73.8 million), due to the decline in profit driven by lower gross profit from weaker sales, a higher cost of sales ratio, and the U.S. tariff impact being partially offset by the positive impacts of structural reforms including fixed cost reductions.

5) EMEA Business

In the EMEA Business, while the Business continued to be affected by the ongoing challenge with *Drunk Elephant*, the Fragrances demonstrated robust growth fueled by *Zadig&Voltaire* and *narciso rodriguez* which benefitted from the new products launches.

As a result, net sales were ¥141.1 billion ($900.9 million), up 6.4% year-on-year on a reported basis, up 3.1% year-on-year on a FX-neutral basis, or up 3.2% year-on-year on a like-for-like basis excluding the impacts of foreign exchange translation and business transfers. Core operating profit increased ¥1.3 billion ($8.2 million) year-on-year to ¥ 3.9 billion ($25.2 million) albeit a higher gross profit driven by sales growth being partially offset by the strategic increase in marketing investments.

(Production, orders received and sales)

Results of production, orders and sales are as follows:

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

1) Production

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

Segment name	Millions of yen	Thousands of U.S. dollars	Percentage change (%)
Japan Business	-	-	-
China & Travel Retail Business	4,261	27,199	(5.8)
Asia Pacific Business	2,131	13,603	(11.5)
Americas Business	39,327	251,034	(37.5)
EMEA Business	30,178	192,634	1.1
Other	125,146	798,838	(2.1)
Total	201,046	1,283,327	(11.6)

Notes:

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

2) Orders received

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

3) Sales

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

Segment name	Millions of yen	Thousands of U.S. dollars	Percentage change (%)
Japan Business	295,343	1,885,248	0.4
China & Travel Retail Business	342,244	2,184,629	(4.3)
Asia Pacific Business	73,290	467,828	2.3
Americas Business	106,584	680,352	(10.1)
EMEA Business	141,129	900,862	6.4
Other	11,399	72,763	(27.2)
Total	969,992	6,191,702	(2.1)

Note: Inter-segment transactions are eliminated.

(2) Financial condition

1) Financing and liquidity management

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

One of our targets for short-term liquidity is to maintain liquidity on hand at a level of approximately 1.5 months of consolidated net sales. As of December 31, 2025, cash and deposits totaled ¥118.2 billion ($754.5 million), cash liquidity on hand amounted to 1.5 months of consolidated net sales for the current fiscal year.

Meanwhile, interest-bearing debt as of December 31, 2025, totaled ¥325.2 billion ($2,075.6 million). The Group uses diversified funding methods, which include ¥100.0 billion ($638.3 million) in unused committed lines of credit with financial institutions and ¥285.0 billion ($1,819.2 million) in authorized but unissued straight bonds in Japan.

As of December 31, 2025, as the Group maintained a sufficient level of liquidity and the funding methods are diversified, we consider that the financial flexibility is high.

2) Credit rating

The Group recognizes the need to maintain its credit rating at a certain level to secure financial flexibility consistent with its capital and liquidity policies and to ensure access to sufficient capital resources through capital markets. The Group has acquired ratings from Rating and Investment Information, Inc. to facilitate fund procurement through corporate bonds.

As of February 28, 2026, the Issuer Rating is A (Outlook: Stable).

3) Assets, liabilities, and net assets

(Assets)

Total assets decreased by ¥64.6 billion ($412.3 million) from the end of the previous fiscal year to ¥1,267.3 billion ($8,089.2 million), from a decrease in goodwill, a increase in asset amount translated into yen depreciation, a decrease in inventories, and a decrease in right-of-use assets, etc.

(Liabilities)

Liabilities decreased by ¥31.2 billion ($199.3 million) to ¥646.0 billion ($4,123.5 million), primarily due to redemption of bonds, a decrease in lease liabilities.

(Equity)

Equity decreased by ¥33.4 billion ($213.0 million) to ¥621.3 billion ($3,965.7 million), due to a decrease in retained earnings associated with loss and dividend payments, and an increase in exchange differences on translation of foreign operations due to yen depreciation.

Equity attributable to owners of parent per share decreased by ¥79.83 ($0.51) from the end of the previous fiscal year to ¥1,503.64 ($9.60), and ratio of equity attributable to owners of parent decreased by 0.1 percentage points from the end of the previous fiscal year to 47.4%. The net debt-to-equity ratio, which indicates the ratio of interest-bearing debt (excluding lease liabilities) less cash and cash equivalents to equity attributable to owners of parent, was 0.16.

(3) Cash flows

Millions of yen　Thousands of U.S. dollars

	Fiscal year ended December 31, 2024	Fiscal year ended December 31, 2025	Fiscal year ended December 31, 2025
Cash flows from operating activities	48,403	109,890	701,445
Cash flows from investing activities	(83,738)	(43,424)	(277,186)
Cash flows from financing activities	23,357	(77,248)	(493,093)
Cash and cash equivalents at end of period	98,479	91,839	586,231

Cash and cash equivalents at the end of the current fiscal year stood at ¥91.8 billion ($586.2 million), ¥6.6 billion ($42.4 million) less than the amount of ¥98.5 billion ($628.6 million) at the beginning of the current fiscal year.

(Cash Flows from Operating Activities)

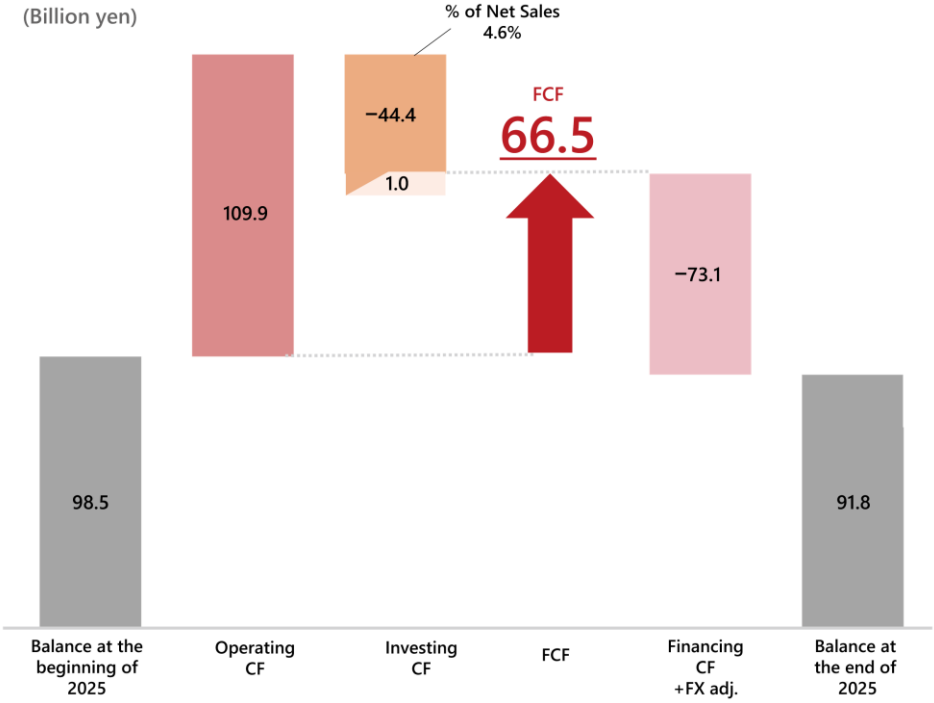
Net cash provided by operating activities in the fiscal year 2025 increased by ¥61.5 billion ($392.5 million) year-on-year to ¥109.9 billion ($701.5 million). The operating cash flow for the year mainly reflected increase factors such as ¥71.7 billion ($457.9 million) in Depreciation and amortization, ¥51.3 billion ($327.5 million) in Impairment losses (reversal of impairment losses), ¥19.0 billion ($121.4 million) in Decrease (increase) in inventories, etc., and decrease factors such as ¥27.7 billion ($176.9 million) in Loss before tax and ¥13.9 billion ($88.4 million) in Increase (decrease) in trade payables, etc.

(Cash Flows from Investing Activities)

Net cash used in investing activities in the fiscal year 2025 decreased by ¥40.3 billion ($257.3 million) year-on-year to ¥43.4 billion ($277.2 million). The investing cash flow for the year mainly reflected ¥25.3 billion ($161.5 million) in Purchase of property, plant and equipment such as investment in factory equipment and ¥19.1 billion ($122.1 million) in Purchase of intangible assets such as investment in IT systems.

(Cash Flows from Financing Activities)

Net cash used by financing activities in the fiscal year 2025 increased by ¥100.6 billion ($642.2 million) year-on-year to ¥77.2 billion ($493.1 million). The financing cash flow for the year mainly reflected cash outflows such as ¥40.0 billion ($255.3 million) in Redemption of bonds, ¥32.0 billion ($204.3 million) in Decrease in short-term borrowings, ¥23.7 billion ($151.5 million) in Repayments of lease liabilities, ¥12.0 billion ($76.6 million) in Dividends paid, ¥12.0 billion ($76.6 million) in Repayments of long-term borrowings, and ¥11.7 billion ($74.7 million) in Payments from changes in ownership interests in subsidiaries not resulting in change in scope of consolidation, as well as cash inflows such as ¥57.0 billion ($363.8 million) in Proceeds from long-term borrowings.



(4) Material accounting policies and estimates

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

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

5. Material Contracts

(Acquisition of additional non-controlling interest)

On November 28, 2025, the Company entered into a legally binding formal agreement for a share purchase agreement to additionally acquire 51% of the shares owned by the non-controlling shareholders of the Company's subsidiary Shiseido (Thailand) Co. Ltd. via the Company's subsidiary Shiseido Asia Pacific Pte. Ltd., primarily for the purpose of comprehensively managing business operations in the growing market. For details, please refer to "36. Major Subsidiaries" under "5. Financial Information, 1 Consolidated Financial Statements and Notes, (1) Consolidated Financial Statements, Notes to the Consolidated Financial Statements."

6. Research and Development Activities

Our Group integrates our strengths in dermatological science, formulation development, Kansei science, and information science with new technologies like digital and device development, transcending national and industry boundaries. We strive to realize Shiseido's corporate mission: "BEAUTY INNOVATIONS FOR A BETTER WORLD."

The Shiseido Global Innovation Center and other overseas R&D bases in the U.S., France, and China, we collaborate with local marketing departments to study the skin and makeup habits of customers in each region and develop products tailored to their characteristics. We contribute to the growth of the entire Shiseido Group while leading the global cosmetics industry, creating safe, reliable, and high-quality products and services for customers worldwide.

Our Group's R&D achievements have received high external recognition. At the 35th International Federation of Societies of Cosmetic Chemists (IFSCC) Congress 2025 in Cannes, France, the world's largest research presentation event for cosmetic technology, we won the "Best Poster Award" in the poster presentation category out of 798 research reports (68 oral presentations and 730 poster presentations). And at the 17th Asian Societies of Cosmetic Scientists (ASCS) Conference 2025 held in Manila, Philippines in June 2025, we received the "First Prize" in the oral presentation category.

Furthermore, as an approach to accelerate strategy realization, we demonstrated our proactive advancement of innovation creation through collaboration with physicians, including dermatologists, research institutions, and co-creation with consumers.

The Group's total R&D expenses for the current fiscal year amounted to ¥27.1 billion ($172.7 million) (2.8% of net sales). Major research achievements by product category are as follows. R&D activities are not allocated to specific segments and are therefore not disclosed by segment.

(1) Skincare

Based on the concept of preventing future skin concerns using the skin's own inherent power, we have been collaborating with the Cutaneous Biology Research Center (hereinafter "CBRC") at Massachusetts General Hospital to support research conducted at CBRC on research into skin immune function for over 30 years, continuously advancing our understanding. This time, our company and CBRC discovered a new function of skin immune cells: the removal of aged fibroblasts (senescent cells) and the mechanism behind it. While senescent cells were previously thought to accumulate with age, we clarified that even in aged skin, senescent cells are not necessarily abundant. We revealed that Cytotoxic CD4+ T cells (hereinafter "CD4 CTL"), a type of immune cell, are strongly involved in suppressing the accumulation of senescent cells. Furthermore, we made the world's first discovery of the mechanism by which CD4 CTLs suppress senescent cell accumulation: a fragment (antigen) of human cytomegalovirus activated within senescent cells appears on their surface. CD4 CTLs recognize this antigen and selectively eliminate the senescent cells. These research findings were published in Cell, one of the world's most prestigious academic journals in the life sciences. Furthermore, we made the world's first discovery that the Fermented Camellia Seed Extract enhances the expression of CXCL9 (Note 1), which is induced by CD4 CTLs. This finding suggests that the Fermented Camellia Seed Extract can enhance the removal of senescent cells by skin immune cells. We have applied these research findings to product development of "*SHISEIDO*."

In recent years, as the aesthetic medicine market expands and consumers seek diverse ways to achieve brighter skin, there has been a growing need to enhance the "penetration" of difficult-to-develop whitening active ingredients. This is crucial for developing safer and more effective whitening cosmetics and quasi-drugs. Therefore, we focused on ionic liquids—substances formed by combining the ionic materials with high melting points (the temperature at which a solid melts into a liquid)—which become liquid at temperatures lower than the original substances' melting points. As a result, we successfully developed the 4MSK/Fluid Penetration Enhancement Technology. This technology combines our proprietary whitening active ingredient, 4MSK (4-methoxysalicylic acid potassium salt), with the moisturizing ingredient trimethylglycine, an ionic liquid. This combination significantly enhances skin penetration. This groundbreaking technology liquefies 4MSK, which is solid at room temperature, and maintains its liquid (fluid) state even after application to the skin. When the two ingredients were blended into a base formulation at an optimal ratio, we confirmed that 4MSK penetrated the skin approximately twice as effectively compared to when 4MSK was blended into the base formulation alone. And verification using a three-dimensional cultured skin model revealed that this technology enhances the melanin production-inhibiting effect of 4MSK. Furthermore, using a new prototype base formulation incorporating this technology, we confirmed a 1.8-fold reduction in the number of dark spots over 12 weeks and a 1.9-fold improvement in skin brightness over the same period. These research findings have been applied to product development of "*SHISEIDO*."

Drawing on over 100 years of skin research and advanced spot research, we have elucidated various factors contributing to spot formation through a multifaceted approach targeting the internal skin environment where melanin and spots originate. On the other hand, we recognized the need to capture the dynamic changes within the skin linked to spot-specific factors at the cellular level under conditions mimicking actual skin. However, analyzing the interior of live spots at the cellular level in real time was challenging. Therefore, we pioneered a new method using FLIM (Note 2), a type of microscope capable of real-time observation of living human skin, to evaluate cellular metabolism in spot areas. This enabled us to successfully capture the "lifecycle of a spot" over time—how spots worsen—which had previously been difficult to observe. Analysis using FLIM revealed that in pigmented areas, the accumulation of melanin leads to a decline in mitochondrial metabolism and cellular aging, thereby worsening the pigmentation. This demonstrates that there is a root cause of worsening, where pigmentation essentially "calls for more pigmentation." This groundbreaking research won the Best Presentation Award in the Basic Research category at the 34th International Federation of Societies of Cosmetic Chemists (IFSCC) Congress 2024 in Iguazu, Brazil and was presented at the 32nd Annual Meeting of the Japanese Society for Pigment Cell Research. Furthermore, we discovered that mitochondrial metabolism in dark spots increases when using a base formulation containing Shiseido's unique triple-agent complex. This complex suppresses the decline in mitochondrial activity, a major factor in cellular aging, while also inhibiting GROα (Note 3), one of the SASP factors (Note 4) secreted by aged cells that exacerbates cellular aging. These research findings have been applied product development of the "*HAKU*."

(2) Sun Care

Mineral-based UV scattering agents increase UV protection when used in higher concentrations, but they tend to cause an unnatural white cast on the skin. Conversely, using lower concentrations prevents the white cast but reduces UV protection, creating a dilemma. Therefore, through collaborative research with Prof. Susumu Inasawa from the Division of Applied Chemistry, Institute of Engineering, Tokyo University of Agriculture and Technology, we developed the world-first technology for mineral sunscreen (non-chemical sunscreen) formulations. This technology enables UV scattering agents to transform into an optimal dispersion state on the skin. As a result, we can now provide a new sunscreen formulation that delivers high UV protection while forming a transparent, uniform protective film. It reduces the whitening cast after application, a longstanding issue with mineral sunscreen formulations. Furthermore, because the UV scattering agents fit seamlessly into the skin's texture without unevenness, UV protection is achieved at up to 2.2 times the level compared to formulations without this technology. This technology is achieved by deliberately utilizing the "agglomeration" state (where UV scattering agent particles gather and connect), previously considered undesirable in sunscreen formulation development. It gradually transforms this state into a uniform dispersion state on the skin. While the "agglomeration" state was generally avoided due to reduced functionality, this reverse thinking has transformed it into a new value for sunscreen technology. These research results have been applied to product development of "*SHISEIDO*."

Traditionally, water-based sunscreens have been popular for daily use due to their light feel. However, they have been considered weak against sweat and water, making the UV protective film prone to breakdown. Consequently, a common approach in sunscreen formulation development has been to increase the amount of UV scattering agents and film-forming agents to enhance water resistance. This, however, has been a factor causing whitening residue, stickiness, and color transfer onto clothing. Therefore, we developed a new sunscreen technology that is water-based yet maintains high water resistance and sustained UV protection. It also adjusts the moisture level on the skin's surface in response to external environmental humidity changes, such as harsh humid heat or dryness caused by air conditioning. This technology utilizes soap-derived components that react with metal ions present in sweat and seawater. By forming a special structure on the applied film on the skin surface, it enhances both water repellency and adhesion. This enables the formation of a film that is lighter than water, flexible, and resistant to wrinkling. It achieves a transparent finish with minimal white residue or white transfer onto dark clothing, while maintaining high water resistance and UV protection. Furthermore, by applying technology that spontaneously controls moisture permeability in response to changes in external humidity, it retains moisture on the skin surface under dry conditions and releases excess moisture during humidification. This constantly maintains a balanced moisture level on the skin surface, suppressing the activation of IL-1α, an inflammatory factor that causes dark spots. Part of this research was presented at the 3rd Annual Congress of the Society of Cosmetic Chemists of Japan (SCCJ). We are advancing beyond simply covering the skin surface to block UV rays, developing products that also address daily stress, discomfort, and environmental concerns.

Over a century ago, when photoaging was still largely unknown, we pioneered UV protection research. We developed technologies to meet consumer needs for protecting skin from UV damage in all environments. As demand grows for daytime cosmetics combining UV defense with advanced skincare, we considered how to meet these expectations. Through collaborative research with Distinguished Professor at The Institute of Science Tokyo, Dr. Shigeomi Shimizu, we discovered that alternative autophagy, which is particularly activated when cells suffer excessive damage within autophagy that is known for breaking down and reconstructing cellular waste, plays a role in suppressing UV-induced photoaging of the skin. We confirmed that inflammatory factors are released around mitochondria (Note 5) within epidermal cells damaged by UV rays. Furthermore, we found that activating alternative autophagy suppresses these inflammatory factors. Furthermore, we found that when alternative autophagy fails to function, inflammatory factors are released outside the epidermal cells, affecting dermal cells and leading to increased expression of collagen-degrading enzymes (NMP). We then identified the Lamiaceae plant extract as an active ingredient that activates alternative autophagy. The solution developed based on the findings from this collaborative research enables a groundbreaking approach to preventing skin concerns caused by dark spots from within the skin itself, complementing conventional external approaches like UV protection and anti-inflammatory agents.

(3) Medical Dermal

In recent years, aesthetic medicine has become commonplace as a means to achieve ideal skin, and expectations for high efficacy in cosmetics are also rising. Microneedling (Note 6), a popular aesthetic medical technique, is said to create micro-injuries in the skin, enhancing drug penetration while triggering a wound healing response. This is believed to reconstruct the skin's deep structure, delivering high efficacy. However, the invasive nature of the treatment, including potential bleeding, has posed challenges regarding patient burden and anxiety. To address this, we developed a next-generation microneedle with a unique structure that combines the high efficacy demanded of aesthetic medicine with safety, enabling daily use. This new approach combines two functions: "injection" and "pressure stimulation." It delivers active ingredients into the superficial skin layers (including the stratum corneum) without damaging the skin, while simultaneously applying pressure stimulation to the deeper skin layers (dermis and below). This alters the expression status of gene clusters related to the extracellular matrix (ECM) (Note 7), including immune, vascular, and collagen. First, we identified shape parameters that precisely puncture only the superficial skin layer while efficiently delivering pressure stimulation to the deeper layers. This significantly improved the penetration of water-soluble agents like niacinamide and demonstrated faster, deeper delivery. Next, using microneedles every other day for 7 days to stimulate the deep skin layers was shown to alter the expression of gene clusters related to the extracellular matrix (ECM), such as immune, vascular, and collagen components, suggesting it promotes skin improvement without damaging the skin. Furthermore, a continuous use trial of microneedles containing niacinamide revealed that they improve wrinkles and transparency in a short period. After 8 weeks, nasolabial folds became shallower and shorter, and the microneedles improved barrier function rather than damaging it, demonstrating their ability to address multiple skin concerns. Part of these research findings were presented at the 34th International Federation of Societies of Cosmetic Chemists (IFSCC) Congress 2024 in Iguazu, Brazil, and the results have been applied to product development of "*SHISEIDO*."

And then, to support the growth of the derma market in Japan, we are accelerating the strengthening of research and development in collaboration with specialists such as dermatologists. Through joint research with the Department of Dermatology and Perinatal Care Center at Tohoku University Hospital (hereinafter "Tohoku University Hospital Department of Dermatology"), we discovered that infants with high levels of specific proteins in their stratum corneum at 2 months of age have a higher probability of developing atopic dermatitis and food allergies by age 3. Statistical analysis examined the relationship between SCCA1 levels in the stratum corneum and the onset of atopic dermatitis and food allergies in infants with at least one parent having a history of atopic dermatitis. Results showed that SCCA1 levels in the cheek stratum corneum at two months of age were significantly higher in infants who developed atopic dermatitis compared to those who did not. Furthermore, SCCA1 levels in the stratum corneum of the perioral skin at 2 months of age were significantly higher in infants who developed food allergies compared to those who did not. These findings suggest that appropriate care based on early prediction could reduce the risk of developing atopic dermatitis and food allergies, thereby contributing to improved quality of life for infants and their families, especially as the number of people suffering from these conditions increases. This discovery was achieved through over a decade of collaborative research with Dr. Maki Ozawa, Research Fellow at the Tohoku University Hospital Department of Dermatology, a co-researcher in this study, received the Sanofi Outstanding Paper Award 2025 in the "General Category" for her paper on this work. The findings were presented at the Annual Meeting of the Japanese Society of Allergology held between October 24-26, 2025. We will continue to strengthen our sensitive skin science through research and development in collaboration with dermatologists and other specialists in Japan.

Leveraging proprietary technologies that elucidate the skin's internal environment, physical and mental states, and their interrelationships, we have dedicated over 50 years to sensitive skin research. Guided by the hypothesis that skin sensitivity is significantly influenced by Cutibacterium acnes and Staphylococcus epidermidis which constitute a large proportion of the skin microbiome (Note 8), we have focused our research on the balance between these microorganisms. In a joint research project with Professor Seiya Imoto and Project Professor Satoshi Uematsu at the Human Genome Center, The Institute of Medical Science, The University of Tokyo, we discovered that sensitive skin contains a high number of specific Cutibacterium acnes (hereinafter "inhibitory bacteria") that suppress the growth of Staphylococcus epidermidis, essential for healthy skin. This discovery was achieved using the whole-genome shotgun analysis, which enables significantly broader analysis coverage and higher resolution than conventional methods. And then, through unique screening, we identified a fermented extract derived from microorganisms inhabiting harsh environments as a component that selectively suppresses these inhibitory bacteria and creates an environment conducive to the growth of Staphylococcus epidermidis. The insights and components regarding the skin microbiome obtained in this research will be applied to future skincare products for sensitive skin.

(4) Sustainability

We have adopted the "LiquiForm" manufacturing technology, which reduces environmental impact by combining bottle production and liquid filling into a single step, for dispenser pump-type containers. This has enabled us to develop cosmetic containers that not only reduce environmental impact but also simultaneously achieve design appeal unique to cosmetics, a pleasant user experience, and functional aspects like ease of holding and usability. By molding the bottle using "LiquiForm," we can reduce the plastic used in the container alone by approximately 56% and CO_2 emissions (greenhouse gas emissions) by approximately 48% compared to the current product (Note 9). To achieve the design where the rigid upper part of the container with the pump is inserted into this soft refill, we have solved multiple challenges: drop durability, light resistance of the contents, ease of dispensing unique to pump-type dispensers, and reduction in plastic volume. We also conducted extensive ergonomic studies, such as balancing the size of the main container with the size of the human hand. By having customers test the design in person, we successfully developed an optimal shape that fits comfortably in the hand. We applied these research results to product development of "*IPSA*."

Regarding packaging, we are not only addressing sustainability but also striving to enhance design aesthetics. To have our progress evaluated, we entered the 2025 Japan Package Contest (47th Edition) hosted by the Japan Packaging Institute, a public interest incorporated association, and our products won awards in four categories. *IPSA* ME n 1-8 (quasi-drug), which incorporates the aforementioned "LiquiForm" into its dispenser pump container, received the Japan Star Award, the highest honor in this contest, specifically the Minister of Economy, Trade and Industry Award. Additionally, *ANESSA* Perfect UV Brush-On Powder and *IPSA* The Time R Aqua (quasi-drug) received the Packaging Technology Award, while *SHISEIDO* Ultimune Power Infusing Serum received the Packaging Category Award. The Japan Packaging Contest determines the pinnacle and outstanding examples of packaging each year, encompassing everything from design to logistics. The Japan Star Award, the highest honor, is granted to the packaging that is most outstanding overall, fulfilling the many requirements demanded of packaging, such as protection and functionality, while also considering economy and the environment. Moving forward, we will continue to contribute to a circular society through unique technological development and collaborations with external partners, such as sourcing raw materials and developing formulations that minimize environmental impact.

(5) Transforming Research Capabilities into Value through Co-creation with Consumers

First, we present a trial where consumers directly experienced the value of our Kansei research, one of our core strengths. For July 11-14, 2025 (local time), we conducted an empirical study using scent which is a key element of our Kansei research to create an empathetic experience. This took place at one of EXPO 2025's Signature Pavilions, "Dialogue Theater – sign of life," produced by Film Director KAWASE Naomi, in Osaka, Kansai, Japan. This experiment aimed to demonstrate whether scent, as part of our Kansei research, has the power to positively transform human relationships in a time when concerns about weakened connections, loneliness, and isolation are growing. Inside a special space within the Meeting House in the Forest, two participants faced each other using our Kansei research experience equipment, enjoying free conversation while looking at each other's faces. During the conversation, our Kansei research technology reads information from both participants' facial expressions, calculates their level of empathy, and releases a scent into the space at moments of shared empathy. After the experience, participants could view the number of times a scent was presented and their maximum empathy level. Aiming for a society where each person can achieve their own unique health and beauty throughout their lifetime, we will realize new Kansei research and technology, strengthen heart-to-heart connections, and support connections between customers through sensory research and technology.

Next, we are launching a new space where consumers can explore our basic research insights on skin, body, and mind approaches that consider the whole person, not just skin or formulation technology. To connect researchers with consumers and co-create the beauty of the future, we have renovated the first and second floors of our research and development hub, the Shiseido Global Innovation Center, located in Yokohama's Minato Mirai 21 district. On January 22, 2025, we opened "Shiseido Beauty Park," conceived under the theme: "Awaken the beauty within you with science that connecting the skin, body, and mind." Shiseido Beauty Park comprises five labs: Shiseido Beauty Diagnosis Lab, Shiseido Kitchen Lab, and Shiseido Art & Science Lab, where visitors can experience "Beauty Artscape," our advanced science that unravels the connections between skin, body, and mind. Additionally, it features the fibona Lab, which promotes open innovation, and the Shiseido People Lab, dedicated to advancing the evolution of researchers who support all innovation. Total visitor numbers significantly exceeded targets, with the "Shiseido Beauty Diagnosis Lab" receiving such high demand that many reservations were placed on a waiting list. This positive response will further accelerate the creation of innovative value toward realizing our corporate mission: "BEAUTY INNOVATIONS FOR A BETTER WORLD."

Notes:

1. A protein that promotes the migration of cells such as immune cells.
2. Fluorescence Lifetime Imaging Microscopy. An observation technique that utilizes the intrinsic property of fluorescent molecules, their fluorescence lifetime, for imaging.
3. One of the SASP factors secreted by epidermal keratinocytes. It is also known to be involved in the process of melanocytes transforming into melanoma.
4. A collective term for various factors, including inflammatory mediators, secreted by senescent cells, known as the Senescence-Associated Secretory Phenotype (SASP).
5. An organelle present in quantities exceeding 100 per cell, playing a vital role in energy production and other essential life functions
6. Microscale ultra-fine needles. By creating minute holes in the stratum corneum, this technique promotes transdermal delivery and cell activation, advancing its use in cosmetics and medical fields.
7. An insoluble macromolecular complex composed of proteins and carbohydrates, existing in the intercellular spaces of biological tissues, exhibiting a mesh-like structure and gel-like consistency.
8. A community of microorganisms, such as bacteria, present in a specific environment. Also called the microbiome.
9. Plastic content and greenhouse gas emissions of the refill container alone were compared before and after renewal by our company. Greenhouse gas emissions for the container alone have undergone third-party verification via SuMPO EPD (compliant with ISO 14025).

3. Equipment and Facilities

1. Overview of Capital Expenditures

(1) Capital expenditures

The Group invested ¥42,974 million ($274,314 thousand) for the current fiscal year (Note). The breakdown by reportable segment is as follows:

	Millions of yen	Thousands of U.S. dollars
Japan Business	8,676	55,381
China & Travel Retail Business	2,893	18,467
Asia Pacific Business	1,556	9,932
Americas Business	3,731	23,816
EMEA Business	5,620	35,874
Other	52	332
Head Office Administration Departments (Adjustments)	20,442	130,486
Total	42,974	274,314

In the Japan Business, the capital expenditures of ¥8,676 million ($55,381 thousand) was made for the installation and remodeling of store counters and fixtures and our global mission-critical systems.

In the Head Office Administration Departments (Adjustments), the capital expenditures of ¥20,442 million ($130,486 thousand) include maintaining and rationalizing the manufacturing capacity of the domestic factory and capital expenditures for our global mission-critical systems.

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

(2) Disposals

There have been no significant disposals or sales of equipment.

2. Major Equipment and Facilities

Major facilities of the Group are as follows:

(1) Submitting company

As of December 31, 2025

Site name (Location)	Segment name	Description	Unit	Carrying amount						Number of employees (persons)
				Buildings and structures	Machinery, equipment and vehicles	Land [thousand ㎡]	Leased assets	Other	Total	
Head Office (Minato-ku and others, Tokyo)	Head Office Administration Departments (Adjustments)	Office facilities, production facilities	Millions of yen	20,986	4,542	7,866 [33]	1,277	59,970	94,643	1,146
			Thousands of U.S. dollars	133,959	28,993	50,211	8,151	382,804	604,130	
Research Center (Global Innovation Center) (Yokohama City, Kanagawa Prefecture, Nishi-ku)	Head Office Administration Departments (Adjustments)	R&D facilities	Millions of yen	24,456	488	6,841 [7]	-	4,082	35,869	664
			Thousands of U.S. dollars	156,109	3,115	43,668	-	26,056	228,961	
Kakegawa Factory (Kakegawa City, Shizuoka Prefecture)	Head Office Administration Departments (Adjustments)	Production facilities	Millions of yen	8,811	6,804	903 [202]	12	1,306	17,837	661
			Thousands of U.S. dollars	56,243	43,432	5,764	77	8,337	113,858	
Osaka Factory (Osaka-shi, Osaka Prefecture Higashiyodogawa-ku) (Note 4)	Head Office Administration Departments (Adjustments)	Production facilities	Millions of yen	-	163	2,461 [36]	0	19	2,644	164
			Thousands of U.S. dollars	-	1,040	15,709	0	121	16,877	
Nasu Factory (Otawara City, Tochigi Prefecture)	Head Office Administration Departments (Adjustments)	Production facilities	Millions of yen	12,912	12,041	586 [110]	18	505	26,064	433
			Thousands of U.S. dollars	82,421	76,861	3,741	115	3,224	166,373	
Osaka Ibaraki Factory (Ibaraki City, Osaka Prefecture)	Head Office Administration Departments (Adjustments)	Production facilities	Millions of yen	15,353	13,666	14,479 [72]	5	2,162	45,666	438
			Thousands of U.S. dollars	98,002	87,233	92,423	32	13,801	291,498	
Fukuoka Kurume Factory (Kurume City, Fukuoka Prefecture)	Head Office Administration Departments (Adjustments)	Production facilities	Millions of yen	18,095	17,504	1,893 [97]	28	644	38,166	344
			Thousands of U.S. dollars	115,505	111,732	12,083	179	4,111	243,623	

Notes:

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

(2) Domestic subsidiaries

As of December 31, 2025

Company name	Site name (Location)	Segment name	Description	Unit	Carrying amount						Number of employees (Persons)
					Buildings and structures	Machinery, equipment and vehicles	Land [thousand ㎡]	Right-of-use assets	Other	Total	
Shiseido Japan Co., Ltd.	Head Office and 1 other business divisions, 14 branches and divisions (Minato-ku and others, Tokyo)	Japan Business	Office equipment / Store facilities	Millions of yen	4,889	3	1,472 [11]	12,504	24,809	43,679	6,770
				Thousands of U.S. dollars	31,208	19	9,396	79,816	158,362	278,814	
Shiseido Parlour Co., Ltd.	Ginza Main Store (Chuo-ku, Tokyo)	Other	Store facilities	Millions of yen	1,561	54	1,792 [1]	1,097	88	4,595	289
				Thousands of U.S. dollars	9,964	345	11,439	7,002	562	29,331	
Selan Anonymous Association	Shiodome Office (Minato-ku, Tokyo)	Head Office Administration Departments (Adjustments)	Office equipment	Millions of yen	10,072	0	- [-]	13,031	41	23,145	-
				Thousands of U.S. dollars	64,292	0	-	83,180	262	147,740	

Notes:

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

(3) Overseas subsidiaries

As of December 31, 2025

Company name	Site name (Location)	Segment name	Description	Unit	Carrying amount						Number of employees (persons)
					Buildings and structures	Machinery, equipment and vehicles	Land [thousand ㎡]	Right-of-use assets	Other	Total	
Shiseido (China) Co., Ltd.	Head Office (Shanghai)	China & Travel Retail Business	Store facilities	Millions of yen	-	-	- [-]	2,624	7,695	10,320	647
				Thousands of U.S. dollars	-	-	-	16,750	49,119	65,875	
Shiseido Liyuan Cosmetics Co. Ltd.	Head Office / Beijing Factory (Beijing)	China & Travel Retail Business	Store facilities / Production facilities	Millions of yen	362	272	- [-]	218	506	1,359	1,815
				Thousands of U.S. dollars	2,311	1,736	-	1,392	3,230	8,675	
Taiwan Shiseido Co., Ltd.	Hsinchu Factory (Hsinchu)	Asia Pacific Business	Production facilities	Millions of yen	2,355	285	2,297 [66]	241	484	5,665	298
				Thousands of U.S. dollars	15,033	1,819	14,662	1,538	3,089	36,161	
Shiseido America Inc.	East Windsor Factory (New Jersey)	Americas Business	Production facilities	Millions of yen	4,535	3,432	374 [168]	-	5,507	13,850	291
				Thousands of U.S. dollars	28,948	21,907	2,387	-	35,153	88,408	
Shiseido International France S.A.S.	Gien Factory (Gien), Val de Loire Factory (Orm)	EMEA Business	Production facilities	Millions of yen	2,307	2,461	320 [340]	130	629	5,849	501
				Thousands of U.S. dollars	14,726	15,709	2,043	830	4,015	37,336	
Shiseido Cosmetics Manufacturing Co., Ltd.	Shanghai Factory (Shanghai)	Head Office Administration Departments (Adjustments)	Production facilities	Millions of yen	886	157	- [-]	63	231	1,339	296
				Thousands of U.S. dollars	5,656	1,002	-	402	1,475	8,547	

Notes:

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

3. Plans for New Additions or Disposals of Facilities

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

(1) New additions and renovations

Capital expenditures plan for significant additions and renovation of facilities (Note) during the following year after the current fiscal year is ¥40,000 million ($255,330 thousand), and the required funds will be covered by the Company's own funds, bonds and borrowings.

The breakdown by reportable segment is as follows:

Segment name	Planned investment		Major contents and purpose of equipment
	Millions of yen	Thousands of U.S. dollars	
Japan Business	6,400	40,853	Investment in marketing of store facilities, etc., software investment
China & Travel Retail Business	4,700	30,001	Investment in marketing of store facilities, etc., software investment
Asia Pacific Business	2,400	15,320	Investment in marketing of store facilities, etc., software investment
Americas Business	5,400	34,470	Investment in marketing of store facilities, software investment, factory capital expenditures
EMEA Business	6,900	44,044	Investment in marketing of store facilities, etc., factory capital expenditures, investment in regional headquarter facility
Other	300	1,915	Investment in marketing of store facilities
Head Office Administration Departments (Adjustments)	13,900	88,727	Factory capital expenditures and software investment
Total	40,000	255,330	

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

(2) Disposals

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

4. Corporate Information on the Company

1. Information on the Company's Shares

(1) Number of shares

1) Total number of shares

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

2) Number of shares issued

Class	Number of shares issued As of December 31, 2025	Number of shares issued As of March 23, 2026 (Insurance date of this Securities Report)	Stock exchanges on which the Company is listed/the name of authorized financial instruments firms association	Description
Common stock	400,000,000	400,000,000	The Prime Market of the Tokyo Stock Exchange	The Company's standard class of shares with no rights limitations. The number of shares constituting one unit of the Company is 100 shares.
Total	400,000,000	400,000,000	-	-

(2) Status of stock acquisition rights

1) Stock option plans

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

	Fiscal Year 2012 Stock Options (30th and 31st Series Stock Acquisition Rights)	Fiscal Year 2013 Stock Options (32nd and 33rd Series Stock Acquisition Rights)	Fiscal Year 2014 Stock Options (34th and 35th Series Stock acquisition rights)
Resolution date	Resolved at the Annual General Meeting of Shareholders held on June 26, 2012, and the Board of Directors meeting held on July 31, 2012	Resolved at the Annual General Meeting of Shareholders held on June 25, 2013, and the Board of Directors meeting held on July 31, 2013	Resolved at the Annual General Meeting of Shareholders held on June 25, 2014, and the Board of Directors meeting held on July 31, 2014
Title and number of grantees	5 Directors of the Company 14 Corporate Officers of the Company	6 Directors of the Company 10 Corporate Officers of the Company	5 Directors of the Company 1 individual who was the Chairman (Representative Director) until the close of the 114th Annual General Meeting of Shareholders 12 Corporate Officers of the Company
Number of stock acquisition rights (units)*	110 (Note 1)	177 (Note 1)	270(Note 1) [263]
Class, details, and number of shares to be issued upon exercise of share acquisition rights (shares)*	Common stock 11,000 (Note 2)	Common stock 17,700 (Note 2)	Common stock 27,000 (Note 2) [26,300]
Amount paid in upon exercise of stock acquisition rights (yen)	1 (Note 3)	1 (Note 3)	1 (Note 3)
Exercise period of stock acquisition rights*	August 1, 2015- July 31, 2027	August 1, 2016- July 31, 2028	August 1, 2017- July 31, 2029
Issue price and amount credited to equity in the event of issuance of shares upon exercise of stock acquisition rights (yen)*	Issue price: 1,002 (Note 4) Amount credited to equity: 501	Issue price: 1,435 (Note 4) Amount credited to equity: 718	Issue price: 1,899.5 (Note 4) Amount credited to equity: 950
Conditions for exercising stock acquisition rights*	(Note 5)	(Note 5)	(Note 5)
Transfer of stock acquisition rights*	The transfer of stock acquisition rights shall be subject to the approval of the Board of Directors.	The transfer of stock acquisition rights shall be subject to the approval of the Board of Directors.	The transfer of stock acquisition rights shall be subject to the approval of the Board of Directors.
Delivery of stock acquisition rights in the event of the Reorganization*	(Note 6)	(Note 6)	(Note 6)

	Fiscal Year 2015 Stock Options (36th and 37th Series Stock acquisition rights)	Fiscal Year 2016 Stock Options (38th and 39th Series Stock acquisition rights)	Fiscal Year 2017 Stock Options (40th and 41st Series Stock Acquisition Rights)
Resolution date	Resolved at the Annual General Meeting of Shareholders held on June 23, 2015, and the Board of Directors meeting held on February 23, 2016	Resolved at the Annual General Meeting of Shareholders held on March 25, 2016, and the Board of Directors meeting held on February 23, 2017	Resolved at the Annual General Meeting of Shareholders held on March 28, 2017, and the Board of Directors meeting held on March 6, 2018
Title and number of grantees	3 Directors of the Company 13 Corporate Officers of the Company or its wholly owned subsidiaries 2 individuals who were Corporate Officers of the Company until December 31, 2015	3 Directors of the Company 20 Corporate Officers of the Company or its wholly owned subsidiaries 1 employee of a subsidiary of the Company (1 individual who was a Corporate Officer of the Company until December 31, 2016)	3 Directors of the Company 13 Corporate Officers of the Company or its wholly owned subsidiaries 5 individuals who were Corporate Officers of the Company or its wholly owned subsidiaries until December 31, 2017
Number of stock acquisition rights (units)*	151(Note 1)	453(Note 1)	326 (Note 1)
Class, details, and number of shares to be issued upon exercise of stock acquisition rights (shares)*	Common stock 15,100 (Note 2)	Common stock 45,300 (Note 2)	Common stock 32,600 (Note 2)
Amount paid in upon exercise of stock acquisition rights (yen)	1 (Note 3)	1 (Note 3)	1 (Note 3)
Exercise period of stock acquisition rights*	September 1, 2018- February 28, 2031	September 1, 2019- February 29, 2032	September 1, 2020– February 28, 2033
Issue price and amount credited to equity in the event of issuance of shares upon exercise of stock acquisition rights (yen)*	Issue price: 2,516.5 (Note 4) Amount credited to equity: 1,259	Issue price: 2,991 (Note 4) Amount credited to equity: 1,496	Issue price: 6,616 (Note 4) Amount credited to equity: 3,308
Conditions for exercising stock acquisition rights*	(Note 5)	(Note 5)	(Note 5)
Transfer of stock acquisition rights*	The transfer of stock acquisition rights shall be subject to the approval of the Board of Directors.	The transfer of stock acquisition rights shall be subject to the approval of the Board of Directors.	The transfer of stock acquisition rights shall be subject to the approval of the Board of Directors.
Delivery of stock acquisition rights in the event of the Reorganization*	(Note 6)	(Note 6)	(Note 6)

	Fiscal Year 2018 Stock Options (42nd and 43rd Series Stock Acquisition Rights)
Resolution date	Resolved at the Annual General Meeting of Shareholders held on March 27, 2018, and the Board of Directors meeting held on February 21, 2019
Title and number of grantees	3 Directors of the Company 12 Corporate Officers of the Company or its wholly owned subsidiaries 3 individuals who were Corporate Officers of the Company or its wholly owned subsidiaries until December 31, 2018
Number of stock acquisition rights*	133 (Note 1) [71]
Class, details, and number of shares to be issued upon exercise of stock acquisition rights (Shares)*	Common stock 13,300 (Note 2) [7,100]
Amount paid in upon exercise of stock acquisition rights (yen)	1 (Note 3)
Exercise period of stock acquisition rights*	September 1, 2021– February 28, 2034
Issue price and amount credited to equity in the event of issuance of shares upon exercise of stock acquisition rights (yen)*	Issue price: 7,865 (Note 4) Amount credited to equity: 3,933
Conditions for exercising stock acquisition rights*	(Note 5)
Transfer of stock acquisition rights*	The transfer of stock acquisition rights shall be subject to the approval of the Board of Directors.
Delivery of stock acquisition rights in the event of the Reorganization*	(Note 6)

* The description above represents the status as of the end of the current fiscal year (December 31, 2025). The details changed between December 31, 2025, and February 28, 2026, which is the end of the month preceding to the filing month, are shown in [ ] based on the status as of February 28, 2026. The other details have not changed since December 31, 2025.

Notes:

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

4. The issue price is the sum of the amount paid in upon the exercise of each stock acquisition right (¥1 per share) and the fair value of each stock acquisition right (¥1,001 ($6.38) per share for the 30th and 31st Series; ¥1,434 ($9.14) per share for the 32nd and 33rd Series; ¥1,898.5 ($12.10) per share for the 34th and 35th Series; ¥2,515.5 ($16.04) per share for the 36th and 37th Series; ¥2,990 ($19.06) per share for the 38th and 39th Series; ¥6,615 ($42.18) per share for the 40th and 41st Series; and ¥7,864 ($50.14) per share for the 42nd and 43rd Series) at the grant date.
5. (1) Any allottee of stock acquisition rights shall remain in office as Director or Corporate Officer of the Company when he/she exercises the rights, unless he/she leaves office upon expiration of the term of office or due to any other justifiable reasons.
   (2) If any allottee of stock acquisition rights dies prior to the expiration of the exercise period of the stock acquisition rights, only one heir to such allottee shall be entitled to succeed to his/her rights and no one can succeed to such heir.
   (3) Any other conditions for exercising stock acquisition rights shall be governed by the "contract of allotting stock acquisition rights" agreed between the Company and the relevant allottee of the stock acquisition rights.
6. In the event that the Company is merged (as a result of which, the Company shall be dissolved), or conducts an absorption-type company split, incorporation-type company split, share exchange or share transfer (collectively, the "Reorganization"), the Company shall, with regard to the stock acquisition rights outstanding when the Reorganization becomes effective (the "Outstanding Stock Acquisition Rights"), deliver to any allottee thereof share acquisition rights of relevant corporations ("Reorganizing Companies") listed in Article 236, paragraph 1, item 8 (a) through (e) of the Companies Act, in accordance with the following conditions. In such case, the Outstanding Share Acquisition Rights shall become null and void and the Reorganizing Companies shall newly issue stock acquisition rights, only if and when the delivery of stock acquisition rights of the Reorganizing Companies is stipulated in accordance with the following conditions in the absorption-type merger agreement, consolidation-type merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement or share transfer plan.
   (1) Number of stock acquisition rights of the Reorganizing Company to be delivered
   The same number as that of the Outstanding Stock Acquisition Rights held by each allottee thereof shall be delivered.
   (2) Class of shares of the Reorganizing Company to be issued upon exercise of share acquisition rights
   Ordinary shares of the Reorganizing Company
   (3) Number of shares of the Reorganizing Company to be issued upon exercise of stock acquisition rights
   The number of such shares shall be determined in accordance with Note 2 above, by taking into account the conditions of the Reorganization.
   (4) Amount of property to be contributed upon exercise of each stock acquisition right
   The amount of property to be contributed upon exercise of each stock acquisition right to be delivered shall be an amount obtained by multiplying the paid-in amount after the Reorganization set forth below by the number of shares of the Reorganizing Company be issued upon exercise of each of the stock acquisition rights, which shall be determined as set forth in (3) above. The paid-in amount after the Reorganization shall be ¥1 per share of the Reorganizing Company that can be delivered upon exercise of each stock acquisition right exercised.
   (5) Exercise period of stock acquisition rights
   From later of the first day of the exercise period of the Outstanding Stock Acquisition Rights and the day on which the Reorganization becomes effective, to the last day of the exercise period of the Outstanding Stock Acquisition Rights
   (6) Matters concerning share capital and legal capital surplus to be increased in the event that the Reorganizing Company issues shares upon exercise of stock acquisition rights
   Such matters shall be determined in accordance with the provisions set forth for the Outstanding Stock Acquisition Rights.
   (7) Restriction on acquisition of stock acquisition rights by transfer
   Any acquisition of stock acquisition rights by transfer shall be subject to the approval by resolution of the Board of Directors of the Reorganizing Company.
   (8) Terms and conditions of acquisition of stock acquisition rights
   Such terms and conditions shall be determined in accordance with the terms and conditions specified for the outstanding stock acquisition rights.
   (9) Other conditions for exercising stock acquisition rights
   Such conditions shall be determined in accordance with the conditions for exercising the outstanding stock acquisition rights.

2) Right plans
Not applicable.

3) Other stock acquisition rights
Not applicable.

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

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

Period	Changes in the number of shares issued (thousand)	Balance of the number of shares issued (thousand)	Unit	Changes in share capital	Balance of share capital	Changes in legal capital surplus	Balance of legal capital surplus
May 21, 2010	(10,000)	400,000	Millions of yen	-	64,506	-	70,258
			Thousands of U.S. dollars	-	411,758	-	448,474

Note: Decrease due to retirement of treasury stock

(5) Details of Shareholders

As of December 31, 2025

Classification	Status of Shares (Number of shares constituting one unit: 100 shares)								Less-than-one-unit shares (shares)
	National and local governments	Financial institutions	Securities companies	Other corporations	Foreign corporations, etc.		Individuals and others	Total	
					Other than individuals	Individuals			
Number of shareholders (persons)	1	41	53	1,059	796	1,524	126,496	129,970	-
Number of shares held (unit)	2	1,158,301	86,364	156,692	1,871,481	5,860	715,623	3,994,323	567,700
Shareholding ratio (%)	0.00	28.99	2.16	3.92	46.85	0.14	17.91	100.00	-

Notes:
1. Of the 463,674 shares of treasury stock, 4,636 units are included in “Individuals and others,” and the remaining 74 shares are included in the “Less-than-one-unit shares.”
2. “Other corporations” includes one unit of shares held in the name of the Japan Securities Depository Center, Inc (hereinafter “JASDEC”).
3. The Company had 148,791 shareholders of record as of December 31, 2025 including shareholders holding only less-than-one-unit shares.

(6) Principal Shareholders

As of December 31, 2025

Shareholders	Address	Number of shares held (thousand shares)	Percentage of shareholding to the total number of shares issued excluding treasury stock (%)
The Master Trust Bank of Japan, Ltd. (Trust Account) (Note 1)	Akasaka Intercity AIR, 8-1, Akasaka 1-chome, Minato-ku, Tokyo	68,321	17.10
GOVERNMENT OF NORWAY (Standing proxy: N.A., Tokyo Branch, CITIBANK)	BANKPLASSEN 2, 0107 OSLO 1 OSLO 0107 NO (27-30 Shinjuku 6-chome, Shinjuku-ku, Tokyo)	21,741	5.44
Custody Bank of Japan, Ltd. (Trust Account) (Note 1)	8-12, Harumi 1-chome, Chuo-ku, Tokyo	20,514	5.13
STATE STREET BANK AND TRUST COMPANY 505001 (Standing proxy: Settlement Sales Department, Mizuho Bank, Ltd.)	ONE CONGRESS STREET, SUITE 1, BOSTON, MASACHUSETTS (Shinagawa Intercity Tower A, 15-1, Konan 2-chome, Minato-ku, Tokyo)	9,643	2.41
NORTHERN TRUST CO. (AVFC) RE NON TREATY CLIENTS ACCOUNT (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch)	50 BANK STREET CANARY WHARF LONDON E14 5NT, UK (11-1 Nihonbashi 3-chome, Chuo-ku, Tokyo)	9,248	2.31
STATE STREET BANK AND TRUST COMPANY 505301 (Standing proxy: Settlement Sales Department, Mizuho Bank, Ltd.)	ONE CONGRESS STREET, SUITE 1, BOSTON, MASACHUSETTS (Shinagawa Intercity Tower A, 15-1, Konan 2-chome, Minato-ku, Tokyo)	8,915	2.23
Mizuho Trust & Banking Co., Ltd. re-trusted to Custody Bank of Japan, Ltd. Employees’ Pension Trust for Mizuho Bank	8-12, Harumi 1-chome, Chuo-ku, Tokyo	7,000	1.75

Shareholders	Address	Number of shares held (thousand shares)	Percentage of shareholding to the total number of shares issued excluding treasury stock (%)
THE BANK OF NEW YORK 134104 (Standing proxy: Settlement Sales Department, Mizuho Bank, Ltd.)	BOULEVARD ANSPACH 1, 1000 BRUSSELS, BELGIUM (Shinagawa Intercity Tower A, 15-1, Konan 2-chome, Minato-ku, Tokyo)	6,381	1.59
NORTHERN TRUST CO. (AVFC) RE IEDU UCITS CLIENTS NON LENDING 15 PCT TREATY ACCOUNT (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch)	50 BANK STREET CANARY WHARF LONDON E14 5NT, UK (11-1 Nihonbashi 3-chome, Chuo-ku, Tokyo)	5,988	1.49
JP MORGAN CHASE BANK 385781 (Standing proxy: Settlement Sales Department, Mizuho Bank, Ltd.)	25 BANK STREET, CANARY WHARF, LONDON, E14 5JP, UNITED KINGDOM (Shinagawa Intercity Tower A, 15-1, Konan 2-chome, Minato-ku, Tokyo)	5,923	1.48
Total	-	163,677	40.96

Notes:

1. All shares held by The Master Trust Bank of Japan, Ltd. (Trust Account) and Custody Bank of Japan, Ltd. (Trust Account) are in connection with the respective bank's trust business.
2. A report of amendment to large shareholdings from BlackRock Japan Co., Ltd. has been filed with the Director-General of the Kanto Finance Bureau. The report said that on July 3, 2024, it held 28,097 thousand shares through joint holdings (percentage of shareholding: 7.03%), of which 8,798 thousand shares (2.20%) were held by BlackRock Japan Co., Ltd. and 7,553 thousand shares (1.89%) were held by BlackRock Fund Advisors.
   However, BlackRock Japan Co., Ltd. and BlackRock Fund Advisers have been excluded from the above list of principal shareholders, as the actual number of shares held by the above two companies had not been confirmed by the Company as of the end of the fiscal year.
3. A report of amendment to large shareholdings from Independent Franchise Partners, LLP has been filed with the Director-General of the Kanto Finance Bureau. The report said that on June 27, 2025, it held 33,186 thousand shares (percentage of shareholding: 8.30%).
   However, Independent Franchise Partners, LLP has been excluded from the above list of principal shareholders, as the actual number of shares held by said company had not been confirmed by the Company as of the end of the fiscal year.
4. A report of amendment to large shareholdings from Norges Bank has been filed with the Director-General of the Kanto Finance Bureau. The report said that on September 11, 2025, it held 21,408 thousand shares (percentage of shareholding: 5.35%).
   However, Norges Bank has been excluded from the above list of principal shareholders, as the actual number of shares held by said company had not been confirmed by the Company as of the end of the fiscal year.
5. A report of amendment to large shareholdings from Sumitomo Mitsui Trust Bank, Limited has been filed with the Director-General of the Kanto Finance Bureau. The report said that on October 21, 2025, it held 22,392 thousand shares through joint holdings (percentage of shareholding: 5.60%), of which 11,397 thousand shares (2.85%) and 10,994 thousand shares (2.75%) are held by Sumitomo Mitsui Trust Asset Management Co., Ltd. and Amova Asset Management Co., Ltd., respectively.
   However, Sumitomo Mitsui Trust Asset Management Co., Ltd. and Amova Asset Management Co., Ltd. have been excluded from the above list of principal shareholders, as the actual number of shares held by the above two companies had not been confirmed by the Company as of the end of the fiscal year.
6. A report of amendment to large shareholdings from Nomura Securities Co., Ltd. has been filed with the Director-General of the Kanto Finance Bureau. The report said that on November 7, 2025, it held 23,593 thousand shares through joint holdings (percentage of shareholding: 5.90%), of which 22,340 thousand shares (5.59%) are held by Nomura Asset Management Co., Ltd.
   However, Nomura Securities Co., Ltd. and Nomura Asset Management Co., Ltd. have been excluded from the above list of principal shareholders, as the actual number of shares held by the said company had not been confirmed by the Company as of the end of the fiscal year.

(7) Status of voting rights

1) Shares Issued

As of December 31, 2025

Classification	Number of shares (shares)	Number of voting rights (units)	Description
Non-voting shares	-	-	-
Shares with restricted voting rights (Treasury stock, etc.)	-	-	-
Shares with restricted voting rights (Other)	-	-	-
Shares with full voting rights (Treasury stock, etc.)	(Treasury stock held) Common stock 463,600	-	Standard shares without restriction on the content of the rights
Shares with full voting rights (Other) (Note 1)	Common stock 398,968,700	3,989,687	Same as above
Less-than-one-unit shares (Note 2)	Common stock 567,700	-	Less-than-one-unit shares (One unit is 100 shares)
Total number of shares issued	400,000,000	-	-
Total voting rights held by all shareholders	-	3,989,687	-

Notes:

1. “Shares with full voting rights (Other)” includes 100 shares (1 voting right) in the name of JASDEC.
2. “Less-than-one-unit shares” includes 74 shares of treasury stock owned by the Company.

2) Treasury stock, etc.

As of December 31, 2025

Shareholders	Addresses of shareholders	Number of shares held under own name (shares)	Number of shares held under the names of others (shares)	Total number of shares held	Number of shares held to total number of shares issued and outstanding (%)
(Treasury shares held) Shiseido Co., Ltd.	5-5, Ginza 7-chome, Chuo-ku, Tokyo	463,600	-	463,600	0.11
Total	-	463,600	-	463,600	0.11

2. Acquisition of Treasury Stock

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

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

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

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

Classification	Number of shares (shares)	Total amount (yen)	Total amount (U.S. dollars)
Treasury stock acquired during the current fiscal year	865	2,197,285	14,009.72
Treasury stock acquired during the period until the filing date of this Securities Report	222	618,700	3,944.78

Note: Treasury stock acquired during the period until the filing date of this Securities Report does not include the number of less-than-one-unit shares purchased during the period from March 1, 2026 to the date of the submission of this Annual Securities Report.

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

Classification	Current fiscal year			The period until the filing date of this Securities Report		
	Number of shares (shares)	Total disposition amount (yen)	Total disposition amount (U.S. dollars)	Number of shares (shares)	Total disposition amount (yen)	Total disposition amount (U.S. dollars)
Acquired treasury stock for which subscribers were solicited	-	-	-	-	-	-
Acquired treasury stock that was disposed of	-	-	-	-	-	-
Acquired treasury stock for which transfer of shares were conducted in association with merger/share exchange/share issuance/corporate separation	-	-	-	-	-	-
Other (Transfer due to request for additional purchase of less-than-one-unit shares)	-	-	-	-	-	-
Other (Transfer by exercise of stock options)	22,400	90,278,760	575,610.56	6,900	27,798,243	177,239.50
Other (Disposal of treasury stock due to Performance linked share-based compensation as long-term incentive compensation)	91,654	369,419,696	2,355,392.09	-	-	-
Treasury stock held	463,674	-	-	456,996	-	-

Note: The number of treasury stock held during the period until the filing date of this Securities Report does not include purchase due to the purchase of less-than-one-unit shares from March 1, 2026 to the date of this Annual Securities Report submission, disposal of treasury stock due to transfer due to request for additional purchase of less-than-one-unit shares, transfer due to exercise of stock options and Performance linked stock awards as long-term incentive compensation.

3. Dividend Policy

Our total shareholder return policy emphasizes maximizing returns to shareholders through direct means, in addition to generating medium-to long-term share price gains. To this end, our fundamental policy is to give highest priority to strategic investments aimed at sustainable growth in order to increase profits and improve capital efficiency, which will lead to medium-to long-term increases in dividends and higher share prices.

We focus on consolidated financial performance and free cash flow in determining dividends and have set a target of Ratio of Dividend to Equity Attributable to Owners of Parent (DOE) of 2.5% or higher as one of the metrics that reflect our capital policy for ensuring stable and consistent growth in shareholder returns over the long term. With regards to acquisition of treasury shares, the Company's policy is to act in a flexible manner in light of market conditions.

(Dividends)

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

For the current fiscal year (the 126th Fiscal Year), the Company plans to resolve the year-end dividend at the Annual General Meeting of Shareholders scheduled to be held on March 25, 2026, to be ¥20.00 ($0.13) per share.

Date of resolution	Unit	Total dividend amount	Dividends per share (yen/U.S. dollars)
August 6, 2025 Resolution at the Board of Directors meeting	Millions of yen	7,990	20.00
	Thousands of U.S. dollars	51,002	0.13
March 25, 2026 Planned resolution at the annual general meeting of shareholders	Millions of yen	7,990	20.00
	Thousands of U.S. dollars	51,002	0.13

4. Corporate Governance

(1) Summary of Corporate Governance

The Shiseido Group has established "BEAUTY INNOVATIONS FOR A BETTER WORLD" as Our Mission in its corporate philosophy, The Shiseido Philosophy, and defines the corporate governance as our "platform to realize sustainable growth through fulfilling Our Mission."

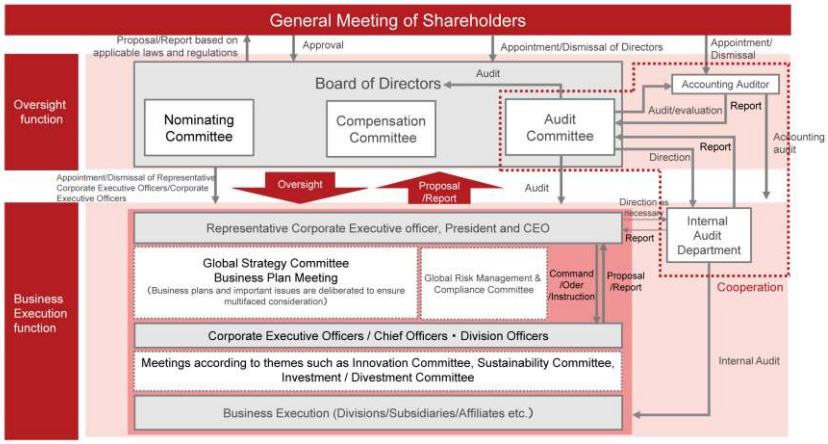
The Company is committed to maintaining and improving management transparency, fairness and speed, by putting into practice and reinforcing the corporate governance, and strives to maximize medium- and long-term corporate and shareholder value through dialogues with all stakeholders: "employees," "consumers,"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

1) Corporate Governance System

Shiseido Company Ltd., has transited to a Company with Three Statutory Committees based on resolution of the Annual General Meeting of Shareholders held on March 26, 2024.

The Board of Directors has focused on determining the basic management policy and management strategy while overseeing their execution, while also delegating significant authority to the Corporate Executive Officers, thereby accelerating the decision-making in business execution and the implementation of business strategies.

The following is the Company's corporate governance framework:



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

(Composition of the Board of Directors and the Committees)

As of March 23, 2026 (the submission date of this Annual Securities Report

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

Notes:

1. Members are marked with ○, and the chairperson of the board of directors and that of the committees are marked with ◎.
2. The legal name of Ms. Hiromi Anno is Hiromi Hara.

At the Annual General Meeting of Shareholders scheduled to be held on March 25, 2026, the Company plans to submit as Proposal No. 2 the "Election of Twelve (12) Directors." If this proposal is approved, the composition of the Company's Board of Directors is expected to be as set forth below. This disclosure includes the matters to be resolved (including positions and titles) at the meeting of the Board of Directors scheduled to be held immediately following the Annual General Meeting of Shareholders.

Title	Name	Board of Directors	Nominating Committee	Compensation Committee	Audit Committee
Director	Kentaro Fujiwara	○			
Director	Ayako Hirofuji	○			
Director	Hiromi Anno	○			○(Full-time)
Director	Hitoshi Okamoto	○			○(Full-time)
External Director (Independent)	Mariko Tokuno	○	○	○	
External Director (Independent)	Yoshihiko Hatanaka	◎	◎	○	
External Director (Independent)	Yasuko Gotoh	○			◎
External Director (Independent)	Ritsuko Nonomiya	○	○	○	
External Director (Independent)	Yasuhiro Nakajima	○			○
External Director (Independent)	Andrew House	○	○	○	
External Director (Independent)	Keiko Kaneko	○			○
External Director (Independent)	Takuya Nakata	○	○	◎	

Notes:

1. Members are marked with ○, and the chairperson of the board of directors and that of the committees are marked with ◎.
2. The legal name of Ms. Hiromi Anno is Hiromi Hara.

(a) Oversight function

(i) Board of Directors

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

The composition of the Company's Board of Directors is as described in 1) Corporate Governance System above (Composition of the Board of Directors and each committee).

Furthermore, to further enhance the transparency and objectivity of the Board of Directors, Mr.Yoshihiko Hatanaka, an Independent External Director, has been serving as Chairperson of the Board since January 1, 2025.

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

The Board of Directors held 13 meetings during the current fiscal year.

From the executive side, proposals and reports were made primarily regarding management strategies and their progress, including the "2030 Medium-Term Management Strategy" and the "Action Plan 2025-2026," the status of structural reforms, risk management and internal controls (including material risks, cybersecurity, and quality management), as well as IR activities and reactions from the capital markets, all of which were deliberated by the Board.

Title	Name	Attendance status (Attendance rate)
Director	Kentaro Fujiwara	Thirteen attendances of all thirteen meetings (100%)
Director	Ayako Hirofuji	Ten attendances of all ten meetings (100%)
Director	Hiromi Anno	Thirteen attendances of all thirteen meetings (100%)
Director	Takeshi Yoshida	Thirteen attendances of all thirteen meetings (100%)
Director	Masahiko Uotani	Three attendances of all three meetings (100%)
External Director	Kanoko Oishi	Thirteen attendances of all thirteen meetings (100%)
External Director	Shinsaku Iwahara	Thirteen attendances of all thirteen meetings (100%)
External Director	Mariko Tokuno	Thirteen attendances of all thirteen meetings (100%)
External Director	Yoshihiko Hatanaka	Thirteen attendances of all thirteen meetings (100%)
External Director	Yasuko Gotoh	Thirteen attendances of all thirteen meetings (100%)
External Director	Ritsuko Nonomiya	Thirteen attendances of all thirteen meetings (100%)
External Director	Yasuhiro Nakajima	Ten attendances of all ten meetings (100%)
External Director	Hiroshi Ozu	Three attendances of all three meetings (100%)

Notes:

1.Ms. Ayako Hirofuji and Mr. Yasuhiro Nakajima were appointed as directors at the 125th Annual General Meeting of Shareholders held on March 26, 2025. Accordingly, we have recorded their attendance at the meetings of the Board of Directors held after their appointment.

2. Mr. Masahiko Uotani and Mr. Hiroshi Ozu resigned from their positions as directors at the conclusion of the 125th Annual General Meeting of Shareholders held on March 26, 2025. Accordingly, we have recorded their attendance at the meetings of the Board of Directors held during their tenure.

(ii) Nominating Committee

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

The committee is composed solely of Independent External Directors, and its members are as described in 1) Corporate Governance System above (Composition of the Board of Directors and each committee). The chairperson is selected from the committee members with the resolution of the Nominating Committee.

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

The Nominating Committee held 13 meetings during the current fiscal year.

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

Title	Name	Attendance status (Attendance rate)
External Director	Kanoko Oishi	Twelve attendances of all thirteen meetings (92.3%)
External Director	Shinsaku Iwahara	Thirteen attendances of all thirteen meetings (100%)
External Director	Mariko Tokuno	Thirteen attendances of all thirteen meetings (100%)
External Director	Yoshihiko Hatanaka	Thirteen attendances of all thirteen meetings (100%)

(iii) Compensation Committee

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

The committee is composed solely of Independent External Directors, and its members are as described in 1) Corporate Governance System above (Composition of the Board of Directors and each committee).

The chairperson is selected from the committee members with the resolution of the Compensation Committee.

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

The Compensation Committee held 13 meetings during the current fiscal year.

It mainly discussed and resolved matters regarding the annual bonus, the performance indicators for long-term incentives, and the compensation of Directors and Corporate Executive Officers. Additionally, it oversaw the determination of compensation for Executive Officers other than Directors and Corporate Executive Officers.

Title	Name	Attendance status (Attendance rate)
External Director	Kanoko Oishi	Thirteen attendances of all thirteen meetings (100%)
External Director	Shinsaku Iwahara	Thirteen attendances of all thirteen meetings (100%)
External Director	Mariko Tokuno	Thirteen attendances of all thirteen meetings (100%)
External Director	Yoshihiko Hatanaka	Thirteen attendances of all thirteen meetings (100%)

(iv) Audit Committee

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

The committee is composed of Independent External Directors and full-time Audit Committee members, and its members are as described in 1) Corporate Governance System above (Composition of the Board of Directors and each committee).

The chairperson is an Independent External Director selected from the committee members with the resolution of the Audit Committee.

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

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

(b) Business Execution function

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

Title	Name
Representative Corporate Executive Officer	Kentaro Fujiwara
Representative Corporate Executive Officer	Ayako Hirofuji
Corporate Executive Officer	Mizuki Hashimoto
Corporate Executive Officer	Yosuke Tojo

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

The major committees are as follows:

(i) Global Strategy Committee

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

(ii) Business Plan Meeting

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

(iii) Global Risk Management & Compliance Committee

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

2) Internal Control System

(a) Development Status of Internal Control System

The Company's Board of Directors passed a resolution to revise the "Basic Policy on Internal Control System" effective January 1, 2026 at the meeting held on December 22, 2025. The revised "Basic Policy on Internal Control System" is as follows:

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

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

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

The Company has defined "The Shiseido Philosophy," which is shared across the Group, consisting of "Our Mission," which determines the corporate mission we are to fulfill; "Vision," which represents the future state the Group aims to achieve over the medium to long term; and "The Shiseido Way," which sets forth the mindset and conduct that all Shiseido employees should embody as they work together. In addition, the Company has established the "Shiseido Code of Conduct and Ethics," which defines the action standards for business conduct with the highest ethical principles, and promotes legitimate and fair corporate activities. (*)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(b) Operating status of internal control system during the current fiscal year

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

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

・The Company conducted training on the "Shiseido Code of Conduct and Ethics" for all global employees, using standardized global content, with the aim of strengthening an ethical foundation appropriate for a truly global beauty wellness company. In addition, the Company provided training on the "Shiseido Code of Conduct and Ethics" as part of onboarding programs for new-graduate hires and mid-career hires.

・The Company conducted training and awareness activities regarding the "Compliance Rules Regarding Prevention of Bribery" and the "Compliance Rules Regarding Prevention of Cartels," which are detailed rules of the "Shiseido Code of Conduct and Ethics," in various regions including Japan, China, Asia Pacific, the Americas, and Europe, tailored to the characteristics of each region and local working environments.

・The Global Risk Management & Compliance Committee was held in November and discussed material risks for the Shiseido Group and their countermeasures. Matters such as responses to major incidents were reported to the Board of Directors (matters for the first half: in August; matters for the second half: in February 2026). In Japan, the HQ/SJ Compliance Committee was held in June and November to discuss issues and actions mainly related to disciplinary cases and consultation cases received through the Shiseido Hotline in the Japan region.

・Whistleblowing reports were accepted through the Global Hotline directly managed by the headquarters (HQ) and hotlines managed by each region. In the Japan region, the Shiseido Hotline also functions as a whistleblower contact point in accordance with applicable laws and regulations, accepting reports and consultations on an anonymous basis and ensuring the prohibition of any disadvantageous treatment or retaliation. In addition, the Company has established systems in each region to receive reports from business partners.

・Based on the Regulations for Internal Audits, the Company verified the status of establishment and operation of internal control in the overall Shiseido Group, from the perspectives of operational effectiveness and efficiency, reliability of financial reporting and compliance with applicable laws, regulations, and internal regulations, as well as safeguarding assets. At the same time, the Company promoted organizational audit in collaboration with the Audit Committee, assessed the appropriateness and effectiveness of risk management, and provided advice and suggestions for its improvement. The results of internal audits are reported on a monthly basis to the Representative Corporate Executive Officer, President and CEO, Representative Corporate Executive Officer and CFO, and full-time Audit Committee members, and every other month to the Audit Committees, and biannually to the Board of Directors.

<Action Plans for Exclusion of Anti-Social Forces>

By integrating pre-screening of new suppliers for antisocial forces into the accounting system, the Company ensures that no transactions are conducted with antisocial forces. In addition, the Company continues to promote a preliminary screening system for new customers in the cosmetics business.

The Company is a member of two organizations promoting the exclusion of anti-social forces including the Special Violence Prevention Measures Association for the Jurisdiction of the Metropolitan Police Department (Tokubouren). Moreover, employees in charge of related efforts conduct information gathering through seminars and other means and strive to coordinate with local police departments.

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

・The Company has transitioned to a Company with Three Statutory Committees by resolution of the Annual General Meeting of Shareholders held on March 26, 2024. As a result, the Board of Directors has focused on determining the basic management policy and management strategy and overseeing their execution, while delegating significant authority with respect to execution, thereby accelerating decision-making related to business execution and the implementation of business strategies. In addition, in order to further strengthen the separation of execution and oversight and to enhance the transparency and objectivity of the Board of Directors, Mr. Yoshihiko Hatanaka, an External Director, has served as Chairperson of the Board since January 1, 2025.

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

・In order to achieve the 2030 Medium-Term Strategy, the Company will transition, effective January 1, 2026, to a new organizational structure designed to strengthen execution across the Group and to strongly lead its global strategy. Under this new structure, Chief Officers will, in addition to leading their respective areas of responsibility, lead the Group as a whole, while Division Officers will lead individual business and functional domains.

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

・The minutes of General Meetings of Shareholders, the Board of Directors meetings and meetings of respective committees are prepared by the Corporate Governance Department (the meeting minutes of the Audit Committee are prepared by the Internal Audit Department) and retained permanently, which is a longer duration than the statutory retention period of 10 years. Minutes of important meetings related to the execution of the Global Strategy Committee, etc. are prepared by the Corporate Transformation Acceleration Department and retained for 10 years or permanently, depending on the meeting body. With regard to the management of information related to business execution and the protection of information assets, the Company has developed and implemented the "Document Management Regulation" along with guidelines and manuals for its operation. Additionally, under the "Shiseido Group Information Security Management Policy," the Company has developed and implemented the "Information System Usage Regulation," "Shiseido Group Information Asset Handling Regulation," "Confidential Information Controlling Regulation," "Shiseido Group Privacy Rules," "Personal Information Protection Regulation." Furthermore, with regard to information disclosure, the Company has developed and implemented the Internal Regulation on Internal Information Management and Regulations on Transactions of Internal Personnel (for Directors, Corporate Executive Officers, and Employees). In addition, the Company has developed and implemented the "System for the process for disclosing facts of decisions made, actual events (excluding incidents, accidents, natural disasters, etc.) and financial results." With regard to important reports made by Group companies, the Company has arranged for executive officers in charge of a respective Group company to report to the CEO, the Global Strategy Committee, the Board of Directors, or other relevant bodies in compliance with the "Regulation of the Board of Directors," as well as the "Regulation of the Executive Officers" or other internal rules and regulations.

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

・The newsletters were continuously distributed (two issues annually) to provide helpful information to RMOs and risk managers across the world. In June, with the aim of strengthening the incident management structure across the entire Shiseido Group, the Company issued the "Global Incident Management Guidelines." In the Japan region, briefing sessions were held in February and December for approximately 40 newly appointed risk managers, selected from those assigned across 113 departments to strengthen support for incident response and resolution.

・In addition, the Company conducted drills in August for an HQ Emergency Task Force in anticipation of the Nankai Trough earthquake, and in November the Osaka Emergency Task Force (established as an alternative to the HQ Emergency Task Force) conducted team-specific training, with about 50 participants combined.

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

・An Audit Committee Secretariat, which supports the Audit Committee in its duties or performs some of those duties on behalf of the Audit Committee, has been established within the Internal Audit Department under the jurisdiction of the Audit Committee. Three employees have been concurrently assigned to this Secretariat to perform the secretarial work of the Audit Committee, such as gathering information and preparing materials required for the conduct of audits by the Audit Committee. In addition, in order to ensure the independence of the employees from the Corporate Executive Officers, etc. and the effectiveness of directions of the Audit Committee, matters relating to appointment, relocation, evaluation and other personnel related matters regarding the employees are made by the director of Internal Audit Department, following consent of the Audit Committee.

・The Audit Committee is consulted and its approval obtained on matters pertaining to the Internal Audit Department plan for the fiscal year (including budget).

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

・The Company ensures that the full-time Audit Committee members are offered opportunities to attend important meetings for business execution, such as the meetings of the Global Strategy Committee, and the Global Risk Management & Compliance Committee, as observers. Through these meetings, reports and information are provided to the Audit Committee. When requested by the Audit Committee, Corporate Officers in charge of specific areas and heads of departments submit reports or provide materials and information to the Audit Committee.

・A Shiseido Group Audit Committee Whistleblowing System has been established, and in Japan, training is provided to new and mid-career employees at the time of joining the Company, as well as training for employees newly appointed to managerial positions, while pertaining to harassment is provided to all employees by the HQ. During this training, explanations of the Shiseido Hotline and other consultation contact points and hotlines are given to ensure that employees are fully aware of their existence. We have also formulated Shiseido Group Audit Committee Whistleblowing System Rules that conform to the Whistleblower Protection Act, and disadvantageous treatment of employees and others on the grounds that they have being involved in whistleblowing is forbidden.

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

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

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

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

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

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

The Confirmation Procedures for Transactions with Related Parties

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

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

3) Outline of Execution of Liability Limitation Agreements

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

In addition, as Proposal No. 2 at the Annual General Meeting of Shareholders scheduled to be held on March 25, 2026, the Company has submitted a proposal for the election of twelve Directors. If the proposal is approved as originally proposed and Ms. Hiromi Yasuno, Ms. Mariko Tokuno, Mr. Yoshihiko Hatanaka, Ms. Yasuko Goto, Ms. Ritsuko Nonomiya, and Mr. Yasuhiro Nakajima are elected, the Company plans to renew the contracts on the same terms and conditions. Furthermore, if the proposal is approved as originally proposed and Mr. Hitoshi Okamoto, Mr. Andrew House, Ms. Keiko Kaneko, and Mr. Takuya Nakata are elected, the Company plans to newly enter into limitation of liability agreements with each of them on the same terms and conditions as described above.

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

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

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

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

5) Provisions of the Company's Articles of Incorporation

The Company's Articles of Incorporation stipulate the following:

・The number of board members

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

・Requirements for the resolution for the election of directors

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

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

(Acquisition of treasury share)

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

(Exemption from liability)

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

(Interim dividends)

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

・Special resolution requirements for General Meetings of Shareholders

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

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

1) List of officers

a) The status of the Company's Directors and Executive Officers as of the date of submission of the Annual Securities Reports (March 23, 2026) is as follows.

6 men and 7 women (woman represents 53.8% of the directors)

(1) Status of Director

Position	Name	Date of Birth	Career profile		Term of office (period)	Number of shares owned (shares)
Director	Kentaro Fujiwara	December 21, 1966	Apr. 1991 Jul. 2004 Nov. 2011 May. 2013 Apr. 2015 Nov. 2015 Jan. 2016 Jan. 2018 Jan. 2020 Jan. 2021 Jan. 2023 Mar. 2023 Sep. 2023 Jan. 2024 Mar. 2024 Jan. 2025 Jan. 2026	Joined the Company Director, Europe Distribution Center, Shiseido Europe S.A. Director, President, Shiseido Korea Co., Ltd. Director, President, Shiseido Professional Korea Co., Ltd. Vice President, Corporate Strategy Department of the Company Group Leader, Digital Strategy Group of the Company Chairman of the Board, President of Shiseido（China）Co., Ltd. Corporate Officer of the Company, China Region Corporate Officer of the Company, China Region Chief Executive Officer (CEO) Senior Executive Officer of the Company, China Region CEO Executive Officer of the Company President and Chief Operating Officer (COO) of the Company Representative Director of the Company Representative Director, Chairman of Shiseido Japan Co., Ltd. Japan Region CEO of the Company Representative Director, President and CEO of Shiseido Japan Co., Ltd. Director of the Company [incumbent] Representative Corporate Executive Officer of the Company [incumbent] President and CEO of the Company [incumbent] Chief Officer of the Company [incumbent]	(Note 2)	9,300
Director	Ayako Hirofuji	October 3, 1979	Apr. 2003 Aug. 2005 Jul. 2014 Jul. 2015 Jan. 2019 Jan. 2022 Jan. 2024 May. 2024 Jul. 2024 Jan. 2025 Mar. 2025 Jan. 2026	Merrill Lynch Japan Securities Co., Ltd. (currently BofA Securities Japan Co., Ltd.) Joined the Company President of Director, PT SHISEIDO Cosmetics Indonesia President of Director, PT Shiseido Professional Indonesia Vice President, Strategic Finance Department of the Company Vice President, IR Department of the Company Executive Officer of the Company Chief Investor Engagement Officer of the Company Chief DE&I Officer of the Company Deputy Chief Financial Officer of the Company Corporate Executive Officer of the Company Chief Financial Officer of the Company [incumbent] Representative Corporate Executive Officer of the Company [incumbent] Director of the Company[incumbent] Chief Officer of the Company [incumbent]	(Note 2)	2,200
Director	Hiromi Anno	July 27, 1970	Apr. 1995 Jan. 2018 Jan. 2020 Jan. 2021 Mar. 2023 Mar. 2024	Joined the Company Department Director, Global Communications Department of the Company Corporate Officer, Chief Public Relations Officer of the Company Executive Officer of the Company Audit & Supervisory Board Member (Full-time) of the Company Director of the Company [incumbent] Member (Full-time), Audit Committee of the Company [incumbent]	(Note 2)	2,000

Position	Name	Date of Birth	Career profile		Term of office (period)	Number of shares owned (shares)
Director	Takeshi Yoshida	October 4, 1961	Aug. 1985 Feb. 1992 Apr. 2009 Apr. 2011 Oct. 2014 Jan. 2016 Jan. 2017 Mar. 2018 Mar. 2024	Joined Okura Keiei Keiri Gakuin Co., Ltd. Joined the Company General Manager of Cosmetics Business Planning Department, General Manager of Business Administration Group, Cosmetics Business Planning Department of the Company Executive Vice President, Shiseido Americas Corp. Department Director, Internal Audit Department of the Company Department Director, Business Planning Department, Shiseido Japan Co., Ltd. Director, Personal Care Planning Department, FT Shiseido Co., Ltd. (currently FineToday Co., Ltd.) Audit & Supervisory Board Member (Full-time) of the Company Director of the Company [incumbent] Member (Full-time), Audit Committee of the Company [incumbent]	(Note 2)	4,600
External Director 〈Independent〉	Kanoko Oishi	March 24, 1961	Apr. 1983 Aug. 1987 Nov. 1988 Jun. 2000 Jul. 2000 Aug. 2001 Aug. 2002 Jun. 2010 Jun. 2015 Mar. 2016 Apr. 2018 Mar. 2024	Joined Nippon Life Insurance Company McKinsey & Company, Inc. New York Office McKinsey & Company, Inc. Tokyo Office Representative Director, MEDIVA Inc. [incumbent] Representative Director, Seinan MEDIVA Co., Ltd. (currently Seeds 1 Co., Ltd.) [incumbent] Outside Auditor, ASKUL Corporation Outside Director, ASKUL Corporation Outside Director, Astellas Pharma Inc. Outside Director, Ezaki Glico Co., Ltd. [incumbent] External Board Member, Santen Pharmaceutical Co., Ltd. External Director of the Company [incumbent] Chair, Remuneration Advisory Committee of the Company Member, Nominating Committee of the Company [incumbent] Member, Compensation Committee of the Company [incumbent]	(Note 2)	4,800
External Director 〈Independent〉	Shinsaku Iwahara	December 17, 1952	Aug. 1978 Sep. 1981 Dec. 1982 Sep. 1991 Nov. 1991 Apr. 2003 Jan. 2005 Apr. 2009 Apr. 2010 Apr. 2013 Jun. 2013 Jan. 2015 Jul. 2017 Mar. 2018 Jun. 2019 Sep. 2021 Apr. 2023 Dec. 2023 Mar. 2024	Associate Professor, Faculty of Law, The University of Tokyo Visiting Researcher, Harvard Law School, U.S.A. Visiting Researcher, University of California, Berkeley, School of Law, U.S.A. Visiting Professor, Harvard Law School, U.S.A. Professor, Graduate School of Law and Politics, The University of Tokyo Member, Postal Services Policy Council Member, Business Accounting Council, Financial Services Agency Director, Financial Accounting Standards Foundation Member, Legislative Council, Ministry of Justice, Chair, Corporate Legislation Subcommittee, Legislative Council, Ministry of Justice Professor, Faculty of Law, Waseda University Professor Emeritus, The University of Tokyo [incumbent] Member and Chair, Financial System Council, Financial Services Agency Adviser to Mori Hamada & Matsumoto [incumbent] External Director of the Company [incumbent] Chair, Legislative Council, Ministry of Justice Chair, Nomination & Remuneration Advisory Committee of the Company Emeritus Professor, Waseda University [incumbent] Member, The Japan Academy [incumbent] Chair, Nominating Committee of the Company [incumbent] Member, Compensation Committee of the Company [incumbent]	(Note 2)	1,800

Position	Name	Date of Birth	Career profile		Term of office (period)	Number of shares owned (shares)
External Director 〈Independent〉	Mariko Tokuno	October 6, 1954	Apr. 1978 Jan. 1994 Apr. 2002 Mar. 2004 Aug. 2010 Jun. 2013 Sep. 2013 Jun. 2016 Jun. 2017 Mar. 2022 Mar. 2024 Jun. 2024	Joined The Bank of Tokyo, Ltd. (currently MUFG Bank, Ltd.) Joined Louis Vuitton Japan K.K. Senior Director, Sales Administration, Louis Vuitton Japan K.K. Vice President, Tiffany & Co., Japan Inc. Representative Director, President, Christian Dior K.K. Outside Director, HAPPINET CORPORATION Representative Director, President and CEO, Ferragamo Japan K.K. Outside Director, Mitsubishi Materials Corporation Outside Director, YAMATO HOLDINGS CO., LTD. External Director of the Company [incumbent] Member, Nominating Committee of the Company [incumbent] Member, Compensation Committee of the Company [incumbent] Outside Director, Nissan Motor Co., Ltd. [incumbent]	(Note 2)	3,500
External Director 〈Independent〉	Yoshihiko Hatanaka	April 20, 1957	Apr. 1980 Jun. 2005 Apr. 2006 Jun. 2008 Apr. 2009 Jun. 2011 Apr. 2018 Jun. 2019 Mar. 2023 Jun. 2023 Mar. 2024 Jan. 2025	Joined Fujisawa Pharmaceutical Co., Ltd. (currently Astellas Pharma Inc.) Corporate Executive, Vice President, Corporate Planning, Corporate Strategy Division, Astellas Pharma Inc. Corporate Executive, Astellas Pharma Inc. and President & CEO, Astellas US LLC and President & CEO, Astellas Pharma US, Inc. Senior Corporate Executive, Astellas Pharma Inc. and President & CEO, Astellas US LLC and President & CEO, Astellas Pharma US, Inc. Senior Corporate Executive, Chief Strategy Officer and Chief Financial Officer (CSTO & CFO), Astellas Pharma Inc. Representative Director, President and CEO, Astellas Pharma Inc. Representative Director, Chairman of the Board, Astellas Pharma Inc. Outside Director, Sony Corporation (currently SONY GROUP CORPORATION) External Director of the Company [incumbent] Outside Director, Sekisui Chemical Co., Ltd. [incumbent] Member, Nominating Committee of the Company [incumbent] Chair, Compensation Committee of the Company [incumbent] Chair, the Board of Directors of the Company [incumbent]	(Note 2)	1,400

Position	Name	Date of Birth	Career profile		Term of office (period)	Number of shares owned (shares)
External Director 〈Independent〉	Yasuko Gotoh	February 19, 1958	Apr. 1980 Jun. 2004 Oct. 2005 Jul. 2008 Jul. 2013 Oct. 2014 Jun. 2015 Jun. 2017 Jun. 2018 Mar. 2019 Jun. 2019 Apr. 2023 Jun. 2023 Oct. 2023 Mar. 2024 Mar. 2025	Joined Ministry of Transport (currently Ministry of Land, Infrastructure, Transport and Tourism (MLIT)) Director, Tourism Promotion Bureau at New York, Tourist Bureau of Japan Deputy Governor, Yamagata Prefecture Director, Regional Transport Bureau of Hokuriku and Shinetsu Regions, MLIT Director General, Policy Research Institute for Land, Infrastructure and Transport and Tourism, MLIT Joined Kyushu Railway Company Managing Director, Kyushu Railway Company, Deputy Director General, Railway Operations Headquarters and Director General, Travel Services Headquarters, Kyushu Railway Company Managing Director, CFO in charge of the Treasury Department, Kyushu Railway Company Director, Audit and Supervisory Committee Member, Kyushu Railway Company External Audit & Supervisory Board Member of the Company Outside Audit & Supervisory Board Member, DENSO CORPORATION [incumbent] Visiting professor, Faculty of Tourism and Community Development, Kokugakuin University [incumbent] Outside Audit & Supervisory Board Member, Mitsui Chemicals, Inc. [incumbent] Audit and Inspection Commissioners, the Tokyo Metropolitan Government [incumbent] External Director of the Company [incumbent] Member, Audit Committee of the Company Chair, Audit Committee of the Company [incumbent]	(Note 2)	1,700
External Director 〈Independent〉	Ritsuko Nonomiya	November 28, 1961	Sep. 1987 Apr. 1997 Nov. 2000 Jan. 2005 Jul. 2008 Apr. 2013 Dec. 2013 Mar. 2017 Mar. 2020 Jun. 2020 Feb. 2022 Mar. 2024 Jun.2025	Joined Pete Murwick Maine Accounting Firm (currently KPMG LLP) Partner, KPMG Corporate Finance Co., Ltd. Joined UBS Warburg Securities Co., Ltd. (currently UBS Securities Japan Co., Ltd.) M&A Advisor, Managing Director, UBS Warburg Securities Co., Ltd. (currently UBS Securities Japan Co., Ltd.) Senior Vice President, Business Development Leader, GE Capital Asia Pacific Senior Executive Officer and Business Development Leader, GE Capital Japan, Japan GE Inc. (currently GE Japan Inc.) Managing Director, GCA Savvian Corporation (currently GCA Corporation) Director, GCA Corporation [incumbent] External Audit & Supervisory Board Member of the Company Outside Director, Nagase & CO., LTD. [incumbent] CEO, Representative Director, Houlihan Lokey Corporation [incumbent] External Director of the Company [incumbent] Member, Audit Committee of the Company [incumbent] Executive Officer, GCA, LLC [incumbent] Outside Director, Nippon Yusen Kabushiki Kaisha [incumbent]	(Note 2)	1,500

Position	Name	Date of Birth	Career profile		Term of office (period)	Number of shares owned (shares)
External Director 〈Independent〉	Yasuhiro Nakajima	October 13, 1961	Apr. 1984 Mar. 1995 Jul. 2007 Jul. 2012 Jul. 2014 Jul. 2017 Apr. 2022 Jul. 2022 Mar. 2023 Mar. 2025	Joined Hitachi Ltd. Certified Public Accountant Representative Partner, PricewaterhouseCoopers Aarata (currently PricewaterhouseCoopers Japan LLC) Executive Officer (Leader of Quality Management), PricewaterhouseCoopers Aarata (currently PricewaterhouseCoopers Japan LLC) General Manager, Nagoya Office, PricewaterhouseCoopers Aarata (currently PricewaterhouseCoopers Japan LLC) Oversight Board Member, PricewaterhouseCoopers Aarata (currently PricewaterhouseCoopers Japan LLC) Project Professor, Graduate School of Business, Osaka Metropolitan University [incumbent] Representative, Nakajima CPA Office [incumbent] Member of the Board as Outside Director, Bridgestone Corporation [incumbent] External Director of the Company [incumbent] Member, Audit Committee of the Company [incumbent]	(Note 2)	300
Total						33,100

Notes:

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

(2) Status of Corporate Executive Officer

Position	Name	Date of Birth	Career profile		Term of office (period)	Number of shares owned (shares)
Representative Corporate Executive Officer	Kentaro Fujiwara	December 21, 1966	Please refer to a) (1) “Status of Directors” above.		(Note 1)	9,300
Representative Corporate Executive Officer	Ayako Hirofuji	October 3, 1979	Please refer to a) (1) “Status of Directors” above.		(Note 1)	2,200
Corporate Executive Officer	Mizuki Hashimito	September 11, 1973	Apr.1997 April 2012 Jan.2018 Jan. 2019 Jan.2020 Jan.2022 Jan. 2025 Jan. 2026	Joined the Company Managing Director, Shiseido Singapore Co., Ltd. Vice President, Business Planning and Operations Department, Clé de Peau Beauté Brand Unit, Global Prestige Brands Division of the Company Vice President, Business Planning Department, Clé de Peau Beauté Brand Unit, Global Prestige Brands Division of the Company Deputy Chief Brand Officer - Clé de Peau Beauté, Vice President, Business Planning Department, Clé de Peau Beauté Global Brand Unit of the Company Executive Officer of the Company, Chief Brand Officer -Clé de Peau Beauté of the Company Chief Brand Officer - Clé de Peau Beauté, THE GINZA, BAUM of the Company Corporate Executive Officer of the Company[incumbent] Chief Officer of the Company, [incumbent] Chief Brand Officer of the Company [incumbent]	(Note 1)	2,400
Corporate Executive Officer	Yosuke Tojo	March 15, 1978	Apr.2002 Jan.2022 Jan.2023 Jan. 2026	Joined the Company Vice President, R&D Strategy Dept., MIRAI Technology Institute of the Company Executive Officer of the Company Chief Technology Officer of the Company Corporate Executive Officer of the Company [incumbent] Chief Officer of the Company, [incumbent] Chief Innovation Officer of the Company [incumbent] Global Technology Officer of the Company [incumbent]	(Note 1)	600
Total (Note 3)						3,000

Notes:

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

b) At the Annual General Meeting of Shareholders scheduled to be held on March 25, 2026, the Company plans to submit as Proposal No. 2 the "Election of Twelve (12) Directors." If this proposal is approved, the composition of the Company's Board of Directors and Corporate Executive Officers is expected to be as set forth below. This disclosure includes the matters to be resolved (including positions and titles) at the meeting of the Board of Directors scheduled to be held immediately following the Annual General Meeting of Shareholders.

7 men and 7 women (women represent 50% of the directors)

(1) Status of Director

Position	Name	Date of Birth	Career profile	Term of office (period)	Number of shares owned (shares)
Director	Kentaro Fujiwara	December 21, 1966	Please refer to a) (1) "Status of Directors" above.	(Note 2)	9,300
Director	Ayako Hirofuji	October 3, 1979	Please refer to a) (1) "Status of Directors" above.	(Note 2)	2,200
Director	Hiromi Anno	July 27, 1970	Please refer to a) (1) "Status of Directors" above.	(Note 2)	2,000
Director	Hitoshi Okamoto	Jan.16,1968	Apr.1991 Joined the Company Apr.2013 President & CEO of Shiseido (Canada) Inc. Jan.2016 Vice President, Corporate Strategy Department of the Company Jan.2018 Vice President, Brand Development Department, SHISEIDO Brand Unit, Global Prestige Brands Division of the Company Jan.2019 Vice President, Risk Management Department of the Company Jan.2026 Special Vice President, Internal Audit Department of the Company Mar. 2026 Director of the Company [incumbent] Member (Full-time), Audit Committee of the Company [incumbent]	(Note 2)	1,000
External Director 〈Independent〉	Mariko Tokuno	October 6, 1954	Please refer to a) (1) "Status of Directors" above.	(Note 2)	3,500
External Director 〈Independent〉	Yoshihiko Hatanaka	April 20, 1957	Except for the changes described below, please refer to a)(1) "Status of Directors" above. Mar. 2024 Member, Nominating Committee of the Company Chair, Compensation Committee of the Company Mar. 2026 Chair, Nominating Committee of the Company [incumbent] Member, Compensation Committee of the Company [incumbent]	(Note 2)	1,400
External Director 〈Independent〉	Yasuko Gotoh	February 19, 1958	Please refer to a) (1) "Status of Directors" above.	(Note 2)	1,700
External Director 〈Independent〉	Ritsuko Nonomiya	November 28, 1961	Except for the changes described below, please refer to a)(1) "Status of Directors" above. Mar. 2024 Member, Audit Committee of the Company Mar. 2026 Member, Nominating Committee of the Company [incumbent] Member, Compensation Committee of the Company [incumbent]	(Note 2)	1,500
External Director 〈Independent〉	Yasuhiro Nakajima	October 13, 1961	Please refer to a) (1) "Status of Directors" above.	(Note 2)	300

Position	Name	Date of Birth	Career profile		Term of office (period)	Number of shares owned (shares)
External Director 〈Independent〉	Andrew House	January 23, 1965	Oct. 1990 Oct. 2005 Sep. 2011 Apr. 2016 Oct. 2017 Apr. 2018 Oct. 2018 Jun. 2019 May. 2021 Mar. 2022 Mar. 2026	Joined Sony Corporation (currently SONY GROUP CORPORATION) Group Executive and Chief Marketing Officer, Sony Corporation Group Executive, President and Global CEO, Sony Computer Entertainment President and Global CEO, Sony Interactive Entertainment Chairman, Sony Interactive Entertainment Strategic Advisor, Intelity [incumbent] Executive Mentor, Merryck & Co., Ltd. (currently The Exco Group LLC) [incumbent] Outside Director, Nissan Motor Co., Ltd. [incumbent] External Director, Nordic Entertainment Group AB (currently Viaplay Group AB) Outside Director, Dentsu Group Inc. [incumbent] External Director of the Company [incumbent] Member, Nominating Committee of the Company [incumbent] Member, Compensation Committee of the Company[incumbent]	(Note 2)	0
External Director 〈Independent〉	Keiko Kaneko	November,11, 1967	Apr. 1991 Apr. 1999 Jan. 2007 Apr. 2007 Nov. 2012 Jun. 2013 Jun. 2019 Apr. 2023 Mar. 2026	Joined Mitsubishi Corporation Registered as a lawyer, Joined Anderson, Mori & Tomotsune Partner, Anderson, Mori & Tomotsune [incumbent] Guest Associate Professor at Tokyo University Graduate School of Law External Audit & Supervisory Board Member, FAST RETAILING CO., LTD. [incumbent] Audit & Supervisory Board Member, UNIQLO CO., LTD. [incumbent] External Audit & Supervisory Board Member, The Asahi Shimbun Company External Director, Daifuku Co., Ltd. [incumbent] Management Committee Chair, Anderson, Mori & Tomotsune [incumbent] External Director of the Company [incumbent] Member, Audit Committee of the Company [incumbent]	(Note 2)	0
External Director 〈Independent〉	Takuya Nakata	June 8, 1958	Apr. 1981: Jun. 2006 Jun. 2009 Apr. 2010 Jun. 2010 Jun. 2013 Aug. 2013 Mar. 2014 Jun. 2015 Jun. 2016 Jun. 2017 Apr. 2024 Jun. 2025 Mar. 2026	Joined Nippon Gakki Co., Ltd. (currently Yamaha Corporation) Executive Officer, Yamaha Corporation Director and Executive Officer, Yamaha Corporation President, Yamaha Corporation of America Senior Executive Officer, Yamaha Corporation President and Representative Director, Yamaha Corporation Chairman, Japan Musical Instruments Association [incumbent] Outside Director, Yamaha Motor Co., Ltd. Chairman, Yamaha Music Foundation [incumbent] Chairman, Foundation for Promotion of Music Education & Culture [incumbent] Director, President and Representative Executive Officer, Yamaha Corporation Chairman of the Board of Directors, Yamaha Corporation [incumbent] External Director, Nikon Corporation [incumbent] External Director of the Company[incumbent] Member, Nominating Committee of the Company [incumbent] Chair, Compensation Committee of the Company [incumbent]	(Note 2)	0
Total						22,900

Notes:

1. Ms. Mariko Tokuno, Mr. Yoshihiko Hatanaka, Ms. Yasuko Gotoh, Ms. Ritsuko Nonomiya, and Mr. Yasuhiko Nakajima, Mr. Andrew House, Ms. Keiko Kaneko, and Mr. Takuya Nakata serve as Independent External Directors.
2. The term of office of Director is from the conclusion of the Annual General Meeting of Shareholders for the fiscal year ended December 2025 to the conclusion of the Annual General Meeting of Shareholders for the fiscal year ending December 2026.
3. The number of shares owned less than one hundred has been omitted, including those held through the Shiseido Board Members' Company Stock Ownership Association.
4. The legal name of Ms. Hiromi Anno, a Director, is Hiromi Hara.

(2) Status of Corporate Executive Officer

Position	Name	Date of Birth	Career profile	Term of office (period)	Number of shares owned (shares)
Representative Corporate Executive Officer	Kentaro Fujiwara	December 21, 1966	Please refer to a) (1) “Status of Directors” above.	(Note 1)	9,300
Representative Corporate Executive Officer	Ayako Hirofuji	October 3, 1979	Please refer to a) (1) “Status of Directors” above.	(Note 1)	2,200
Corporate Executive Officer	Mizuki Hashimito	September 11, 1973	Please refer to a) (2) “Status of Corporate Executive Officer” above	(Note 1)	2,400
Corporate Executive Officer	Yosuke Tojo	March 15, 1978	Please refer to a) (2) “Status of Corporate Executive Officer” above	(Note 1)	600
Total (Note 3)					3,000

Notes:

1. The term of office of Corporate Executive Officer is from the time of the conclusion of the first meeting of the board of directors held after the conclusion of the Annual General Meeting of Shareholders for the year ended December 2025 to the time of the conclusion of the first meeting of the board of directors held after the conclusion of the Annual General Meeting of Shareholders for the year ending December 2026.
2. The number of shares owned less than one hundred has been omitted, including those held through the Shiseido Board Members’ Company Stock Ownership Association.
3. The total number of shares does not include the number of shares held by Corporate Executive Officer who also serve as Directors.
4. For Chief Officers and Division Officers who do not concurrently serve as Directors, please see “ABOUT US > Global Leadership” (https://corp.shiseido.com/en/company/executiveofficers/) on our corporate information site.

2) Status of External Directors

The status of concurrent positions of the External Directors as of March 23, 2026 (the date of submission of the Annual Securities Report), and the relationships between the Company and the organizations in which the External Directors hold important concurrent positions, are as follows.

	Concurrent Positions at Other Organizations	Relationships Between Such Organizations and the Company				
		Transaction Matter, etc.	Vendor, Recipient of Supporting Money, etc.	Purchaser, Provider of Supporting Money, etc.	Percentage of Transaction Value	Value for Comparison
External Director Kanoko Oishi	CEO of MEDIVA Inc.	The Company has no special relationships of interest with MEDIVA Inc.				
	CEO of Seeds 1 Co., Ltd.	The Company has no special relationships of interest with Seeds 1 Co., Ltd.				
	Outside Director of Ezaki Glico Co., Ltd.	The Company has no special relationships of interest with Ezaki Glico Co. Ltd.				
External Director Mariko Tokuno	Outside Director of YAMATO HOLDINGS CO., LTD.	Outsourcing business, etc.	YAMATO HOLDINGS Group	Shiseido Group	Less than 1%	Total amount of cost of sales and selling, general and administrative expenses of the Company on a consolidated basis for the fiscal year ended December 31, 2025
					Less than 1%	Consolidated operating revenue of YAMATO HOLDINGS CO., LTD. for the fiscal year ended March 31, 2025
	Outside Director of Nissan Motor Co., Ltd.	The Company has no special relationships of interest with Nissan Motor Co., Ltd				
External Director Yoshihiko Hatanaka	Outside Director of SONY GROUP CORPORATION	Outsourcing business, etc.	SONY Group	Shiseido Group	Less than 1%	Total amount of cost of sales and selling, general and administrative expenses of the Company on a consolidated basis for the fiscal year ended December 31, 2025
					Less than 1%	Consolidated net sales and financial services revenue of SONY GROUP CORPORATION for the fiscal year ended March 31, 2025
	Outside Director of Sekisui Chemical Co., Ltd	Raw materials, etc.	Sekisui Chemical Group	Shiseido Group	Less than 1%	Total amount of cost of sales and selling, general and administrative expenses of the Company on a consolidated basis for the fiscal year ended December 31, 2025
					Less than 1%	Consolidated net sales of Sekisui Chemical Co., Ltd. for the fiscal year ended March 31, 2025
External Director Yasuko Gotoh	Outside Auditor & Supervisory Board Member of DENSO CORPORATION	Outsourcing business, etc.	DENSO Group	Shiseido Group	Less than 1%	Total amount of cost of sales and selling, general and administrative expenses of the Company on a consolidated basis for the fiscal year ended December 31, 2025
					Less than 1%	Consolidated net revenue of DENSO CORPORATION for the fiscal year ended March 31, 2025
	Outside Audit & Supervisory Board Member of Mitsui Chemicals, Inc.	Raw materials, etc.	Mitsui Chemicals Group	Shiseido Group	Less than 1%	Total amount of cost of sales and selling, general and administrative expenses of the Company on a consolidated basis for the fiscal year ended December 31, 2025
					Less than 1%	Consolidated net revenue of Mitsui Chemicals, Inc. for the fiscal year ended March 31, 2025
	Audit and Inspection Commissioner of the Tokyo Metropolitan Government	The Company has no special relationships of interest with the Tokyo Metropolitan Government.				

<table>
<tr><td rowspan="2"></td><td rowspan="2">Concurrent Positions at Other Organizations</td><td colspan="5">Relationships Between Such Organizations and the Company</td></tr>
<tr><td>Transaction Matter, etc.</td><td>Vendor, Recipient of Supporting Money, etc.</td><td>Purchaser, Provider of Supporting Money, etc.</td><td>Percentage of Transaction Value</td><td>Value for Comparison</td></tr>
<tr><td rowspan="4">External Director
Ritsuko Nonomiya</td><td rowspan="2">Outside Director of NAGASE & CO., LTD.</td><td rowspan="2">Raw materials, etc.</td><td rowspan="2">NAGASE & CO. Group</td><td rowspan="2">Shiseido Group</td><td>Less than 1%</td><td>Total amount of cost of sales and selling, general and administrative expenses of the Company on a consolidated basis for the fiscal year ended December 31, 2025</td></tr>
<tr><td>Less than 1%</td><td>Consolidated net sales of NAGASE & CO., LTD. for the fiscal year ended March 31, 2025</td></tr>
<tr><td>CEO, Representative Director of Houlihan Lokey Corporation</td><td colspan="5">The Company has no special relationships of interest with Houlihan Lokey Corporation.</td></tr>
<tr><td>Outside Director of Nippon Yusen Kabushiki Kaisha</td><td colspan="5">The Company has no special relationships of interest with Nippon Yusen Kabushiki Kaisha.</td></tr>
<tr><td rowspan="2">External Director
Yasuhiro Nakajima</td><td>Representative of Nakajima CPA Office</td><td colspan="5">There are no special relationships of interest with Nakajima CPA Office.</td></tr>
<tr><td>Outside Director of Bridgestone Corporation</td><td colspan="5">There are no special relationships of interest.</td></tr>
</table>

Notes:

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

In addition, the Company plans to submit Proposal No. 2, "Election of 12 Directors," at the Annual General Meeting of Shareholders scheduled to be held on March 25, 2026. If the proposal is approved, the status of concurrent positions of the External Directors and the relationships between the Company and the organizations in which the External Directors hold important concurrent positions will be as follows.

	Concurrent Positions at Other Organizations	Relationships Between Such Organizations and the Company				
		Transaction Matter, etc.	Vendor, Recipient of Supporting Money, etc.	Purchaser, Provider of Supporting Money, etc.	Percentage of Transaction Value	Value for Comparison
External Director Mariko Tokuno	Please refer to the above table.					
External Director Yoshihiko Hatanaka	Please refer to the above table.					
External Director Yasuko Gotoh	Please refer to the above table.					
External Director Mariko Tokuno	Please refer to the above table.					
External Director Ritsuko Nonomiya	Please refer to the above table.					
External Director Andrew House	Outside Director of Nissan Motor Co., Ltd.	The Company has no special relationships of interest with Nissan Motor Co., Ltd.				
	Outside Director, Dentsu Group Inc.	Outsourcing business, etc.	Dentsu Group	Shiseido Group	Less than 2%	Total amount of cost of sales and selling, general and administrative expenses of the Company on a consolidated basis for the fiscal year ended December 31, 2025
					Less than 2%	Consolidated revenue of Dentsu Group Inc for the fiscal year ended December 31, 2025
External Director Keiko Kaneko	Partner, Management Committee Chair, Anderson, Mori & Tomotsune	The Company has no special relationships of interest with Anderson, Mori & Tomotsune.				
	External Audit & Supervisory Board Member, FAST RETAILING CO., LTD.	The Company has no special relationships of interest with FAST RETAILING CO., LTD.				
	Audit & Supervisory Board Member, UNIQLO CO., LTD.	The Company has no special relationships of interest with UNIQLO CO., LTD.				
	Outside Director, Daifuku Co., Ltd.	Purchases	Daifuku Group	Shiseido Group	Less than 1%	Total amount of cost of sales and selling, general and administrative expenses of the Company on a consolidated basis for the fiscal year ended December 31, 2025
					Less than 1%	Consolidated net sales of Daifuku Co., Ltd. for the fiscal year ended March 31, 2025

<table>
<tr><td rowspan="2"></td><td rowspan="2">Concurrent Positions at Other Organizations</td><td colspan="5">Relationships Between Such Organizations and the Company</td></tr>
<tr><td>Transaction Matter, etc.</td><td>Vendor, Recipient of Supporting Money, etc.</td><td>Purchaser, Provider of Supporting Money, etc.</td><td>Percentage of Transaction Value</td><td>Value for Comparison</td></tr>
<tr><td rowspan="6">External Director
Takuya Nakata</td><td>Chairman of the Board of Directors, Yamaha Corporation</td><td colspan="5">The Company has no special relationships of interest with Yamaha Corporation.</td></tr>
<tr><td rowspan="2">External Director, Nikon Corporation</td><td rowspan="2">Outsourcing business, etc.</td><td rowspan="2">Nikon Group</td><td rowspan="2">Shiseido Group</td><td>Less than 1%</td><td>Total amount of cost of sales and selling, general and administrative expenses of the Company on a consolidated basis for the fiscal year ended December 31, 2025</td></tr>
<tr><td>Less than 1%</td><td>Revenue of Nikon Corporation for the fiscal year ended March 31, 2025</td></tr>
<tr><td>Chairman, Japan Musical Instruments Association</td><td colspan="5">The Company has no special relationships of interest with Japan Musical Instruments Association.</td></tr>
<tr><td>Chairman, Yamaha Music Foundation</td><td colspan="5">The Company has no special relationships of interest with Yamaha Music Foundation.</td></tr>
<tr><td>Chairman, Foundation for Promotion of Music Education & Culture</td><td colspan="5">The Company has no special relationships of interest with Foundation for Promotion of Music Education & Culture.</td></tr>
</table>

Notes:

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

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

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

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

(Summary of Criteria for Independence of External Directors)

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

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

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

The Company has appointed seven highly independent External Directors with the aim of incorporating outside perspectives into management and further strengthening the oversight function over the business execution.

In addition, the Company plans to submit Proposal No. 2, "Election of 12 Directors," at the Annual General Meeting of Shareholders scheduled to be held on March 25, 2026. If the proposal is approved, the number of highly independent External Directors will be eight.

The appointment of External Directors has also stimulated discussions at the Board of Directors meetings regarding decision-making on important matters. We believe that the incorporation of a wide range of perspectives and insights based on different backgrounds and areas of expertise will ensure objectivity and strengthen the oversight function.

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

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

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

(3) Status of Audits

1) Audits by Audit Committee members

a. Personnel Composition and Background

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

The chair of the Audit Committee for the current fiscal year is Yasuko Gotoh. Gotoh was the first female career bureaucrat in the Ministry of Transport (now the Ministry of Land, Infrastructure, Transport and Tourism) and has held a variety of important positions. She has since held a number of influential roles in the private sector, including Managing Director, CFO, Director, and Audit Committee member, and has extensive management expertise and business experience. Committee members Takeshi Yoshida, Yasuko Gotoh, Ritsuko Nonomiya, and Yasuhiro Nakajima possess significant expertise in finance and accounting. Takeshi Yoshida is engaged in accounting and business management operations at the Company. He was appointed Senior Vice President of Shiseido Americas Corp. in 2011 and General Manager of the Internal Audit Department in 2014, and assumed the position of Audit & Supervisory Board Member in 2018. Ritsuko Nonomiya has experience working for accounting firms in the U.S. and Japan and has a high level of financial and accounting knowledge, including involvement in M&A and business development, as well as management knowledge. Yasuhiro Nakajima has extensive experience and a proven track record in accounting audits and advisory services as a certified public accountant, as well as expertise and the ability to identify key issues as they relate to the management of global companies. Committee member Hiromi Anno has experience in corporate governance and compliance, having worked in investor relations and business planning of the Company before serving as Director of the Global Communications Department and later as an Executive Officer of the Company.

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

To support and assist in tasks related to audits conducted by the Audit Committee, the Company has established an Audit Committee Secretariat, comprising three staff members (as of December 31, 2025).

b. Audit Committee Activities

Audit Policy

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

Status of Audit Committee Meetings and Attendance of Audit Committee Members

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

During the current fiscal year, the Audit Committee convened a total of 19 times, with an average duration of approximately 1 hour and 40 minutes per meeting.

The attendance of each member of the Board of Directors and Audit Committee for the current fiscal year is as follows.

Title	Name	Board of Directors	Audit Committee
Audit Committee Chairperson (External)	Yasuko Gotoh	100% (13 out of 13)	100% (19 out of 19)
Audit Committee Member (Full-time)	Hiromi Anno	100% (13 out of 13)	100% (19 out of 19)
Audit Committee Member (Full-time)	Takeshi Yoshida	100% (13 out of 13)	100% (19 out of 19)
Audit Committee Member (External)	Ritsuko Nonomiya	100% (13 out of 13)	100% (19 out of 19)
Audit Committee Member (External)	Yasuhiro Nakajima	100% (10 out of 10)	100% (13 out of 13)

Note: Mr. Yasuhiro Nakajima was appointed at the 125th Annual General Meeting of Shareholders held on March 26, 2025. Therefore, his attendance status reflects only meetings held after his appointment.

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

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

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

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

The Audit Committee undertakes an evaluation of the effectiveness annually to maintain and enhance the effectiveness of the Audit Committee. After reviewing its annual audit activities based on the following evaluation criteria and conducting deliberations within the Audit Committee, we concluded that the Audit Committee functioned effectively during the current fiscal year.

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

Priority Audit Items for Audits by the Audit Committee

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

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

Priority Audit Items for Fiscal Year 2025	Main Points of the Audit
Internal Controls and Governance	- Clarification of authority and responsibility between GHQ and RHQ and the establishment of a global governance structure - Introduction and embedding of FOCUS - Strengthening global IT governance - Enhancement of global quality assurance governance
Reinforcing the Foundation of Brand Equity	- Promotion of growth strategies for key brands - Innovative value creation and manufacturing
Rebuilding a Profitable Foundation	- Establishment of an appropriate regional portfolio - Promotion of company-wide cost structure reforms
Enhancement of Operational Governance	- Integration of sustainability into management practices - Strengthening human resource development and enhancing organizational capability

The status of audit activities is as follows.

Attendance at Board of Directors meetings and other important meetings and committees	Auditors utilize their extensive experience and expertise in their respective fields to offer independent advice, recommendations, and opinions and review the execution of duties. Global Strategy Committee, Global Risk Management & Compliance Committee, HQ & SJ Compliance Committee, etc.
Meetings with Representative Corporate Executive Officers	Exchange opinions on important management issues and share issues based on annual audit activities. Twice a year
Interviews and on-site visits with corporate executive officers, executive officers, department heads, and office managers, among others	Exchange opinions on the management and business environment—55 times domestically, 38 times overseas
Confirm status of internal audit	Audit Committee—6 times Full-time Audit Committee members—weekly

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

Promotion of Organizational Audits

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

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

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

2) Status of Internal Audit

a. Internal Audit Objectives and Policies

The Group's internal audits aim to contribute to sustainable growth and the enhancement of corporate value through the promotion of appropriate control and improvement activities based on THE SHISEIDO PHILOSOPHY (Note). To ensure the effectiveness of internal audit in realizing governance as a global company, the Audit Committee and Representative Corporate Executive Officer, President and CEO continuously discuss the authority, roles, and responsibilities of internal audit with the Vice President of the Internal Audit Department. Furthermore, based on the "The Internal Audit Rules," the Internal Audit Department verifies the status of design and operation of the Shiseido Group's internal control system from the perspectives of operational effectiveness and efficiency, reliability of reporting, compliance with relevant laws and internal regulations, and asset preservation. It also promotes organizational audit in collaboration with the Audit Committee, evaluates the appropriateness and effectiveness of risk management, and provides advice and recommendations for improvement.

Note: Learn more about THE SHISEIDO PHILOSOPHY on our corporate website:

About Us > THE SHISEIDO PHILOSOPHY (https://corp.shiseido.com/en/company/philosophy/)

b. Organization and Personnel Structure

The Internal Audit Department is an independent and objective organization with dual reporting lines to the Audit Committee and Representative Corporate Executive Officer, President and CEO. It regularly reports the status and results of internal audits to the Audit Committee and the Board of Directors, provides monthly reports to Representative Corporate Executive Officer, President and CEO and Representative Corporate Executive Officer and CFO, and provides weekly reports to the full-time Audit Committee members.

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

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

In addition, the Company has introduced the "Shiseido Group Internal Control Questionnaire" and is strengthening internal controls through self-assessments conducted by each Group company.

As of December 31, 2025, we have 20 members of the Internal Audit Department at the Headquarter and six members of the Internal Audit Department at offices belonging to the Headquarter in Europe, the Americas, Asia, and China (mainly locally hired). Approximately 60% of internal audit employees hold professional certifications such as Certified Internal Auditor (CIA), Certified Information Systems Auditor (CISA), Certified Fraud Examiner (CFE), or Certified Public Accountant in Japan and the U.S., and we encourage those who do not hold these certifications to obtain them as we aim to build trust as a highly professional organization. In addition, department members have an average of five years of experience in the Company's internal audit function, and the department is staffed with members who possess experience and expertise in internal auditing. The Internal Audit Department creates and reviews a skills matrix and ensures a balanced personnel composition by bringing in members from other departments with expertise that is lacking within the department. When resources are insufficient in terms of in-house expertise and number of staff, outside experts are utilized as needed.

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

To improve the quality of internal audit operations, the Company conducts internal quality assessments of audits performed by Certified Internal Auditors (CIAs) based on the "Global Internal Audit Standards™" of the Institute of Internal Auditors. With a view to future periodic external assessments, the Company continuously improves departmental management and operations and will introduce an audit management tool beginning in fiscal year 2025 to enhance audit effectiveness. Additionally, as we unify ERP systems at the global level, we are taking this chance to enhance data analysis capabilities in the Internal Audit Department.

c. Major activities of Internal Audit Department members

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

Note: For more information on organizational audits, please see "Promoting Organizational Audits" in the section titled "Audits by the Audit Committee Members."

Regular Reports from the Internal Audit Department

Meeting	Frequency	Attendees
Board of Directors Report	Semiannually	Directors
Audit Committee Report	Bimonthly (every 2 months)	Audit Committee members
Full-time Audit Committee Member Report	Weekly	Full-time Audit Committee members
CEO/CFO Report	Monthly	Representative Corporate Executive Officer, President and CEO Representative Corporate Executive Officer, CFO

The Internal Audit Department conducts risk assessments that comprehensively take into account risk recognized by the Global Risk Management & Compliance Committee, other risk information identified both inside and outside the Company, and the frequency of audits of target organizations. Based on these assessments, it selects the organizations and themes to be audited and promotes internal audits. The annual audit plan is approved by the Audit Committee at the beginning of the fiscal year. Any subsequent changes to the plan are subject to approval by the Audit Committee, following regular discussions and exchanges.

In the current fiscal year, to further promote audits that contribute to management, the Company placed emphasis on audits focusing on important business issues and conducted internal audits covering a total of 10 organizations and themes. After internal audits are conducted, the Company regularly follows up on the status of the suggested improvements and progress being made and reports that progress to the Audit Committee and CEO.

	Domestic Locations	Overseas Locations	Theme audits	Total
Number of Audits	1	3	6	10

In specialized areas such as information security and product quality, global policies are established for each area, and their implementation is rigorously carried out across the first and second lines of defense. Risk assessments are conducted, and monitoring is performed through technology-enabled off-site oversight as well as on-site inspections.

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

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

3) Status of Accounting Audit

a. Name of the Auditing Firm
KPMG AZSA LLC

b. Years of Continuous Service as Accounting Auditor
The Company appointed KPMG AZSA LLC as its accounting auditor on June 29, 2006, and the current fiscal year marks 20 years since the appointment.

c. Certified Public Accountants Engaged in the Financial Statements Audit
Masakazu Hattori (years of continuous service: six years)
Kentaro Hayashi (years of continuous service: six years)
Yuki Kodaka (years of continuous service: two years)
Note: The rotation of managing partners is properly implemented in accordance with the policy set by KPMG AZSA LLC.
The rotation of KPMG AZSA LLC's managing partners is regulated by laws and regulations, independent rules, and our firm's (including KPMG International's) policies regarding the maximum period of involvement in audit attestation engagements. KPMG AZSA LLC monitors the rotation status, including audit assistants, from the perspective of the length of continuous involvement and independence.

d. Composition of Assistants Involved in the Audit
Assistants involved in the audit consisted of 40 certified public accountants, 14 successful applicants who have passed the Certified Public Accountant Examination, and 75 others (tax and IT auditing).

e. Policy, Reasons, and Evaluation for Selection of Accounting Auditor
At the Company, the appointment and dismissal of the accounting auditor by the Audit Committee is implemented based on unanimous agreement. The decision is made through evaluations by the Representative Corporate Executive Officer and CFO, as well as the heads of departments related to financial accounting and auditing, and discussions involving all Audit Committee members.
The Company's policy for determining the dismissal or non-reappointment of the accounting auditor is as follows:
The Audit Committee shall dismiss the accounting auditor pursuant to the provisions of Article 340 of the Companies Act in the event the Company determines that the accounting auditor is seriously hindered as an accounting auditor; for example, if the accounting auditor breaches its official duty, neglects their official duty, or commits misconduct. Also, in the event that the accounting auditor deems it difficult to perform their duties properly, or in the event that the Audit Committee deems it appropriate to change accounting auditors in order to improve the audit, the Audit Committee shall decide the content of the proposal on the dismissal or non-reappointment of the accounting auditor, taking into account the opinion of the executive body, and the Board of Directors shall submit the proposal at the General Meeting of Shareholders based on the decision.
The Audit Committee evaluated the accounting audit for the 125th fiscal year and confirmed the appropriateness of the auditor, quality control, independence and professional competence of the audit team, appropriateness of the audit plan, communication with the Audit Committee and other relevant parties, status of the accounting auditor's remuneration, and processes, and resolved to reappoint the accounting auditor for the 126th Fiscal Year.

4) Details of remuneration for the Accounting Auditor

a. Remuneration for Certified Public Accountants.

Classification	Previous fiscal year		Current fiscal year			
	Remuneration for auditing and attestation (Millions of yen)	Remuneration for non-audit services (Millions of yen)	Remuneration for auditing and attestation (Millions of yen)	Remuneration for non-audit services (Millions of yen)	Remuneration for auditing and attestation (Thousands of U.S. dollars)	Remuneration for non-audit services (Thousands of U.S. dollars)
Submitting Company	255	2	278	0	1,775	0
Consolidated subsidiaries	46	-	45	-	287	-
Total	301	2	324	0	2,068	0

There was an additional remuneration of ¥17 million related to audit attestation services for the previous fiscal year, apart from the amounts mentioned above.

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

Classification	Previous fiscal year		Current fiscal year			
	Remuneration for auditing and attestation (Millions of yen)	Remuneration for non-audit services (Millions of yen)	Remuneration for auditing and attestation (Millions of yen)	Remuneration for non-audit services (Millions of yen)	Remuneration for auditing and attestation (Thousands of U.S. dollars)	Remuneration for non-audit services (Thousands of U.S. dollars)
Submitting Company	-	-	-	-	-	-
Consolidated subsidiaries	919	33	880	41	5,617	262
Total	919	33	880	41	5,617	262

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

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

c. Content of other important remuneration

Not applicable.

d. Policy on determining remuneration for the Accounting Auditor

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

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

The Audit Committee has agreed to the remuneration of the accounting auditor proposed by the Representative Corporate Executive Officer and CEO. In reaching this decision, the committee examined the accounting auditor's actual audit hours and other results for the current fiscal year, as well as the basis for the estimated time required for additional audit matters anticipated in the next fiscal year, and confirmed the appropriateness thereof.

(4) Remuneration of Directors and Corporate Executive Officer

Details of the remuneration

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

Millions of yen

Position and number of Directors and Corporate Executive Officers (persons)	Amounts of Remuneration, etc. by type				Total [(a)+(b)]
	Basic Remuneration, etc.	Annual Incentive	Total of the cash remunerations (a)	Long-Term Incentive (Share Compensation) (b)	
Directors (11 persons, including 2 who retired in March 2025)	223	-	223	(34)	188
Of which, External Directors (8 persons)	132	-	132	-	132
Corporate Executive Officers (5 persons)	318	221	539	341	881
Total	541	221	762	307	1,070

Thousands of U.S. dollars

Position and number of Directors and Corporate Executive Officers (persons)	Amounts of Remuneration, etc. by type				Total [(a)+(b)]
	Basic Remuneration, etc.	Annual Incentive	Total of the cash remunerations (a)	Long-Term Incentive (Share Compensation) (b)	
Directors (11 persons, including 2 who retired in March 2025)	1,423	-	1,423	(217)	1,200
Of which, External Directors (8 persons)	843	-	843	-	843
Corporate Executive Officers (5 persons)	2,030	1,411	3,441	2,177	5,624
Total	3,453	1,411	4,864	1,960	6,830

Notes:

1. The Company does not pay Directors' remuneration to Directors who concurrently serve as Corporate Executive Officers. Therefore, the renumeration of the two Directors who concurrently serve as Corporate Executive Officers is included in the "Corporate Executive Officers" not the "Directors" category.
2. The amount of long-term incentive-type remuneration (stock compensation) indicated above represents the total amount of the expenses recognized and measured in accordance with IFRS 2 "Share-based Payment" for the current fiscal year, on the performance-linked stock compensation (performance share units) in consideration of duties executed by Directors and Corporate Executive Officers. In addition, the amount of long-term incentive-type remuneration (stock compensation) for Directors includes the expenses recognized for the current fiscal year related to the unvested portion of performance-linked stock compensation (performance share units) for Directors who retired in March 2025. In addition, it has been resolved that the portion equivalent to 50% of the remuneration, etc. based on the aforesaid remuneration policy is provided in monetary remuneration claims for the delivery of shares of the common stock of the Company and the rest in cash. The said amount of the expenses recognized includes ¥(22) million ($(140) thousand) in adjustment to the expenses recognized based on the achievement rate of performance indicator of the delivered long-term incentive-type remuneration (stock compensation).
3. In addition, an adjustment of ¥(7) million ($(45) thousand) was recorded to the expenses recognized for the previous fiscal year, on the performance-linked stock compensation (performance share units) delivered to three Corporate Executive Officers of the Company, at the time the Corporate Executive Officers held the position of Executive Officer or Employee without concurrently serving as a Director or Corporate Executive Officer.
4. Of the above, the basic remuneration, etc. paid in local currency was translated into Japanese yen using the average internal exchange rate during the current fiscal year.

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

Title and Name	Unit	Amounts of Remuneration, etc.by type				Total [(a)+(b)]
		Basic Remuneration, etc.	Annual Incentive	Total of the cash remunerations (a)	Long-Term Incentive (Stock Compensation) (b)	
Kentaro Fujiwara Director Representative Corporate Executive Officer President and CEO	Millions of yen	71	68	139	210	350
	Thousands of U.S. dollars	453	434	887	1,340	2,234
Yoshiaki Okabe Corporate Executive Officer Chief Marketing & Innovation Officer	Millions of yen	55	41	97	38	135
	Thousands of U.S. dollars	351	262	619	243	862
Norio Tadakawa Corporate Executive Officer Chief Business Transformation Officer Chief Corporate Communication Officer Chief Quality Officer	Millions of yen	54	36	90	31	122
	Thousands of U.S. dollars	345	230	574	198	779
Toshinobu Umetsu Corporate Executive Officer CEO, China & Travel Retail Region (Note.3)	Millions of yen	98	43	141	32	174
	Thousands of U.S. dollars	626	274	900	204	1,111

Notes:

1. The amounts of remuneration, etc. to Directors and Corporate Executive Officers whose total amount of remuneration, etc. is ¥100 million ($638 thousand) or more for the current fiscal year are shown by type of remuneration, etc. The "Title" indicates the name of the position in the current fiscal year.
2. The amount of long-term incentive-type remuneration (stock compensation) for Directors and Corporate Executive Officers indicated above represents the total amount of the expenses recognized and measured in line with IFRS 2 "Share-based Payment" for the current fiscal year, on the performance-linked stock compensation (performance share units) granted in consideration of duties executed by Directors and Corporate Executive Officers. The said amount of the expenses recognized includes an adjustment of ¥(15) million ($(96) thousand) to the expenses recognized based on the achievement rate of performance indicator of the delivered long-term incentive-type remuneration (stock compensation).
3. The above amount, concerning additional expenses, etc. incurred due to Mr. Umetsu being stationed abroad, includes the tax adjustments, etc. associated with the international transfer to ensure that the remuneration that would be expected if the Corporate Executive Officer was not stationed overseas is reflected.
4. Of the above, the remuneration paid in local currency was translated into Japanese yen using the average internal exchange rate during the current fiscal year.
5. No Director and Corporate Executive Officer above were paid remuneration other than described above (including those described in Note 2, 3 and 4).

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

Performance Evaluation Indicators		Fluctuation Range of Payment Percentage	Targets for Payment Percentage at 100%		Actual Performance		Achievement Rate	Payment Percentage Calculated Based on the Target Achievement Rate
			Billions of yen	Millions of U.S. dollars	Billions of yen	Millions of U.S. dollars		
Whole Group Performance	Net Sales	0%–200%	995.0	6,351.3	970.0	6,191.7	97.5%	(Note 1) 17.0%
	Core Operating Profit		36.5	233.0	44.5	284.2	121.9%	(Note 1) 197.0%
Profit Attributable to Owners of Parent		-	(Note 2)		(40.7)	(259.7)	-	(Note 2)
Performance of Business in Charge		0%–200%	(Note 3)					
Personal Performance Evaluation			(Note 4)		-	-	-	(Note 4) 133.0% (Average)

Total payment rate	(Note 5) 107.1 %

Notes:

1. With regard to consolidated net sales and core operating profit, in the calculation of the payment percentage, adjustments are made to exclude the impact of business transfers, foreign exchange and other factors on targets and actual performance set at the beginning of the period, in order to compare the targets and the actual performance in the practically same situation. The payment percentages reflect those adjustments.
2. The Company has set profit attributable to owners of parent as a benchmark for the Compensation Committee to discuss the notion of lowering the payment percentage of the annual incentive based on company-wide performance in the event that profit attributable to owners of parent falls below certain thresholds set. For the current fiscal year, the profit attributable to owners of parent fell under the thresholds. A 25% reduction in the payment percentage for Corporate Executive Officers has been implemented by the decision of the Compensation Committee.
3. Key performance evaluation indicators such as net sales, profits and cost indices, etc. are set to measure performance of respective business unit in charge. Specific figures are not disclosed.
4. Each individual's priority targets are set in personal performance evaluation considering not only a single fiscal year performance but also initiatives to realize long-term strategies that reflect management approach and Corporate Philosophy, such as improvement in organizational capabilities.
5. The total payment rate is the ratio of the actual amount paid to the target amount of annual incentive for Corporate Executive Officers.

(d) Performance-linked targets, actual performance and payment percentage, etc. of long term incentive-type remuneration granted for the fiscal year ended December 31, 2022 and paid to Directors excluding External Directors

Performance Evaluation Indicators		Fluctuation Range of Payment Percentage (Note 3)	Weight	Targets for Maximum Payment Percentage	Actual Performance	Achievement Rate against Target for Maximum Payment Percentage	Payment Percentage
Compound average growth rate (CAGR) of consolidated net sales		50%–150% (including fixed portion 50.0%)	30.0%	Compound average growth rate (CAGR) from 2019: 7.0%	(0.9)%	0.0%	15.0%
Consolidated Operating Profit Margin			50.0%	Consolidate Operating Profit Margin in the final fiscal year of the evaluation period: Operating profit margin: 15.0%	0.8%	0.0%	25.0%
Multiple internal and external indicators pertaining to the environment, society and governance (ESG) with focus on the area of "empowered beauty"	Ratio of female managers in Japan		4.0%	40% in the final fiscal year of the three-year period	41%	100.0%	6.0%
	Ratio of female leaders in overseas		2.0%	50% in the final fiscal year of the three-year period	56%	100.0%	3.0%
	MSCI Japan Empowering Women Select Index		2.0%	Continuing adoption as main stock in the final fiscal year of the three-year period	Continued adoption	100.0%	3.0%
	CO_2 emissions reduction target		6.0%	21% reduction of CO_2 emissions as of the end of 2024 (compared to 2019)	55%	100.0%	9.0%
	Dow Jones Sustainability Indices (DJSI)		6.0%	Difference from top rated companies of DJSI World and DJSI Asia Pacific in the final fiscal year of the three-year period: Average 90 to 100 percentiles	100%iles	100.0%	9.0%
Consolidated ROE		thresholds	-	Threshold target: Average of 5.0% or more in the past 10 years	5.9%	Achieved	-

Total payment rate	70.0% (including fixed portion 50.0%)

Notes:

1. The period of evaluation for the performance-linked stock remuneration (performance share units) granted for the fiscal year ended December 31, 2022 is from January 1, 2022 to December 31, 2024.
2. As for performance evaluation indicators, from the perspective of creating corporate value from both aspects of economic and social values, the Company has adopted the compound average growth rate (CAGR) of consolidated net sales and the consolidated operating profit margin as indicators related to economic value among corporate value, and the multiple internal and external indicators pertaining to the environment, society and corporate governance (ESG) as benchmarks on creation of social value.
3. Since the fixed portion (50%) is set, the fluctuation range of the total payment percentage, which is the sum of the fixed portion and the performance-linked portion, is from 50% to 150%.
4. Consolidated ROE is set as a benchmark for the Compensation Committee to discuss the notion of lowering the percentage amount of payment of the performance-linked portion in the event that consolidated ROE falls below certain thresholds set.
5. The payment ratio is calculated by applying the actual results for each item to the prescribed payment percentage table. Of the performance evaluation indicators, the actual performance ratio of the ESG indicator is calculated by rounding off to the nearest whole number.

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

In the current fiscal year, there were thirteen meetings held for Nomination Committee and thirteen meetings held for Compensation Committee. The Compensation Committee discussed annual incentive for Directors, Corporate Executive Officers and Executive Officers for the previous fiscal year, as well as the remuneration policy for Directors, Corporate Executive Officers and Executive Officers, and remuneration for said individuals for the current fiscal year.

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

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

The Company regards the remuneration policy for Directors, Corporate Executive Officers, Chief Officers and Division Officers (hereinafter collectively, "Officers") as an important matter for corporate governance. For this reason, in accordance with the following basic philosophy: the Directors, Corporate Executive Officers and Officers remuneration policy of the Company is deliberated and determined in the Compensation Committee, which comprises four Independent External Directors, to incorporate objective points of view.

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

The remuneration policy to Directors, Corporate Executive Officers and Officers shall:

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

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

Based on the above basic philosophy, the Compensation Committee of the Company has resolved its policy on decisions regarding matters including remuneration, etc. of individual Directors, Corporate Executive Officers and Officers. The Company's Directors, Corporate Executive Officers and Officers remuneration policy, including an outline of the policy on decisions regarding matters including remuneration, etc. of individual Directors, Corporate Executive Officers and Officers, is described below.

(Overall picture)

The remuneration of Corporate Executive Officers (including those who concurrently assume the position of Directors) and Officers of the Company comprises “basic remuneration” as fixed remuneration as well as “annual incentive” and “long-term incentive-type remuneration (non-monetary remuneration)” as performance-linked remuneration, and the Company sets remuneration levels by benchmarking peer companies in the same business industry or in the similar business size inside or outside Japan and by taking the Company’s financial condition into consideration. Matters including the remuneration, etc. of individual Corporate Executive Officers and Officers are deliberated on and determined by the Compensation Committee, while taking into consideration the social conditions and economic situation surrounding the Company according to the specific remuneration framework and indicators designed based on the policy on decisions regarding matters including remuneration, etc. of individual Directors, Corporate Executive Officers and Officers.

All of the Company’s Corporate Executive Officers concurrently serve as Officers, and their compensation is determined based on factors such as grades established according to the size of the roles they fulfill as Officers. The remuneration for each Officer is designed to allow for merit increases within a certain range based on personal performance evaluations, etc., ensuring that the Company can reward the achievements of each Officer.

Given that the expected roles of Directors are to oversee execution and provide management advice, the remuneration of Non-Executive Directors, including Executive Directors, consists solely of fixed remuneration (basic remuneration). The structure ensures that they can fulfill these roles from an independent standpoint, unaffected by fluctuations in business performance.

In addition, in the case of Directors who also serve as Corporate Executive Officers, remuneration for their service as a Director is not included in this remuneration. Furthermore, the Company does not have an Officers’ retirement benefit plan.

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

The proportion of remuneration is set by Grade based on the significance of the role and responsibilities, and the higher the Grade becomes, the higher the proportion of performance-linked remuneration becomes.

	Composition of Remuneration for Corporate Executive Officers and Officers			
	Fixed Remuneration	Performance-linked Remuneration		Total
	Basic Remuneration	Annual Incentive	Long-Term Incentive-Type Remuneration	
CEO	20.0%	20.0%	60.0%	100%
Other Corporate Executive Officers and Officers	42.0 - 57.0%	21.5% - 29.0%	21.5% - 29.0%	

Notes:

1. The proportions shown in the above table may change depending on the Company's performance and/or its stock price's fluctuation, as financial value of performance-linked remuneration is shown at target where the Company pays 100%.
2. There is no differentiated proportion of each remuneration element for Officers based on whether an individual concurrently serves as a Corporate Executive Officer or holds representative rights.
3. Because different remuneration tables will be applied depending on the Grade of Officers, proportions of each individual remuneration element will vary.

(Fixed Remuneration)

Basic remuneration as fixed remuneration, the Company designs basic remuneration in accordance with Grades based on the significance of the role and responsibilities assumed by each Corporate Executive Officer and Officer. In addition, basic remuneration for Non-Executive Directors, including External Directors, is determined based on factors such as comparisons with other companies and the Company's financial position. Basic remuneration is paid on a monthly basis.

(Performance-linked remuneration)

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

(Annual incentive)

The Company has set evaluation items for the annual incentive in accordance with the business performance of Corporate Executive Officers and Officers as described in the following table, in addition to the achievement rate of target consolidated net sales and core operating profit, which are financial indicators, as common performance indicators across all Corporate Executive Officers and Officers. In addition, for all Corporate Executive Officers and Officers, the Company has set personal performance evaluation component. This is designed to incorporate the achievement of strategic objectives that cannot be measured solely by financial performance figures, such as initiatives for transformation and the restructuring of business foundations to achieve sustainable growth. The range of changes in the percentage amount of payment is set between 0% and 200%. In assessing the achievement rates of the respective targets for consolidated net sales and core operation profit, actual performance may be adjusted based on deliberation and resolution of the Compensation Committee. In the case that such adjustments are made, it will be disclosed in the materials related to the actual remuneration of Corporate Executive Officers.

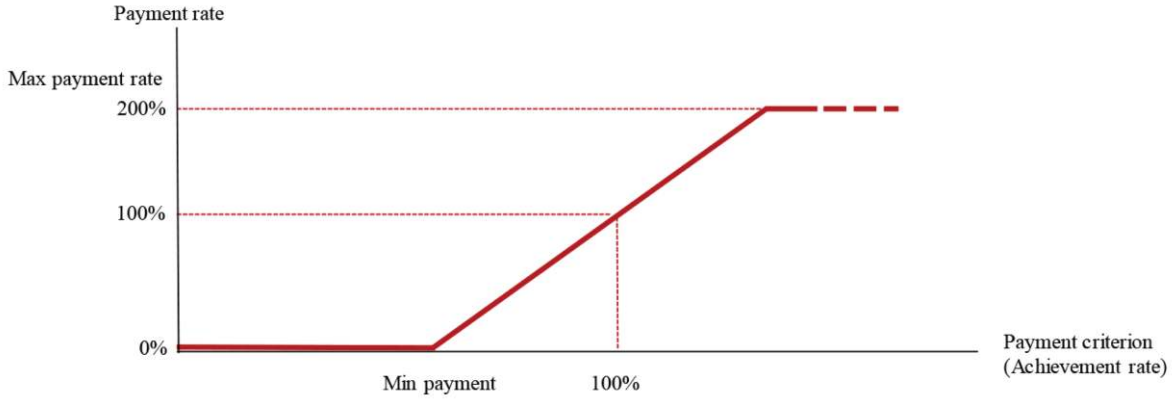
Annual incentive is paid once a year.

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

Evaluation Item	Performance Indicators	Evaluation Weight							
		CEO		Corporate Executive Officers and Officers in Charge of Businesses				Corporate Executive Officers and Officers Other than Those in Charge of Businesses	
				Regional Headquarters CEO		Others		Corporate Functions	
Whole Group Performance	Consolidated net sales	30%	70%	10%	20%	10%	20%	30%	70%
	Core operating profit	40%		10%		10%		40%	
Performance of Business Unit in Charge	Business performance evaluation	-		50%		50%		-	
Personal Performance	Level of achievement of strategic goals set individually	30%							

Note: There is no difference in the performance indicators and the weight of performance indicators applied to Officers based on whether an individual concurrently serve as a Corporate Executive Officer or representative rights.

[Model of annual incentive payment rate]



(Long-term incentive-type remuneration)

The Company has established the following objectives for introducing the long-term incentive-type (LTI) remuneration and has adopted performance share units, a type of performance-linked stock compensation, to incentivize Corporate Executive Officers and Officers to create corporate value over the medium to long term.

Furthermore, based on the following objectives, the Company also includes key domestic and overseas executives and employees in the scope of eligibility for the LTI.

Purposes of introducing the LTI

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

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

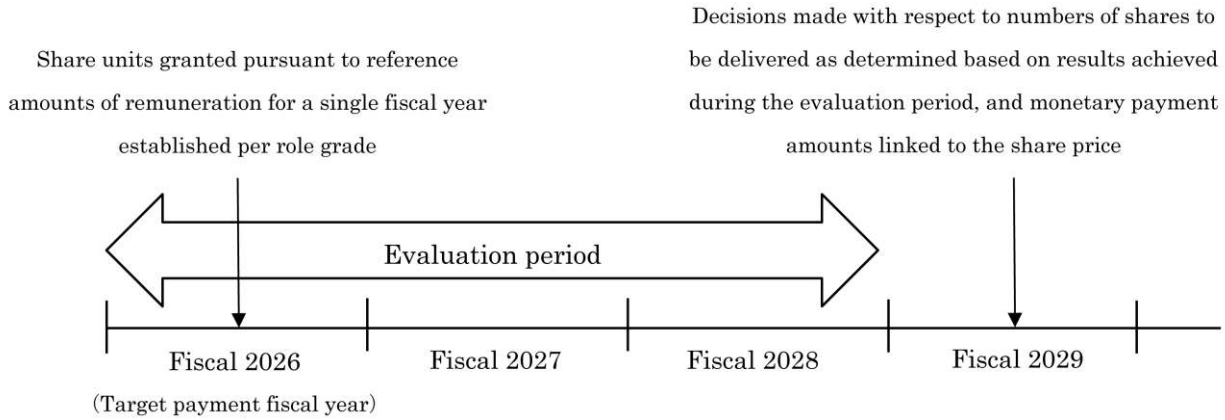
Under the Company's performance share units, the Company grants a reference share unit to each of the eligible parties once every fiscal year, and on each annual grant, the payment relates to the respective fiscal years. To make such grants, the Company establishes multiple performance indicators with an evaluation period of three fiscal years including the fiscal year related to the payment. The Company uses the respective results of each performance indicator to calculate the payment rate in a range from 50% to 150% after the end of the evaluation period, and it uses the payment rate to increase or decrease the number of share units. The eligible parties are paid monetary remuneration claims for the delivery of the shares of the Company's common stock and cash corresponding to the applicable number of share units, and then each eligible party receives delivery of shares of common stock of the Company by paying all the monetary remuneration claims using the method of contribution in kind. Furthermore, in order to realize the aims of consistently aligning the sense of interests with those of our shareholders, curbing potential damage to corporate value, maintaining substantial corporate value over the long term, and attracting and retaining competent talent, the Company sets a minimum payout rate of 50%, establishing a fixed portion in addition to the performance-linked portion.

Regarding evaluation indicators for the long-term incentive-type remuneration in fiscal year 2026, as an indicator for economic value of corporate value, the Company has set relative TSR (Total Shareholder's Return) from fiscal year 2026 to fiscal year 2028 with a global peer group, which is an indicator of shareholder value enhancement and ROIC (Return On Invested Capital) which is an indicator of the capital efficiency metric. Furthermore, the Company has adopted multiple internal and external indicators related to Environmental, Social, and Governance (ESG) as performance metrics for social value. This structure is designed to promote the enhancement of corporate value from the perspectives of both economic and social value. In assessing the level of achievement of the capital efficiency indicator (ROIC: Return on Invested Capital), the actual results may be adjusted on deliberations and resolutions of the Compensation Committee. In the case that such adjustments are made, it will be disclosed in the materials related to the actual remuneration of Corporate Executive Officers.

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

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

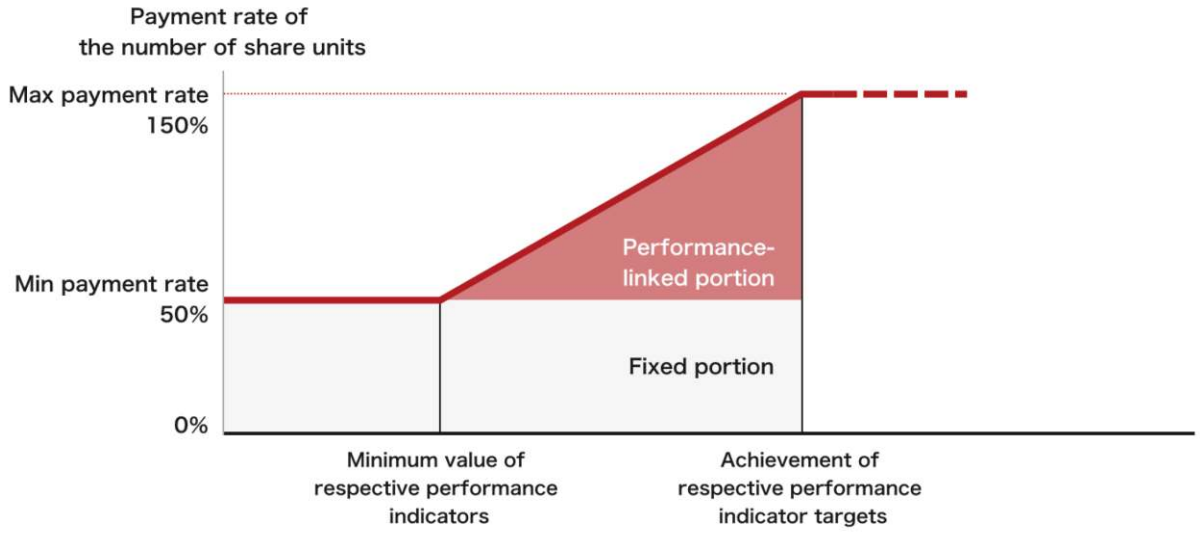
[LTI schedule]



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

Evaluation Item	Performance Indicators		Evaluation Weight	
Economic Value	Relative TSR (Total Shareholder Return)		30%	100%
	ROIC (Return on Invested Capital) in the final fiscal year of the evaluation period		50%	
Social Value	Environment	Status of the achievement of the CO_2 emissions reduction target	20%	
	Society	Ratio of female managers/leaders in Japan and overseas at the Company, and the status of inclusion in the indices related to the promotion of women by ESG rating agencies designated by the Company		
	ESG	Evaluation scores by ESG rating agencies designated by the Company		

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



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

In the Company's Directors, Corporate Executive Officers and Officers remuneration policy, the personal performance evaluation of each individual as a Corporate Executive Officer and an Officer has a significant impact on determining of both the amount of the annual bonus paid in recognition of performance for the respective fiscal year and the rate of merit increase for the following year's remuneration. Unlike evaluations based on performance indicators such as consolidated net sales, personal evaluation is not a quantitative evaluation, except for certain evaluation items. It therefore requires a framework to ensure its objectivity, fairness and transparency.

To this end, the Compensation Committee, which comprises four Independent External Directors and plays an extensive role in evaluating the CEO, evaluates and determines the overall business performance including the personal performance evaluation for the CEO.

For the performance evaluation of Officers who concurrently serve as Corporate Executive Officers, excluding the CEO, the CEO makes a proposal to the Compensation Committee, and the Compensation Committee monitors the evaluation process and the evaluation approach and makes a decision.

Personal performance evaluation of Officers other than those mentioned above is performed by the CEO. Objectively, fairness and transparency of this personal performance evaluation are ensured by the Compensation Committee, which monitors this evaluation process and the evaluation approach.

(5) Shares Held by the Company

1) Criteria and Concepts for Classification of Investment Shares

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

2) Investment shares held for purposes other than pure investment

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

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

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

b. Number of shares and balance sheet amount

	Number of issuers	Amount on Balance Sheet (Millions of yen)	Amount on Balance Sheet (Thousands of U.S. dollars)
Unlisted shares	21	1,520	9,703
Shares other than unlisted shares	2	1,878	11,988

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

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

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

	Number of issuers	Total amount of sale price related to the decrease in the number of shares (Millions of yen)	Total amount of sale price related to the decrease in the number of shares (Thousands of U.S. dollars)
Unlisted shares	-	-	-
Shares other than unlisted shares	1	4	26

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

Specified investment shares

Company	Current Fiscal Year		Previous Fiscal Year	Purpose of holding, quantitative holding effects, and reasons for increase in the number of shares	Holding of the Company's shares
	Number of Shares (thousand shares)		Number of Shares (thousand shares)		
	Amount on Balance Sheet (Millions of yen)	Amount on Balance Sheet (Thousands of U.S. dollars)	Amount on Balance Sheet (Millions of yen)		
AEON CO., LTD. (Note)	609		203	The Company makes transactions of product sales with subsidiaries of this company. In order to maintain and strengthen the favorable business relationship with this company, the Company holds its shares in accordance with "The Company's Policy with Regard to Reduction of Strategic Shareholdings." While quantitative holding effects are not stated from the viewpoint of business information management and other related factors, the Company determines as at the end of the fiscal year that there is reasonability of holdings based on the policy and verification as described above. The number of shares increased as a result of a stock split at a ratio of three shares for each share of common stock conducted during the current fiscal year.	Yes
	1,510	9,639	751		
Perfect Corp.	1,300		1,300	The Company pursues collaboration in the digital area with this company primarily for the development of virtual makeup and beauty platforms. In order to further strengthen the relationship with this company, the Company holds its shares in accordance with "The Company's Policy with Regard to Reduction of Strategic Shareholdings." While quantitative holding effects are not stated from the viewpoint of business information management and other related factors, the Company determines as at the end of the fiscal year that there is reasonability of holdings based on the policy and verification as described above.	No
	368	2,349	577		
TNL Mediagene	-		62	The Company engaged in transactions related to beauty information content with the subsidiary of this company and held shares of this company in line with the "The Company's Policy with Regard to Reduction of Strategic Shareholdings." All of such shares were sold during the current fiscal year.	No
	-	-	77		

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

Deemed Holding Shares
Not applicable.

3) Investment shares whose purpose of holding is pure investment
Not applicable.

4) Shares for which the purpose of holding changed from pure investment to other than pure investment during the current fiscal year
Not applicable.

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

5. Financial Information

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

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

(2) The Company's non-consolidated financial statements are prepared in accordance with the "Ordinance on Terminology, Forms, and Preparation Methods of Financial Statements, etc." (Ministry of Finance Ordinance No. 59 of 1963, hereinafter "the Regulation on Financial Statements").

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

2. Audit certification

The consolidated financial statements for the fiscal year (January 1, 2025 to December 31, 2025) and non-consolidated financial statements for the fiscal year (January 1, 2025 to December 31, 2025) are audited by KPMG AZSA LLC, pursuant to Paragraph 1, Article 193-2 of the Financial Instruments Exchange Act.

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

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

(1) In order to appropriately understand the details of accounting standards, etc., and develop a system to respond in a timely and accurate manner to changes in accounting standards, etc., the Company acquires information issued by the Financial Accounting Standards Foundation in a timely manner and attends seminars held by audit firms.

(2) When applying IFRS, the Company obtains press releases and statements of standards issued by the International Accounting Standards Board as needed to properly understand the latest standards. Also, to ensure the appropriate preparation of consolidated financial statements in accordance with IFRS, the Company has created Group standards in compliance with IFRS and has applied consistent accounting treatments across the entire Group based on these.

1. Consolidated Financial Statements and Notes

(1) Consolidated Financial Statements

1) Consolidated Statement of Financial Position

	Notes	Millions of yen		Thousands of U.S. dollars
		As of December 31, 2024	As of December 31, 2025	As of December 31, 2025
Assets				
Current assets				
Cash and cash equivalents	8	98,479	91,839	586,231
Trade and other receivables	9,27,35	154,305	163,329	1,042,570
Inventories	11	160,507	147,135	939,200
Other financial assets	10,35	28,382	28,265	180,423
Other current assets	12	36,125	40,944	261,356
Total current assets		477,800	471,514	3,009,792
Non-current assets				
Property, plant and equipment	13,38	294,411	283,813	1,811,649
Goodwill	7,14	108,013	58,793	375,290
Intangible assets	14,38	179,390	176,116	1,124,193
Right-of-use assets	21,33	104,876	87,985	561,630
Investments accounted for using equity method	16	2,908	2,972	18,971
Other financial assets	10,27,35	89,556	96,401	615,352
Retirement benefit asset	22	10,261	35,998	229,784
Deferred tax assets	17	54,782	45,021	287,380
Other non-current assets	12	9,848	8,639	55,145
Total non-current assets		854,048	795,741	5,079,414
Total assets		1,331,848	1,267,256	8,089,212

	Notes	Millions of yen		Thousands of U.S. dollars
		As of December 31, 2024	As of December 31, 2025	As of December 31, 2025
Liabilities and equity				
Liabilities				
Current liabilities				
Trade and other payables	18,35	152,199	141,571	903,683
Bonds and borrowings	19,33,35	107,000	30,000	191,498
Lease liabilities	33,35	21,223	20,205	128,974
Other financial liabilities	7,20,35	6,391	20,271	129,395
Income taxes payable		3,413	7,931	50,626
Provisions	23	4,527	7,734	49,368
Other current liabilities	24,27,34	103,807	117,275	748,596
Total current liabilities		398,562	344,989	2,202,151
Non-current liabilities				
Bonds and borrowings	19,33,35	131,620	181,617	1,159,307
Lease liabilities	33,35	103,317	91,337	583,027
Other financial liabilities	7,20,35	20,630	2,635	16,820
Retirement benefit liability	22	5,037	6,186	39,487
Provisions	23	1,852	4,446	28,380
Deferred tax liabilities	17	3,640	3,387	21,620
Other non-current liabilities	24,34	12,544	11,384	72,667
Total non-current liabilities		278,642	300,996	1,921,333
Total liabilities		677,205	645,985	4,123,484
Equity				
Share capital	25	64,506	64,506	411,758
Capital surplus	25	74,138	65,855	420,369
Treasury shares	25	(2,325)	(1,868)	(11,924)
Retained earnings	25,26	356,877	320,612	2,046,547
Other components of equity	25	139,277	151,650	968,020
Total equity attributable to owners of parent		632,474	600,756	3,834,776
Non-controlling interests		22,169	20,513	130,940
Total equity		654,643	621,270	3,965,722
Total liabilities and equity		1,331,848	1,267,256	8,089,212

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

Consolidated Statement of Profit or Loss

	Notes	Millions of yen		Thousands of U.S. dollars
		Fiscal year ended December 31, 2024	Fiscal year ended December 31, 2025	Fiscal year ended December 31, 2025
Net sales	6,27	990,586	969,992	6,191,702
Cost of sales	6,11, 15,21,28	237,394	226,989	1,448,928
Gross profit		753,191	743,003	4,742,774
Selling, general and administrative expenses	6,15,21, 28,34	751,444	725,558	4,631,418
Other operating income	6,22,29	8,561	4,869	31,080
Impairment of goodwill	6,14	-	46,818	298,851
Other operating expenses	6,29	2,733	4,284	27,346
Operating profit (loss)	6	7,575	(28,788)	(183,761)
Finance income	21,30,35	8,292	7,539	48,123
Finance costs	21,30,35	6,402	6,284	40,112
Loss allowance for long-term loans receivable	35	12,784	851	5,432
Share of profit of investment accounted for using equity method	16	2,052	670	4,277
Loss before tax		(1,265)	(27,715)	(176,912)
Income tax expense	17	8,028	12,048	76,905
Loss		(9,294)	(39,763)	(253,817)
Profit (loss) attributable to				
Owners of parent		(10,813)	(40,680)	(259,671)
Non-controlling interests		1,518	916	5,847
Loss		(9,294)	(39,763)	(253,817)
Earnings per share				
Basic loss per share (yen/U.S. dollars)	32	(27.06)	(101.83)	(0.65)
Diluted loss per share (yen/U.S. dollars)	32	(27.06)	(101.83)	(0.65)

Consolidated Statement of Comprehensive Income

	Notes	Millions of yen		Thousands of U.S. dollars
		Fiscal year ended December 31, 2024	Fiscal year ended December 31, 2025	Fiscal year ended December 31, 2025
Loss		(9,294)	(39,763)	(253,817)
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Financial assets measured at fair value through other comprehensive income	31	(273)	(82)	(523)
Remeasurements of defined benefit plans	31	11,816	15,983	102,023
Share of other comprehensive income of investments accounted for using equity method	31	7	7	45
Total of items that will not be reclassified to profit or loss		11,550	15,908	101,545
Items that may be reclassified to profit or loss				
Exchange differences on translation of foreign operations	31	39,722	13,387	85,453
Share of other comprehensive income of investments accounted for using equity method	31	(835)	(7)	(45)
Total of items that may be reclassified to profit or loss		38,886	13,380	85,408
Other comprehensive income, net of tax		50,437	29,288	186,953
Comprehensive income		41,142	(10,474)	(66,858)
Comprehensive income attributable to				
Owners of parent		38,375	(12,322)	(78,654)
Non-controlling interests		2,767	1,847	11,790
Comprehensive income		41,142	(10,474)	(66,858)

3) Consolidated Statement of Changes in Equity

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

Millions of yen

	Notes	Equity attributable to owners of parent					
						Other components of equity	
		Share capital	Capital surplus	Treasury shares	Retained earnings	Exchange differences on translation of foreign operations	Financial assets measured at fair value through other comprehensive income
Balance as of January 1, 2024		64,506	74,000	(1,591)	380,208	101,624	-
Profit (loss)					(10,813)		
Other comprehensive income						37,652	(245)
Total comprehensive income		-	-	-	(10,813)	37,652	(245)
Purchase of treasury shares				(1,047)			
Disposal of treasury shares			(17)	313	(15)		
Dividends	26				(23,981)		
Changes in ownership interest in subsidiaries			(0)				
Share-based payment transactions			155		380		
Transfer to retained earnings					11,535		245
Other					(437)		
Total transactions with owners		-	138	(734)	(12,517)	-	245
Balance as of December 31, 2024		64,506	74,138	(2,325)	356,877	139,277	-

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

Current fiscal year (From January 1, 2025 to December 31, 2025)

Millions of yen

	Notes	Equity attributable to owners of parent					
						Other components of equity	
		Share capital	Capital surplus	Treasury shares	Retained earnings	Exchange differences on translation of foreign operations	Financial assets measured at fair value through other comprehensive income
Balance as of January 1, 2025		64,506	74,138	(2,325)	356,877	139,277	-
Profit (loss)					(40,680)		
Other comprehensive income						12,373	7
Total comprehensive income		-	-	-	(40,680)	12,373	7
Purchase of treasury shares				(2)			
Disposal of treasury shares				459	(176)		
Dividends	26				(11,984)		
Changes in ownership interest in subsidiaries	36		(8,259)				
Share-based payment transactions			(23)		606		
Transfer to retained earnings					15,984		(7)
Other					(13)		
Total transactions with owners		-	(8,283)	457	4,415	-	(7)
Balance as of December 31, 2025		64,506	65,855	(1,868)	320,612	151,650	-

	Notes	Equity attributable to owners of parent			Non-controlling interests	Total
		Other components of equity		Total		
		Remeasurements of defined benefit plans	Total			
Balance as of January 1, 2025		-	139,277	632,474	22,169	654,643
Profit (loss)			-	(40,680)	916	(39,763)
Other comprehensive income		15,976	28,357	28,357	931	29,288
Total comprehensive income		15,976	28,357	(12,322)	1,847	(10,474)
Purchase of treasury shares			-	(2)		(2)
Disposal of treasury shares			-	283		283
Dividends	26		-	(11,984)	(1,827)	(13,811)
Changes in ownership interest in subsidiaries	36		-	(8,259)	(3,203)	(11,462)
Share-based payment transactions			-	582		582
Transfer to retained earnings		(15,976)	(15,984)	-		-
Other			-	(13)	1,526	1,513
Total transactions with owners		(15,976)	(15,984)	(19,394)	(3,503)	(22,898)
Balance as of December 31, 2025		-	151,650	600,756	20,513	621,270

Current fiscal year (From January 1, 2025 to December 31, 2025)

Thousands of U.S. dollars

	Notes	Equity attributable to owners of parent					
						Other components of equity	
		Share capital	Capital surplus	Treasury shares	Retained earnings	Exchange differences on translation of foreign operations	Financial assets measured at fair value through other comprehensive income
Balance as of January 1, 2025		411,758	473,241	(14,841)	2,278,035	889,040	-
Profit (loss)					(259,671)		
Other comprehensive income						78,980	45
Total comprehensive income		-	-	-	(259,671)	78,980	45
Purchase of treasury shares				(13)			
Disposal of treasury shares				2,930	(1,123)		
Dividends	26				(76,497)		
Changes in ownership interest in subsidiaries	36		(52,719)				
Share-based payment transactions			(147)		3,868		
Transfer to retained earnings					102,030		(45)
Other					(83)		
Total transactions with owners		-	(52,872)	2,917	28,182	-	(45)
Balance as of December 31, 2025		411,758	420,369	(11,924)	2,046,547	968,020	-

	Notes	Equity attributable to owners of parent			Non-controlling interests	Total
		Other components of equity		Total		
		Remeasurements of defined benefit plans	Total			
Balance as of January 1, 2025		-	889,040	4,037,240	141,510	4,178,750
Profit (loss)			-	(259,671)	5,847	(253,817)
Other comprehensive income		101,979	181,010	181,010	5,943	186,953
Total comprehensive income		101,979	181,010	(78,654)	11,790	(66,858)
Purchase of treasury shares			-	(13)		(13)
Disposal of treasury shares			-	1,806		1,806
Dividends	26		-	(76,497)	(11,662)	(88,159)
Changes in ownership interest in subsidiaries	36		-	(52,719)	(20,446)	(73,165)
Share-based payment transactions			-	3,715		3,715
Transfer to retained earnings		(101,979)	(102,030)	-		-
Other			-	(83)	9,741	9,658
Total transactions with owners		(101,979)	(102,030)	(123,797)	(22,361)	(146,164)
Balance as of December 31, 2025		-	968,020	3,834,776	130,940	3,965,722

4) Consolidated Statement of Cash Flows

	Notes	Millions of yen		Thousands of U.S. dollars
		Fiscal year ended December 31, 2024	Fiscal year ended December 31, 2025	Fiscal year ended December 31, 2025
Cash flows from operating activities:				
Loss before tax		(1,265)	(27,715)	(176,912)
Depreciation and amortization		75,666	71,735	457,902
Impairment losses (reversal of impairment losses)	6, 14, 15	(1,008)	51,309	327,518
Loss (gain) on disposal of non-current assets	6	1,186	1,830	11,681
Loss allowance for long-term loans receivable	35	12,784	851	5,432
Increase or decrease in retirement benefit asset or liability		(3,070)	(1,713)	(10,935)
Interest and dividend income		(7,306)	(7,484)	(47,772)
Interest expenses		4,053	4,620	29,491
Share of profit of investments accounted for using equity method		(2,052)	(670)	(4,277)
Decrease (increase) in trade receivables		(10,464)	(1,576)	(10,060)
Decrease (increase) in inventories		1,195	19,021	121,416
Increase (decrease) in trade payables		(30,138)	(13,851)	(88,414)
Other		8,214	19,894	126,988
Subtotal		47,792	116,252	742,066
Interest and dividends received		6,603	2,548	16,265
Interest paid		(2,781)	(3,540)	(22,597)
Income taxes paid		(3,210)	(5,370)	(34,278)
Net cash provided by (used in) operating activities		48,403	109,890	701,455
Cash flows from investing activities:				
Payments into time deposits		(32,784)	(31,994)	(204,226)
Proceeds from withdrawal of time deposits		29,358	30,935	197,466
Purchase of property, plant and equipment		(24,859)	(25,299)	(161,490)
Proceeds from sales of property, plant and equipment, and intangible assets		1,456	336	2,145
Purchase of intangible assets		(25,849)	(19,127)	(122,092)
Payments for acquisition of subsidiaries	7	(48,902)	-	-
Proceeds from sale of business		1,531	-	-
Proceeds from sale of shares of associates		12,755	-	-
Other		3,555	1,724	11,005
Net cash provided by (used in) investing activities:		(83,738)	(43,424)	(277,186)

	Notes	Millions of yen		Thousands of U.S. dollars
		Fiscal year ended December 31, 2024	Fiscal year ended December 31, 2025	Fiscal year ended December 31, 2025
Cash flows from financing activities				
Net increase (decrease) in short-term borrowings and commercial papers	33	42,000	(32,000)	(204,264)
Proceeds from long-term borrowings	33	51,000	57,000	363,845
Repayments of long-term borrowings	33	(30,000)	(12,000)	(76,599)
Proceeds from issuance of bonds	33	15,000	-	-
Redemption of bonds	33	-	(40,000)	(255,330)
Purchase of treasury shares		(1,047)	(2)	(13)
Proceeds from disposal of treasury shares		0	0	0
Dividends paid		(23,979)	(12,004)	(76,625)
Dividends paid to non-controlling interests		(1,960)	(2,263)	(14,445)
Repayments of lease liabilities	33	(26,376)	(23,728)	(151,462)
Payments from changes in ownership interests in subsidiaries not resulting in change in scope of consolidation	36	-	(11,699)	(74,678)
Other		(1,277)	(550)	(3,511)
Net cash provided by (used in) financing activities		23,357	(77,248)	(493,093)
Net change in cash and cash equivalents (decrease)		(11,976)	(10,781)	(68,818)
Cash and cash equivalents at beginning of period	8	104,685	98,479	628,616
Effect of exchange rate changes on cash and cash equivalents		5,770	4,141	26,433
Cash and cash equivalents at end of period	8	98,479	91,839	586,231

Notes to the Consolidated Financial Statements

1. Reporting Entity

Shiseido Company, Limited (hereinafter "the Company") is a company incorporated in Japan. The Company's consolidated financial statements as of and for the fiscal year ended December 31, 2025 comprise the accounts of the Company and its consolidated subsidiaries (hereinafter collectively, "the Group"), as well as its share of interests in associates. Information on the lines of business and main activities of the Group is presented in "6. Operating Segments" of the Notes.

2. Basis of Preparation

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

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

The Group's accounting policies are in accordance with IFRS that were effective as of December 31, 2025, except for those which the Group has not early adopted.

The translated consolidated financial statements were approved by Kentaro Fujiwara, Representative Corporate Executive Officer, President and CEO, and Ayako Hirofuji, Representative Corporate Executive Officer, CFO (Chief Financial Officer), on March 23, 2026.

(2) Basis of measurement

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

(3) Functional currency and presentation currency

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

Amounts in U.S. dollars are included solely for the convenience of the reader. The rate of ¥156.66 = US$1 prevailing on December 31, 2025 has been used in translating the consolidated financial statements expressed in Japanese yen into U.S. dollars. Such translations should not be construed as representations that the Japanese yen amounts could be readily converted, realized or settled in U.S. dollars at this rate. Fractions resulting from the translations are rounded.

3. Material Accounting Policies

(1) Basis of consolidation

1) Subsidiaries

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

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

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

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

2) Associates

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

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

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

(2) Business combinations

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

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

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

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

(3) Foreign currency translation

1) Foreign currency denominated transactions

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

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

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

2) Financial statements of foreign operations

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

(4) Financial instruments

1) Non-derivative financial assets

(i) Initial recognition and measurement

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

Financial assets are classified at initial recognition as follows:

(a) Financial assets measured at amortized cost

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

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

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

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

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

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

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

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

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

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

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

(ii) Subsequent measurement

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

(a) Financial assets measured at amortized cost

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

(b) Financial assets measured at fair value

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

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

(iii) Derecognition

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

(iv) Impairment of financial assets

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

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

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

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

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

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

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

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

2) Non-derivative financial liabilities

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

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

3) Derivatives and hedge accounting

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

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

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

(i) Cash flow hedges

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

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

(ii) Derivatives not designated as hedges

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

(5) Cash and cash equivalents

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

(6) Inventories

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

(7) Property, plant and equipment

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

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

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

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

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

(8) Goodwill

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

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

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

(9) Intangible assets

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

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

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

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

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

- Software: 5–15 years

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

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

(10) Leases

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

1) Lessee

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

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

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

2) Lessor

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

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

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

(11) Impairment of non-financial assets

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

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

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

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

(12) Employee benefits

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

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

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

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

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

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

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

(13) Share-based payments

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

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

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

(14) Provisions

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

(15) Revenue

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

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

(16) Governmental subsidies

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

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

(17) Income taxes

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

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

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

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

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

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

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

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

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

(18) Earnings per share

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

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

(19) Non-current assets held for sale

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

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

(20) Equity and other equity items

1) Ordinary share

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

2) Treasury shares

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

3) Dividends

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

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

Application of the group tax sharing system

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

4. Significant Accounting Estimates and Judgments

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

The estimates and the underlying assumptions are continuously reviewed. The impact of the revision of the estimates will be recognized in the accounting period in which the estimates are revised and the future accounting periods.

The items which may significantly affect the consolidated financial statements for the following fiscal year, are as follows:

Valuation of Goodwill related to each cash-generating unit

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

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

In the current fiscal year, as there is an indication of impairment during the period due to a decline in the profitability in the Americas Business, we have conducted the impairment test. As a result, since the recoverable amount is less than the carrying amount, impairment losses of ¥46,818 million ($298,851 thousand) have been recorded. The impairment losses recognized are included in "Impairment of goodwill" in the Consolidated Statement of Profit or Loss.

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

5. Published Standards and Interpretations Not Yet Adopted

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

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

6. Operating Segments

(1) Overview of reportable segments

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

The Group's main business is the manufacturing and sale of cosmetics and the Group has revised its reportable segment classifications from the "China Business" and the "Travel Retail Business" to the "China & Travel Retail Business" from fiscal year ended December 31, 2025. The Group engages in business activities under a matrix organization encompassing brand categories based on consumer purchasing style and five regions (Japan, China & Travel Retail, Asia Pacific, Americas and EMEA). This matrix organization gives the leader in each region broad authority as well as responsibility for sales and profits to ensure flexible decision-making. In specific terms, the Group's five reportable segments, which mainly refer to regions, are the "Japan Business," "China & Travel Retail Business," "Asia Pacific Business," "Americas Business," and "EMEA Business."

The Japan Business mainly comprises domestic business by brand category (Prestige, Fragrances, Premium, etc.) and the healthcare business (sale of health & beauty foods as well as over-the-counter drugs, etc.).

The China & Travel Retail Business covers business in China and the operation of worldwide duty-free stores by brand category (Prestige, Fragrances, Cosmetics, etc.).

The Asia Pacific Business covers business in the Asia and Oceania regions excluding Japan and China by brand category (Prestige, Fragrance, Cosmetics, etc.).

The Americas Business covers business in the Americas region by brand category (Prestige, Fragrances, etc.).

The EMEA Business covers business in Europe, the Middle East and African regions by brand category (Prestige, Fragrances, etc.).

The "Other" includes the restaurant business, etc.

(Changes of reportable segments, etc.)

The Group has revised its reportable segment classifications from the fiscal year ended December 31, 2025. The reportable segment changed from the "China Business" and the "Travel Retail Business" to the "China & Travel Retail Business" due to change in organizational and managerial structures. The business results related to the operation of domestic sales by IPSA Co., Ltd. and the operation of sales of health & beauty foods, etc. by healthcare business previously included in the "Other" is now included in the "Japan Business."

Segment information for the fiscal year ended December 31, 2024 has been restated to reflect the reclassification.

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

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

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

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

(Changes in calculation methods of profit or loss of reportable segments)

From the fiscal year ended December 31, 2025, in order to have better grasp on profitability of each segment, the impacts of intersegment sales and cost of sales which have been adjusted previously according to Shiseido's transfer pricing policy and a part of expenses incurred by head office administration departments (head office expenses) previously reallocated to operating segments are excluded, and the expenses incurred by the brand holders (Note) which have been previously recognized mainly in the "Other" and the "EMEA Business" are reallocated to each segment according to the sales composition of each brand.

Segment information for the fiscal year ended December 31, 2024 has been restated to reflect these changes.

Note: Expenses related to global marketing strategy planning, product development, communication and creative development, brand business management functions, etc.

(3) Segment revenue and business result

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

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

Millions of yen

	Reportable Segment				
	Japan Business	China & Travel Retail Business	Asia Pacific Business	Americas Business	EMEA Business (Note 1)
Net sales					
Sales to external customers	294,272	357,786	71,650	118,547	132,665
Intersegment sales or transfer	764	3,737	1,012	6,178	5,468
Total	295,036	361,524	72,663	124,725	138,133
Segment profit (loss) i.e. Core operating profit	25,879	71,979	4,903	(9,248)	2,659
Other information					
Depreciation and amortization	12,985	10,110	4,001	10,425	7,012
Impairment losses	-	-	-	-	-
Reversal of impairment losses	-	-	-	-	-

	Other (Note 2)	Total	Adjustments (Note 3)	Consolidation
Net sales				
Sales to external customers	15,663	990,586	-	990,586
Intersegment sales or transfer	1,515	18,676	(18,676)	-
Total	17,178	1,009,262	(18,676)	990,586
Segment profit (loss) i.e., Core operating profit	(1,130)	95,043	(58,683)	36,359
Other information				
Depreciation and amortization	417	44,951	30,714	75,666
Impairment losses	-	-	136	136
Reversal of impairment losses	-	-	1,145	1,145

Notes:

1. The EMEA Business includes the Middle East and Africa regions.
2. The “Other” includes the restaurant business, etc.
3. The “Adjustments” in core operating profit (loss) primarily reflects the head office expenses that are not allocated to each operating segment (¥(65,271) million), the difference between the allocation amount to each operating segment and the actual amount (¥(3,650) million) and cost difference (¥9,704 million), etc. The head office expenses which were included in the “Other,” are included in the “Adjustments” from the fiscal year ended December 31, 2025. The expenses are incurred mainly by head office, R&D, etc. The amounts have been restated to reflect these changes. Profit (loss) adjustment is mainly intersegment transaction eliminations.
4. Amounts of segment assets and segment liabilities are not presented as they are not subject to regular review for the purpose of making decisions about the allocation of management resources and assessing the Group’s business performance.

Current fiscal year (From January 1, 2025 to December 31, 2025)

Millions of yen

	Reportable Segment				
	Japan Business	China & Travel Retail Business	Asia Pacific Business	Americas Business	EMEA Business (Note 1)
Net sales					
Sales to external customers	295,343	342,244	73,290	106,584	141,129
Intersegment sales or transfer	1,106	3,417	1,266	4,590	5,296
Total	296,450	345,662	74,557	111,175	146,426
Segment profit (loss) i.e. Core operating profit	38,972	64,525	5,079	(11,566)	3,949
Other information					
Depreciation and amortization	10,650	9,375	4,076	9,965	7,678
Impairment losses	-	-	-	51,299	-
Reversal of impairment losses	-	-	-	-	-

	Other (Note 2)	Total	Adjustments (Note 3)	Consolidation
Net sales				
Sales to external customers	11,399	969,992	-	969,992
Intersegment sales or transfer	1,796	17,475	(17,475)	-
Total	13,196	987,468	(17,475)	969,992
Segment profit (loss) i.e. Core operating profit	(1,259)	99,700	(55,179)	44,520
Other information				
Depreciation and amortization	401	42,147	29,587	71,735
Impairment losses	-	51,299	251	51,551
Reversal of impairment losses	-	-	241	241

Thousands of U.S. dollars

	Reportable Segment				
	Japan Business	China & Travel Retail Business	Asia Pacific Business	Americas Business	EMEA Business (Note 1)
Net sales					
Sales to external customers	1,885,248	2,184,629	467,828	680,352	900,862
Intersegment sales or transfer	7,060	21,812	8,081	29,299	33,806
Total	1,892,315	2,206,447	475,916	709,658	934,674
Segment profit (loss) i.e. Core operating profit	248,768	411,879	32,421	(73,829)	25,207
Other information					
Depreciation and amortization	67,982	59,843	26,018	63,609	49,011
Impairment losses	-	-	-	327,454	-
Reversal of impairment losses	-	-	-	-	-

	Other (Note 2)	Total	Adjustments (Note 3)	Consolidation
Net sales				
Sales to external customers	72,763	6,191,702	-	6,191,702
Intersegment sales or transfer	11,464	111,547	(111,547)	-
Total	84,233	6,303,255	(111,547)	6,191,702
Segment profit (loss) i.e. Core operating profit	(8,037)	636,410	(352,221)	284,182
Other information				
Depreciation and amortization	2,560	269,035	188,861	457,902
Impairment losses	-	327,454	1,602	329,063
Reversal of impairment losses	-	-	1,538	1,538

Notes:

1. The EMEA Business includes the Middle East and Africa regions.
2. The "Other" includes the restaurant business, etc.
3. The "Adjustments" in core operating profit (loss) primarily reflects the head office expenses that are not allocated to each operating segment (¥(64,478) million ($(411,579) thousand)), the difference between the allocation amount to each operating segment and the actual amount (¥6,301 million ($40,221 thousand)) and cost difference (¥5,913 million ($37,744 thousand)), etc. The head office expenses are incurred mainly by head office, R&D, etc.
4. Amounts of segment assets and liabilities are not presented as they are not subject to regular review for the purpose of making decisions about the allocation of management resources and assessing the Group's business performance.

Adjustments from segment profit to operating profit (loss) are as follows:

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended December 31, 2024	Fiscal year ended December 31, 2025	Fiscal year ended December 31, 2025
Segment profit	36,359	44,520	284,182
Structural reform expenses	(26,560)	(20,580)	(131,367)
Impairment losses	(136)	(51,551)	(329,063)
Reversal of impairment losses	1,145	241	1,538
Gain on sale of non-current assets	725	-	-
Acquisition-related costs	(325)	(9)	(57)
One-time costs related to internal system changes	(1,999)	(13)	(83)
Others	(1,632)	(1,395)	(8,905)
Operating profit (loss)	7,575	(28,788)	(183,761)

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

"Structural reform expenses" for the fiscal year ended December 31, 2025 are mainly the costs associated with the "Action Plan 2025-2026" such as "Next Career Support Plan" in the Company, etc., disposal of assets, the costs for workforce reductions in Americas Business, and a provision for an onerous contract. The expenses are included in "Cost of sales," "Selling, general and administrative expenses" and "Other operating expenses" in the consolidated statement of profit or loss.

"Impairment losses" for the fiscal year ended December 31, 2025 are mainly the impairment losses of goodwill and the impairment losses due to decline in profitability of offices subleased by Shiseido Americas Corp, etc. The expenses are included in "Cost of sales," "Selling, general and administrative expenses" and "Impairment of goodwill" in the consolidated statement of profit or loss.

"Reversal of impairment losses" for the fiscal year ended December 31, 2024 and 2025 are the reversal of impairment losses related to the manufacturing facilities at Shiseido Osaka Factory, for which impairment losses were previously recognized and which has since recovered in profitability. The income is included in "Other operating income" in the consolidated statement of profit or loss.

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

"Acquisition-related costs" for the fiscal year ended December 31, 2024 and 2025 are the direct costs associated with the acquisition of DDG Skincare Holdings LLC. The expenses are included in "Selling, general and administrative expenses" in the consolidated statement of profit or loss.

"One-time costs related to internal system changes" for the fiscal year ended December 31, 2024 and 2025 are included in "Selling, general and administrative expenses" in the consolidated statement of profit or loss.

(4) Information about Products and Services

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

(5) Information by geographic areas

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

Net sales

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended December 31, 2024	Fiscal year ended December 31, 2025	Fiscal year ended December 31, 2025
Japan	315,743	317,201	2,024,773
Americas	115,571	107,590	686,774
[U.S.A. within the Americas]	[100,966]	[90,276]	[576,254]
EMEA	153,969	151,624	967,854
Asia and Oceania	405,302	393,576	2,512,294
[China within Asia and Oceania]	[308,877]	[298,324]	[1,904,277]
Total	990,586	969,992	6,191,702

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

Non-current assets

	Millions of yen		Thousands of U.S. dollars
	As of December 31, 2024	As of December 31, 2025	As of December 31, 2025
Japan	380,294	364,857	2,328,974
Americas	244,995	180,431	1,151,736
[U.S.A. within the Americas]	[242,584]	[177,913]	[1,135,663]
EMEA	25,845	27,221	173,758
Asia and Oceania	45,404	42,837	273,439
[China within Asia and Oceania]	[22,932]	[19,830]	[126,580]
Total	696,540	615,347	3,927,914

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

(6) Information about major customers

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

7. Business Combination

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

(1) Overview of business combination

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

(2) Name and business description of the Acquiree

Name:	DDG Skincare Holdings LLC
Business description:	Cosmetics sales

(3) Reason for business combination

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

(4) Form of business combination

Acquisition of shares by cash consideration

(5) Date of acquisition

February 5, 2024

(6) Percentage of equity acquired

100%

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

(7) Fair value of consideration transferred

Cash: ¥65,321 million (After adjustment for net operating capital, etc.)

The consideration transferred has been revised from the initial provisional amounts by ¥708 million. For the payment on the date of acquisition, the Company took out the short-term borrowings of ¥48,000 million on February 2, 2024.

(8) Transactions recognized separately from the business combination

The Company incurred acquisition-related costs of ¥392 million for the current fiscal year which is included in "Selling, general and administrative expenses."

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

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

	Millions of yen
Breakdown of assets at the acquisition date	
Current assets (Note)	5,756
Non-current assets	25,938
Breakdown of liabilities at the acquisition date	
Current liabilities	2,566
Non-current liabilities	855

Note: Of the fair value of ¥1,148 million for Trade and other receivables acquired, the total amount of the contract is the same as fair value, and the amount of uncollectible estimated is ¥34 million.

(10) Payments for acquisition of subsidiaries

	Millions of yen
Acquisition consideration in cash	65,321
Cash and cash equivalents of newly consolidated subsidiaries	1,803
Other payables	14,615
Payments for acquisition of subsidiaries	48,902

(11) Amount of recognized goodwill and reason for recognition

The goodwill arising from the business combination is mainly due to the effects of synergies with existing businesses and excess earning power that are expected to arise from the acquisition, amounting to ¥37,048 million. The amount expected to be deductible for tax purposes is ¥29,294 million.

	Millions of yen
Goodwill (before revision)	37,374
Revision to goodwill amount	
Adjustment to acquisition consideration	(329)
Current liabilities	65
Non-current liabilities	(61)
Goodwill (after revision)	37,048

(12) Impact on business performance

Net sales and loss for the current fiscal year arising from the business combination after the date of acquisition amounted to ¥15,899 million and ¥(279) million, respectively. Net sales and loss for the previous fiscal year as though the business combination had been taken place at the beginning of the current fiscal year would have been ¥991,949 million and ¥(9,213) million. Such proforma information has not been audited.

Current fiscal year (From January 1, 2025 to December 31, 2025)

Not applicable.

8. Cash and Cash Equivalents

The breakdown of cash and cash equivalents is as follows:

	Millions of yen		Thousands of U.S. dollars
	As of December 31, 2024	As of December 31, 2025	As of December 31, 2025
Cash and deposits	98,479	91,839	586,231
Total	98,479	91,839	586,231

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

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

9. Trade and Other Receivable

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

	Millions of yen		Thousands of U.S. dollars
	As of December 31, 2024	As of December 31, 2025	As of December 31, 2025
Notes and accounts receivable	146,835	157,020	1,002,298
Others	7,469	6,308	40,266
Total	154,305	163,329	1,042,570

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

10. Other Financial Assets

(1) Breakdown of other financial assets

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

	Millions of yen		Thousands of U.S. dollars
	As of December 31, 2024	As of December 31, 2025	As of December 31, 2025
Other financial assets (current)			
Financial assets measured at amortized cost			
Deposits	24,435	26,357	168,243
Others	1,413	1,574	10,047
Financial assets measured at fair value through profit or loss			
Derivative assets	2,533	333	2,126
Total	28,382	28,265	180,423
Other financial assets (non-current)			
Financial assets measured at amortized cost			
Deposits	1	-	-
Long-term loans receivable	43,142	47,822	305,260
Leasehold and guarantee deposits	23,150	22,221	141,842
Others	6,253	9,178	58,585
Financial assets measured at fair value through profit or loss			
Investments in capital	4,604	4,715	30,097
Others	3,684	3,876	24,741
Financial assets measured at fair value through other comprehensive income			
Shares and investments in capital	8,718	8,586	54,807
Total	89,556	96,401	615,352

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

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

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

	Millions of yen		Thousands of U.S. dollars
	As of December 31, 2024	As of December 31, 2025	As of December 31, 2025
Shares and investments in capital classified as Level 1			
AEON CO., LTD.	821	1,652	10,545
Perfect Corp.	577	368	2,349
TNL Mediagene	77	-	-
Others	2,110	1,366	8,720
Shares and investments in capital classified as Level 2, 3			
Unlisted shares and investments in capital	5,132	5,198	33,180
Total	8,718	8,586	54,807

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

Millions of yen				Thousands of U.S. dollars	
Fiscal year ended December 31, 2024		Fiscal year ended December 31, 2025		Fiscal year ended December 31, 2025	
Investments derecognized during the period	Investments held at end of period	Investments derecognized during the period	Investments held at end of period	Investments derecognized during the period	Investments held at end of period
0	66	13	68	83	434

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

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

Millions of yen				Thousands of U.S. dollars	
Fiscal year ended December 31, 2024		Fiscal year ended December 31, 2025		Fiscal year ended December 31, 2025	
Fair value	Cumulative gains or losses on sale	Fair value	Cumulative gains or losses on sale	Fair value	Cumulative gains or losses on sale
1,402	536	884	372	5,643	2,375

The Group recognizes gains or losses from changes in fair value after initial recognition and from derecognition in other comprehensive income, and the cumulative amounts thereof are immediately reclassified to retained earnings after being recognized in other components of equity. The amounts (after tax) of other components of equity reclassified to retained earnings in the previous fiscal year and the current fiscal year were ¥(245) million and ¥7 million ($45 thousand), respectively.

11. Inventories

The breakdown of inventories is as follows:

	Millions of yen		Thousands of U.S. dollars
	As of December 31, 2024	As of December 31, 2025	As of December 31, 2025
Merchandise and finished goods	97,285	93,724	598,264
Work in process	8,823	7,761	49,540
Raw materials and supplies	54,398	45,650	291,395
Total	160,507	147,135	939,200

The amounts of inventories recognized as expenses in the previous fiscal year and the current fiscal year were ¥228,748 million and ¥218,958 million ($1,397,664 thousand), respectively, and these amounts were included in cost of sales.

Furthermore, of which, the amounts of inventory write-downs recognized as expenses in the previous fiscal year and the current fiscal year were ¥16,923 million and ¥38,877 million ($248,162 thousand), respectively. There were no material reversals of write-downs in the previous and current fiscal years.

There were no inventories pledged as collateral for liabilities.

12. Other Assets

The breakdown of other assets is as follows:

	Millions of yen		Thousands of U.S. dollars
	As of December 31, 2024	As of December 31, 2025	As of December 31, 2025
Other current assets			
Prepaid expenses	12,195	12,663	80,831
Consumption taxes refund receivable	19,065	22,034	140,649
Others	4,864	6,246	39,870
Total	36,125	40,944	261,356
Other non-current assets			
Investment property	3,724	3,747	23,918
Long-term prepaid expenses	2,065	1,164	7,430
Others	4,058	3,727	23,790
Total	9,848	8,639	55,145

13. Property, Plant and Equipment

(1) Schedule of changes

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

[Cost]

Millions of yen

	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Balance as of January 1, 2024	264,791	130,352	138,954	42,335	5,532	581,965
Purchase	1,654	1,046	7,614	-	14,444	24,759
Acquisition through business combination	-	-	151	-	-	151
Sale or disposal	(3,531)	(6,035)	(15,183)	(292)	(558)	(25,602)
Reclassification	2,183	3,486	6,785	-	(12,518)	(62)
Exchange differences on translation of foreign operations	3,889	2,714	5,926	138	249	12,918
Others	383	(385)	(34)	-	(16)	(52)
Balance as of December 31, 2024	269,371	131,178	144,213	42,181	7,132	594,077
Purchase	570	1,062	6,946	-	15,769	24,349
Sale or disposal	(2,808)	(2,466)	(14,853)	(136)	(99)	(20,364)
Reclassification	2,752	7,710	6,179	144	(16,981)	(194)
Exchange differences on translation of foreign operations	2,101	2,630	4,131	141	259	9,264
Others	(177)	(1)	(43)	-	(5)	(228)
Balance as of December 31, 2025	271,810	140,114	146,573	42,330	6,075	606,903

Thousands of U.S. dollars

	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Balance as of December 31, 2024	1,719,463	837,342	920,548	269,252	45,525	3,792,142
Purchase	3,638	6,779	44,338	-	100,657	155,426
Sale or disposal	(17,924)	(15,741)	(94,810)	(868)	(632)	(129,989)
Reclassification	17,567	49,215	39,442	919	(108,394)	(1,238)
Exchange differences on translation of foreign operations	13,411	16,788	26,369	900	1,653	59,134
Others	(1,130)	(6)	(274)	-	(32)	(1,455)
Balance as of December 31, 2025	1,735,031	894,383	935,612	270,203	38,778	3,874,014

[Accumulated depreciation and accumulated impairment losses]

Millions of yen

	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Balance as of January 1, 2024	116,004	65,548	97,664	732	177	280,127
Depreciation	10,933	7,322	16,977	-	-	35,233
Impairment losses	47	52	1	-	34	136
Reversal of impairment losses	(15)	(1,080)	(49)	-	-	(1,145)
Sale or disposal	(3,131)	(5,681)	(14,557)	-	(6)	(23,377)
Exchange differences on translation of foreign operations	2,427	2,028	4,429	-	-	8,885
Others	212	(329)	82	-	(161)	(195)
Balance as of December 31, 2024	126,479	67,860	104,548	732	44	299,665
Depreciation	10,347	7,810	15,113	-	-	33,271
Impairment losses	1,603	236	6	-	-	1,846
Reversal of impairment losses	-	(236)	(2)	-	(2)	(241)
Sale or disposal	(2,705)	(2,174)	(13,830)	-	-	(18,711)
Exchange differences on translation of foreign operations	1,780	2,348	3,177	-	-	7,306
Others	(0)	(2)	(44)	-	-	(46)
Balance as of December 31, 2025	137,505	75,842	108,967	732	42	323,090

Thousands of U.S. dollars

	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Balance as of December 31, 2024	807,347	433,167	667,356	4,673	281	1,912,837
Depreciation	66,047	49,853	96,470	-	-	212,377
Impairment losses	10,232	1,506	38	-	-	11,783
Reversal of impairment losses	-	(1,506)	(13)	-	(13)	(1,538)
Sale or disposal	(17,267)	(13,877)	(88,280)	-	-	(119,437)
Exchange differences on translation of foreign operations	11,362	14,988	20,280	-	-	46,636
Others	(0)	(13)	(281)	-	-	(294)
Balance as of December 31, 2025	877,729	484,118	695,564	4,673	268	2,062,364

Notes:

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

[Carrying amount]

Millions of yen

	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Balance as of January 1, 2024	148,787	64,804	41,289	41,602	5,354	301,838
Balance as of December 31, 2024	142,892	63,317	39,665	41,448	7,087	294,411
Balance as of December 31, 2025	134,305	64,272	37,605	41,597	6,032	283,813

Thousands of U.S. dollars

	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Balance as of December 31, 2025	857,302	410,264	240,042	265,524	38,504	1,811,649

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

14. Goodwill and Intangible Assets

(1) Schedule of changes

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

[Cost]

Millions of yen

	Goodwill	Intangible assets			
		Trademarks	Software	Others	Total
Balance as of January 1, 2024	62,143	52,269	138,237	5,056	195,563
Purchase	-	-	25,465	72	25,537
Acquisition through business combination	37,048	17,739	-	7,834	25,574
Sale or disposal	-	-	(15,677)	(13)	(15,691)
Exchange differences on translation of foreign operations	8,821	6,428	2,993	734	10,155
Others	-	-	1,130	(9)	1,121
Balance as of December 31, 2024	108,013	76,437	152,150	13,674	242,262
Purchase	-	-	18,754	36	18,791
Sale or disposal	-	-	(15,317)	(5)	(15,323)
Exchange differences on translation of foreign operations	(100)	(58)	1,889	87	1,918
Others	-	-	(1,387)	(2)	(1,390)
Balance as of December 31, 2025	107,912	76,378	156,089	13,791	246,259

Thousands of U.S. dollars

	Goodwill	Intangible assets			
		Trademarks	Software	Others	Total
Balance as of December 31, 2024	689,474	487,917	971,212	87,285	1,546,419
Purchase	-	-	119,711	230	119,948
Sale or disposal	-	-	(97,772)	(32)	(111,126)
Exchange differences on translation of foreign operations	(638)	(370)	12,058	555	12,243
Others	-	-	(8,854)	(13)	(8,873)
Balance as of December 31, 2025	688,829	487,540	996,355	88,031	1,558,617

[Accumulated amortization and accumulated impairment losses]

Millions of yen

	Goodwill	Intangible assets			
		Trademarks	Software	Others	Total
Balance as of January 1, 2024	-	3,632	51,564	2,703	57,900
Amortization	-	728	15,020	2,182	17,931
Sale or disposal	-	-	(15,460)	(10)	(15,471)
Exchange differences on translation of foreign operations	-	225	1,348	260	1,835
Others	-	-	676	-	676
Balance as of December 31, 2024	-	4,587	53,148	5,135	62,871
Amortization	-	705	14,809	1,870	17,385
Impairment losses	46,818	-	-	-	-
Sale or disposal	-	-	(11,308)	(4)	(11,313)
Exchange differences on translation of foreign operations	2,300	20	1,081	99	1,202
Others	-	-	9	(13)	(3)
Balance as of December 31, 2025	49,118	5,314	57,740	7,087	70,143

Thousands of U.S. dollars

	Goodwill	Intangible assets			
		Trademarks	Software	Others	Total
Balance as of December 31, 2024	-	29,280	339,257	32,778	401,321
Amortization	-	4,500	94,530	11,937	110,937
Impairment losses	298,851	-	-	-	-
Sale or disposal	-	-	(72,182)	(26)	(85,529)
Exchange differences on translation of foreign operations	14,681	128	6,900	632	7,673
Others	-	-	57	(83)	(19)
Balance as of December 31, 2025	313,532	33,921	368,569	45,238	434,425

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

[Carrying amount]

Millions of yen

	Goodwill	Intangible assets			
		Trademark rights	Software	Others	Total
Balance as of January 1, 2024	62,143	48,636	86,673	2,353	137,663
Balance as of December 31, 2024	108,013	71,849	99,001	8,538	179,390
Balance as of December 31, 2025	58,793	71,064	98,348	6,703	176,116

Thousands of U.S. dollars

	Goodwill	Intangible assets			
		Trademark rights	Software	Others	Total
Balance as of December 31, 2025	375,290	453,619	627,780	42,787	1,124,193

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

Expenditures for R&D activities recognized as expenses during the previous fiscal year and the current fiscal year were ¥27,185 million and ¥27,061 million ($172,737 thousand), respectively.

(2) Significant goodwill and intangible assets

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

	Millions of yen		Thousands of U.S. dollars	
	Carrying amount			
	As of December 31, 2024	As of December 31, 2025	As of December 31, 2025	Remaining amortization period
Goodwill (Note 1)				
Americas Business	58,420	9,733	62,128	Unamortized
EMEA Business	13,246	13,256	84,616	Unamortized
China Business	10,414	10,402	66,399	Unamortized
Travel Retail Business	9,713	9,702	61,930	Unamortized
Trademarks (Note 2)				
Drunk Elephant	47,052	46,998	300,000	Unamortized
Dr. Dennis Gross Skincare	18,820	18,799	119,999	Unamortized

Notes:

1. The amounts for the Americas Business are shown after recording impairment losses.
2. The trademarks of Drunk Elephant and Dr. Dennis Gross Skincare are included in the Americas Business cash-generating unit for impairment testing.

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

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

The carrying amounts of goodwill and intangible assets with indefinite useful lives that are individually immaterial as of the end of the previous fiscal year and the current fiscal year are ¥19,845 million, and ¥19,347 million ($123,497 thousand), respectively.

The carrying amounts of major goodwill are allocated to each cash-generating unit, which is expected to benefit from the synergies of the combination, and goodwill is tested for impairment in each fiscal year and whenever there is any indication of impairment.

Basically, each operating segment is defined as a cash-generating unit (Note), and the recoverable amount of each cash-generating unit is determined as value in use, estimated primarily using discounted cash flows. Value in use is determined by discounting the estimated cash flows based on management-approved five-year business plans to the present value using a discount rate based on the weighted-average cost of capital. Business plans reflect management assessments of future trends in the industry as well as past data, and are prepared using the mid-term growth rate set based on both external and internal information, with factors including sales and profit margin ratio based on sales expansion plans serving as the basis for calculation. For periods beyond the period covered by the business plan, the terminal value is calculated by discounting the projected pre-tax cash flows to present value using long-term market growth rate determined by taking into account the conditions in the country and industry to which the cash-generating unit belongs. The discount rate used is which incorporates the risk-free rate of each country added to a risk premium.

Note: The cash-generating units of the China & Travel Retail Business are the China Business cash-generating unit and the Travel Retail Business cash-generating unit, which are the smallest units that generate cash

The key assumptions used in calculating the recoverable amount of each cash-generating unit to which significant goodwill and intangible assets with indefinite useful lives are allocated are as follows:

	As of December 31, 2024	As of December 31, 2025
Discount rate:	10.4% - 11.8%	10.4% - 12.9%
Medium-term growth rate:	0.3% - 7.9%	2.5% - 8.5%
Long-term market growth rate:	1.5% - 2.1%	1.4% - 2.2%

(Cash-generating unit which shows an indication of impairment)

In Americas Business, as there was an indication of impairment due to decline of its profitability during the period, we have conducted the impairment test in the fiscal year ended December 31, 2025. In the impairment test, we calculated the recoverable amount based on the above-mentioned business plan, which assumes increased sales for each brand and improved profit margins through global cost structure reforms, and as a result, since the recoverable amount was lower than the book value, we recorded an impairment loss of ¥46,818 million ($298,851 thousand). The impairment losses recognized are included in “Impairment of goodwill” in the Consolidated Statement of Profit or Loss.

The key assumptions used to calculate the recoverable amount of goodwill allocated to the Americas Operations Cash-Generating Unit are as follows: After recognizing the impairment losses, the recoverable amount equaled the carrying amount. Therefore, if the key assumptions deteriorate, further impairment will occur.

	As of December 31, 2024	As of December 31, 2025
Discount rate:	10.9%	12.1%
Medium-term growth rate:	5.2% - 7.9%	4.9% - 5.0%
Long-term market growth rate:	2.1%	2.2%

For other cash-generating units, the annual impairment test results indicate that the recoverable amount significantly exceeds the carrying amount in the current fiscal year. Even if the key assumptions used in the impairment test change within a reasonably foreseeable range, it is deemed unlikely that the recoverable amount will fall below the carrying amount.

15. Impairment of Non-financial Assets

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

(1) Impairment losses

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

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

In connection with the integration of the Company's manufacturing operation at Shiseido Osaka Factory operated by the Company into Shiseido Osaka Ibaraki Factory, the Company changed the cash-generating unit for some assets for business use, and the carrying amount was reduced to the recoverable amount. The recoverable amount is measured at value in use, which is calculated by using a discount rate of 4.7%. The impairment losses recognized are included in "Cost of sales" in the consolidated statement of profit or loss.

Reportable segment	Location	Use	Type	Millions of yen
Head Office Administration Departments (Adjustments)	Osaka-shi, Osaka Pref., Japan	Assets for business use	Buildings and structures	47
			Machinery, equipment and vehicles	52
			Others	36
			Total	136
				136

Current fiscal year (From January 1, 2025 to December 31, 2025)

In connection with the integration of the Company's manufacturing operation at Shiseido Osaka Factory operated by the Company into Shiseido Osaka Ibaraki Factory, the Company changed the cash-generating unit for some assets for business use, and the carrying amount was reduced to the recoverable amount. The recoverable amount is measured at value in use, which is calculated by using a discount rate of 3.4%. The impairment losses recognized are included in "Cost of sales" in the consolidated statement of profit or loss.

Due to a decline in profitability following a change in the use of the office space leased by Shiseido Americas Corp., the book value was reduced to the recoverable amount calculated based on expected revenue from subleasing. The recoverable amount was measured using the value in use calculated at a discount rate of 5.2%. The recognized impairment loss is included in "selling, general and administrative expenses" in the consolidated statements of income. Goodwill is presented in "14. Goodwill and Intangible Assets" of the Notes.

Reportable segment	Location	Use	Type	Millions of yen	Thousands of U.S. dollars
Head Office Administration Departments (Adjustments)	Osaka-shi, Osaka Pref., Japan	Assets for business use	Buildings and structures	8	51
			Machinery, equipment and vehicles	236	1,506
			Others	6	38
			Total	251	1,602
Americas Business	New York State, USA, etc.	Assets for business use	Buildings and structures	1,594	10,175
			Machinery, equipment and vehicles	2,887	18,428
		Assets for business use	Goodwill	46,818	298,851
			Total	51,299	327,454
				51,551	329,063

(2) Reversal of impairment losses

The Group has recorded reversal of impairment losses for the following asset group:

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

At the Shiseido Osaka Factory, a portion of the manufacturing equipment for which impairment losses were previously recognized has seen a recovery in profitability. As a result, an impairment loss reversal of ¥1,145 million has been recorded, limited to the book value that would have been recognized had no impairment loss been recorded. The recoverable amount is measured at value in use, which is calculated by using a discount rate of 4.7%. The recognized impairment loss reversal is included in "Other Operating Income" in the consolidated statement of profit or loss.

Reportable segment	Location	Use	Type	Millions of yen
Head Office Administration Departments (Adjustments)	Osaka-shi, Osaka Pref., Japan	Assets for business use	Machinery, equipment and vehicles	1,080
			Others	65
			Total	1,145
				1,145

Current fiscal year (From January 1, 2025 to December 31, 2025)

At the Shiseido Osaka Factory, a portion of the manufacturing equipment for which impairment losses were previously recognized has seen a recovery in profitability. As a result, an impairment loss reversal of ¥241 million ($1,538 thousand) has been recorded, limited to the book value that would have been recognized had no impairment loss been recorded. The recoverable amount is measured at value in use, which is calculated by using a discount rate of 3.4%. The recognized impairment loss reversal is included in "Other Operating Income" in the consolidated statement of profit or loss.

Reportable segment	Location	Use	Type	Millions of yen	Thousands of U.S. dollars
Head Office Administration Departments (Adjustments)	Osaka-shi, Osaka Pref., Japan	Assets for business use	Machinery, equipment and vehicles	236	1,506
			Others	4	26
			Total	241	1,538
				241	1,538

16. Investments Accounted for Using Equity Method

(1) Significant associates

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

FineToday Holdings Co., Ltd. (hereinafter "FTH") was excluded from the scope of application of the equity method due to the transfer of all shares of FTH during the first six months of fiscal year 2024. Therefore, there are no affiliates that are significant to the Group. Prior to the transfer, the Company had received a dividend from FTH and reduced the book value of its investment in FTH.

Current fiscal year (From January 1, 2025 to December 31, 2025)

Not applicable.

(2) Immaterial associates

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

	Millions of yen		Thousands of U.S. dollars
	As of December 31, 2024	As of December 31, 2025	As of December 31, 2025
Total carrying amount	2,908	2,972	18,971

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

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended December 31, 2024	Fiscal year ended December 31, 2025	Fiscal year ended December 31, 2025
Profit	2,052	670	4,277
Other comprehensive income	779	0	0
Comprehensive income	2,831	670	4,277

17. Income Taxes

(1) Deferred tax assets and deferred tax liabilities

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

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

Millions of yen

	January 1, 2024	Amount recognized through profit or loss	Amount recognized through other comprehensive income	Others	December 31, 2024
Deferred tax assets					
Inventories	15,131	(3,066)	-	405	12,470
Property, plant and equipment and intangible assets	4,537	(488)	-	32	4,082
Other current liabilities	14,449	(1,325)	-	105	13,230
Lease liabilities	17,335	1,285	-	38	18,660
Retirement benefit liability	3,814	(608)	(2,355)	25	876
Tax losses carried forward	34,165	2,945	-	1,894	39,004
Others	13,076	2,326	-	(624)	14,777
Total	102,510	1,068	(2,355)	1,877	103,102
Deferred tax liabilities					
Property, plant and equipment and intangible assets	13,151	2,532	-	1,141	16,825
Right-of-use assets	23,528	833	-	702	25,065
Undistributed earnings of subsidiaries and associates	4,002	(686)	-	22	3,338
Other financial assets	1,690	(58)	239	12	1,883
Retirement benefit Asset	-	-	3,171	-	3,171
Others	1,820	(159)	-	15	1,677
Total	44,193	2,462	3,410	1,894	51,960

Current fiscal year (From January 1, 2025 to December 31, 2025)

Millions of yen

	January 1, 2025	Amount recognized through profit or loss	Amount recognized through other comprehensive income	Others	December 31, 2025
Deferred tax assets					
Inventories	12,470	(595)	-	182	12,057
Property, plant and equipment and intangible assets	4,082	422	-	47	4,552
Other current liabilities	13,230	2,371	-	149	15,750
Lease liabilities	18,660	(1,602)	-	42	17,101
Retirement benefit liability	876	3,381	(3,290)	81	1,049
Tax losses carried forward	39,004	(8,452)	-	(111)	30,441
Others	14,777	(499)	-	910	15,189
Total	103,101	(4,974)	(3,290)	1,303	96,140
Deferred tax liabilities					
Property, plant and equipment and intangible assets	16,825	(2,186)	-	(90)	14,547
Right-of-use assets	25,065	(3,004)	-	(35)	22,024
Undistributed earnings of subsidiaries and associates	3,338	(75)	-	2	3,265
Other financial assets	1,883	(527)	735	18	2,110
Retirement benefit Asset	3,171	4,035	4,133	0	11,339
Others	1,677	(452)	-	(4)	1,219
Total	51,960	(2,211)	4,869	(110)	54,507

Thousands of U.S. dollars

	January 1, 2025	Amount recognized through profit or loss	Amount recognized through other comprehensive income	Others	December 31, 2025
Deferred tax assets					
Inventories	79,599	(3,798)	-	1,162	76,963
Property, plant and equipment and intangible assets	26,056	2,694	-	300	29,057
Other current liabilities	84,450	15,135	-	951	100,536
Lease liabilities	119,111	(10,226)	-	268	109,160
Retirement benefit liability	5,592	21,582	(21,001)	517	6,696
Tax losses carried forward	248,972	(53,951)	-	(709)	194,313
Others	94,325	(3,185)	-	5,809	96,955
Total	658,119	-31,750	-21,001	8,317	613,686
Deferred tax liabilities					
Property, plant and equipment and intangible assets	107,398	(13,954)	-	(574)	92,857
Right-of-use assets	159,996	(19,175)	-	(223)	140,585
Undistributed earnings of subsidiaries and associates	21,307	(479)	-	13	20,841
Other financial assets	12,020	(3,364)	4,692	115	13,469
Retirement benefit Asset	20,241	25,756	26,382	-	72,380
Others	10,705	(2,885)	-	(26)	7,781
Total	331,674	-14,113	31,080	(702)	347,932

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

		Millions of yen	Thousands of U.S. dollars
	As of December 31, 2024	As of December 31, 2025	As of December 31, 2025
Deductible temporary difference	36,548	40,865	260,852
Tax losses carried forward	25,873	39,981	255,209
Tax credits carried forward	3,826	4,063	25,935
Total	66,248	84,911	542,008

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

		Millions of yen	Thousands of U.S. dollars
	As of December 31, 2024	As of December 31, 2025	As of December 31, 2025
Tax losses carried forward			
1st year	-	19	121
2nd year	2	13	83
3rd year	672	19	121
4th year	51	12	77
5th year and beyond	25,146	39,917	254,800
Total	25,873	39,981	255,209

		Millions of yen	Thousands of U.S. dollars
	As of December 31, 2024	As of December 31, 2025	As of December 31, 2025
Tax credits carried forward			
1st year	798	1,186	7,571
2nd year	1,186	1,465	9,351
3rd year	1,197	528	3,370
4th year	0	627	4,002
5th year and beyond	644	256	1,634
Total	3,826	4,063	25,935

The total amount of taxable temporary differences related to investments in subsidiaries, etc. for which deferred tax liabilities were not recognized were ¥111,401 million and ¥121,056 million ($772,731 thousand) for the previous and the current fiscal year, respectively. The Group does not recognize deferred tax liabilities because the Group is able to control the timing of the reversal of the temporary differences and it is probable that these temporary differences will not reverse in the foreseeable future.

(2) Income tax expense

The breakdown of income tax expense is as follows:

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended December 31, 2024	Fiscal year ended December 31, 2025	Fiscal year ended December 31, 2025
Current tax expense	6,635	9,285	59,268
Deferred tax expense	1,393	2,763	17,637
Total	8,028	12,048	76,905

Current tax expense included top-up tax which was estimated related to Pillar Two Model Rules. The amount for the previous fiscal year was ¥193 million. There are no applicable items for the current fiscal year.

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

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

Following the enactment of the "Act Partially Amending the Income Tax Act" (Act No. 13 of 2025) by the Diet on March 31, 2025, the "Special Defense Corporate Tax" will be imposed from fiscal years beginning on or after April 1, 2026.

Accordingly, deferred tax assets and deferred tax liabilities related to temporary differences expected to be reversed in the fiscal years beginning on January 1, 2027 are calculated by changing the statutory tax rate from 31.0% to 31.5%.

The impact of this change is negligible.

		%
	Fiscal year ended December 31, 2024	Fiscal year ended December 31, 2025
Statutory effective tax rate	31.0	31.0
Permanently non-deductible expenses	(119.6)	(8.7)
Permanently non-taxable income	24.5	2.0
Tax credits	33.3	9.2
Differences in effective tax rates	(35.4)	(19.7)
Effect of assessment of recoverability of deferred tax assets	(530.9)	(57.9)
Withholding tax on dividends, etc. from overseas subsidiaries	(16.8)	(1.6)
Prior year corporate income tax	(12.6)	0.2
Others	(7.8)	2.0
Average actual tax rate	(634.2)	(43.5)

18. Trade and Other Payables

The breakdown of trade and other payables is as follows:

	Millions of yen		Thousands of U.S. dollars
	As of December 31, 2024	As of December 31, 2025	As of December 31, 2025
Notes and accounts payable	22,343	20,095	128,271
Electronically recorded obligations - operating	28,204	19,577	124,965
Other payables	70,850	68,106	434,738
Refund liabilities	30,752	33,754	215,460
Others	49	37	236
Total	152,199	141,571	903,683

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

19. Bonds and Borrowings

The breakdown of bonds and borrowings is as follows:

	Millions of yen		Thousands of U.S. dollars	%	
	As of December 31, 2024	As of December 31, 2025	As of December 31, 2025	Average interest rate	Repayment due
Current liabilities					
Short-term borrowings	62,000	30,000	191,498	0.85%	-
Current portion of long-term borrowings	5,000	-	-	-	-
Current portion of bonds payable	40,000	-	-	-	-
Total	107,000	30,000	191,498	0.85%	
Non-current liabilities					
Long-term borrowings	96,620	146,617	935,893	0.92%	2027 – 2031
Bonds	35,000	35,000	223,414	0.75%	2027 – 2029
Total	131,620	181,617	1,159,307		

Notes:
1. Average interest rates are the weighted average interest rates for balances at the end of the current fiscal year.
2. Bonds and borrowings are classified as financial liabilities measured at amortized cost.

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

				Millions of yen	Thousands of U.S. dollars	%		
Company name	Issue	Issue date	As of December 31, 2024	As of December 31, 2025	As of December 31, 2025	Interest rate	Collateral	Redemption date
Shiseido Co., Ltd.	10th Unsecured straight bonds	February 26, 2020	20,000 [20,000]	- [-]	- [-]	0.080	None	February 26, 2025
Shiseido Co., Ltd.	12th Unsecured straight bonds	December 17, 2020	20,000 [20,000]	- [-]	- [-]	0.120	None	December 17, 2025
Shiseido Co., Ltd.	13th Unsecured straight bonds	December 8, 2022	20,000 [-]	20,000 [-]	127,665 [-]	0.450	None	December 8, 2027
Shiseido Co., Ltd.	14th Unsecured straight bonds	December 12, 2024	15,000 [-]	15,000 [-]	95,749 [-]	1.139	None	December 12, 2029
	Total		75,000 [40,000]	35,000 [-]	223,414 [-]			

Note: Figures in [ ] represent the current portion.

20. Other Financial Liabilities

The breakdown of other financial liabilities is as follows:

	Millions of yen		Thousands of U.S. dollars
	As of December 31, 2024	As of December 31, 2025	As of December 31, 2025
Other financial liabilities (current)			
Financial liabilities measured at amortized cost			
Deposits received	3,212	2,295	14,650
Current portion of long-term other payables	-	16,856	107,596
Others	257	415	2,649
Financial liabilities measured at fair value through profit or loss			
Derivative liabilities	2,921	703	4,487
Total	6,391	20,271	129,395
Other financial liabilities (non-current)			
Financial liabilities measured at amortized cost			
Long-term other payables	19,699	1,733	11,062
Others	581	552	3,524
Others	350	350	2,234
Total	20,630	2,635	16,820

21. Leases

(1) As lessee

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

1) Breakdown of right-of-use assets

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

	Millions of yen		Thousands of U.S. dollars
	As of December 31, 2024	As of December 31, 2025	As of December 31, 2025
Right-of-use assets for which buildings and structures are the underlying assets	69,802	56,227	358,911
Right-of-use assets for which machinery, equipment and vehicles are the underlying assets	9,434	8,922	56,951
Right-of-use assets for which tools, furniture and fixtures are the underlying assets	2,583	1,837	11,726
Right-of-use assets for which land is the underlying asset	22,926	20,980	133,921
Others	128	16	102
Total	104,876	87,985	561,630

Increases in right-of-use assets for the previous fiscal year and the current fiscal year were ¥26,823 million and ¥11,320 million ($72,258 thousand), respectively.

2) Lease liabilities

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

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

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

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended December 31, 2024	Fiscal year ended December 31, 2025	Fiscal year ended December 31, 2025
Depreciation of right-of-use assets			
Right-of-use assets for which buildings and structures are the underlying assets	18,156	17,085	109,058
Right-of-use assets for which machinery, equipment and vehicles are the underlying assets	1,307	1,368	8,732
Right-of-use assets for which tools, furniture and fixtures are the underlying assets	1,719	1,424	9,090
Right-of-use assets for which land is the underlying asset	1,164	1,129	7,207
Others	113	29	185
Total depreciation	22,461	21,037	134,284
Interest expenses on lease liabilities	1,679	1,668	10,647
Lease expenses subject to exemptions for short-term leases	1,147	1,347	8,598
Lease expenses subject to exemptions for leases of low-value assets	1,666	1,600	10,213
Variable lease payments not included in measurement of lease liabilities	2,177	2,065	13,181
Income from sublease of right-of-use assets	(894)	81	517

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

Cash outflows associated with leases are as follows:

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended December 31, 2024	Fiscal year ended December 31, 2025	Fiscal year ended December 31, 2025
Cash outflows associated with leases	33,047	30,410	194,115

(2) As lessor

The Group mainly leases buildings, land, etc.

22. Employee Benefits

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

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

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

Due to the business transformation plan "Mirai Shift NIPPON 2025," defined benefit obligations and plan assets decreased by ¥8,039 million and ¥6,866 million, respectively, in the previous fiscal year, and the differences are recognized as gains due to settlements in profit or loss. The gains due to settlements recognized in profit or loss for the previous fiscal year amounted to ¥1,173 million and are included in "Other operating income" in the consolidated statement of profit or loss.

(1) Defined benefit plans

1) Reconciliation of defined benefit obligations and plan assets

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

	Millions of yen		Thousands of U.S. dollars
	As of December 31, 2024	As of December 31, 2025	As of December 31, 2025
Present value of funded defined benefit obligations	207,375	186,924	1,193,183
Fair value of plan assets	(213,439)	(217,554)	(1,388,702)
Subtotal	(6,064)	(30,629)	(195,513)
Present value of unfunded defined benefit obligations	839	817	5,215
Net defined benefit liability (asset)	(5,224)	(29,811)	(190,291)
Amount recognized in the consolidated statement of financial position			
Retirement benefit liability	5,037	6,186	39,487
Retirement benefit asset	(10,261)	(35,998)	(229,784)
Net defined benefit liability (asset) recognized in the consolidated statement of financial position	(5,224)	(29,811)	(190,291)

2) Reconciliation of present value of defined benefit obligations

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

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended December 31, 2024	Fiscal year ended December 31, 2025	Fiscal year ended December 31, 2025
Beginning balance of present value of defined benefit obligations	231,716	208,214	1,329,082
Service costs	5,607	4,907	31,323
Interest costs	3,928	4,447	28,386
Remeasurements			
Actuarial differences arising from changes in demographic assumptions	(840)	187	1,194
Actuarial differences arising from changes in financial assumptions	(12,488)	(22,275)	(142,187)
Actuarial differences arising from experience adjustments	533	4,443	28,361
Past service costs	54	-	-
Gains or losses due to settlements	(1,173)	-	-
Retirement benefits paid	(19,235)	(12,821)	(81,840)
Effects of business combinations and disposals	(24)	-	-
Other	137	638	4,073
Ending balance of present value of defined benefit obligations	208,214	187,742	1,198,404

For the benefit plans of the Company and its major domestic subsidiaries, which account for a significant portion of the Group's defined benefit obligations, the weighted average duration of the defined benefit obligations for the previous and the current fiscal year was 13.3 years, and 11.8 years, respectively.

3) Reconciliation of fair value of plan assets

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

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended December 31, 2024	Fiscal year ended December 31, 2025	Fiscal year ended December 31, 2025
Beginning balance of fair value of plan assets	216,661	213,439	1,362,435
Interest income	3,691	4,633	29,574
Remeasurements			
Return on plan assets	4,548	5,762	36,780
Contribution from employers	7,668	6,278	40,074
Retirement benefits paid	(18,984)	(12,598)	(80,416)
Effects of business combinations and disposals	(16)	-	-
Other	(129)	37	236
Ending balance of fair value of plan assets	213,439	217,554	1,388,702

The Group plans to contribute ¥5,838 million ($37,265 thousand) in the following fiscal year.

4) Components of plan assets

Major components of plan assets are as follows:

	Millions of yen						Thousands of U.S. dollars		
	As of December 31, 2024			As of December 31, 2025			As of December 31, 2025		
	Publicly quoted market price in active markets			Publicly quoted market price in active markets			Publicly quoted market price in active markets		
	Yes	No	Total	Yes	No	Total	Yes	No	Total
Cash and cash equivalents	9,156	-	9,156	5,167	-	5,167	32,982	-	32,982
Commingled investment fund									
Equity instruments	-	39,279	39,279	-	36,834	36,834	-	235,121	235,121
Debt instruments	-	88,488	88,488	-	86,951	86,951	-	555,030	555,030
Alternative investments	-	69,822	69,822	-	70,729	70,729	-	451,481	451,481
General account of life insurance companies	-	6,691	6,691	-	17,870	17,870	-	114,069	114,069
Total	9,156	204,282	213,439	5,167	212,386	217,554	32,982	1,355,713	1,388,702

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

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

5) Major actuarial assumptions

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

	%	
	As of December 31, 2024	As of December 31, 2025
Discount rate	2.1	3.1

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

6) Sensitivity analysis

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

		Millions of yen	Thousands of U.S. dollars
	As of December 31, 2024	As of December 31, 2025	As of December 31, 2025
0.5 percentage point increase in discount rate	(11,650)	(9,148)	(58,394)
0.5 percentage point decrease in discount rate	12,910	10,064	64,241

(2) Defined contribution plans

The amounts of expenses recognized for defined contribution plans for the previous fiscal year and the current fiscal year were ¥5,568 million and ¥5,082 million ($32,440 thousand), respectively.

23. Provisions

The breakdown of and changes in provisions are as follows:

				Millions of yen
	Asset retirement obligations	Provision for structural reform	Other provisions	Total
Balance as of January 1, 2025	2,372	379	3,627	6,379
Increase during the period	901	6,616	880	8,398
Interest expenses for discount calculation during the period	12	51	-	64
Decrease during the period (intended use)	(548)	(882)	(1,037)	(2,468)
Decrease during the period (reversal)	(212)	-	(323)	(535)
Exchange differences on translation of foreign operations	69	110	162	343
Balance as of December 31, 2025	2,594	6,276	3,309	12,180

				Thousands of U.S. dollars
	Asset retirement obligations	Provision for structural reform	Other provisions	Total
Balance as of January 1, 2025	15,141	2,419	23,152	40,719
Increase during the period	5,751	42,232	5,617	53,607
Interest expenses for discount calculation during the period	77	326	-	409
Decrease during the period (intended use)	(3,498)	(5,630)	(6,619)	(15,754)
Decrease during the period (reversal)	(1,353)	-	(2,062)	(3,415)
Exchange differences on translation of foreign operations	440	702	1,034	2,189
Balance as of December 31, 2025	16,558	40,061	21,122	77,748

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

	Millions of yen		Thousands of U.S. dollars
	As of December 31, 2024	As of December 31, 2025	As of December 31, 2025
Current liabilities	4,527	7,734	49,368
Non-current liabilities	1,852	4,446	28,380
Total	6,379	12,180	77,748

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

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

Other provisions mainly include provisions for losses arising from expenses related to litigation risk and product liability risk, etc. The timing of payment of these expenses is expected to be within one year from the end of the current fiscal year.

24. Other Liabilities

The breakdown of other liabilities is as follows:

	Millions of yen		Thousands of U.S. dollars
	As of December 31, 2024	As of December 31, 2025	As of December 31, 2025
Other current liabilities			
Accrued expenses	45,865	52,971	338,127
Accrued consumption taxes	11,937	10,064	64,241
Accrued bonuses	24,355	29,542	188,574
Accrued paid absences	11,262	11,426	72,935
Contract liabilities	7,312	7,372	47,057
Others	3,073	5,897	37,642
Total	103,807	117,275	748,596
Other non-current liabilities			
Deferred revenues	6,978	6,768	43,202
Cash-settled share-based payment expenses	508	642	4,098
Others	5,057	3,973	25,361
Total	12,544	11,384	72,667

25. Equity and Other Equity Items

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

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

	Shares	
	As of December 31, 2024	As of December 31, 2025
Number of shares authorized		
Ordinary share	1,200,000,000	1,200,000,000
Total number of shares issued		
Beginning balance	400,000,000	400,000,000
Change during the period	-	-
Ending balance	400,000,000	400,000,000

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

(2) Treasury shares

Changes in the number of treasury shares are as follows:

	Shares	
	As of December 31, 2024	As of December 31, 2025
Beginning balance	344,199	576,863
Change during the period	232,664	(113,189)
Ending balance	576,863	463,674

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

(3) Capital surplus

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

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

(4) Other components of equity

1) Exchange differences on translation of foreign operations

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

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

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

3) Cash flow hedges

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

4) Remeasurements of defined benefit plans

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

(5) Retained earnings

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

26. Dividends

The amounts of dividends paid are as follows:

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

		Millions of yen	Yen		
Resolution date	Type of shares	Total amount of dividends	Dividend per share	Record date	Effective date
March 26, 2024 General Meeting of Shareholders	Ordinary shares	11,989	30.00	December 31, 2023	March 27, 2024
August 7, 2024 Board of Directors meeting	Ordinary shares	11,991	30.00	June 30, 2024	September 5, 2024

Current fiscal year (From January 1, 2025 to December 31, 2025)

		Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars		
Resolution date	Type of shares	Total amount of dividends		Dividend per share		Record date	Effective date
March 26, 2025 General Meeting of Shareholders	Ordinary shares	3,994	25,495	10.00	0.06	December 31, 2024	March 27, 2025
August 6, 2025 Board of Directors meeting	Ordinary shares	7,990	51,002	20.00	0.13	June 30, 2025	September 4, 2025

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

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

		Millions of yen	Yen		
Resolution date	Type of shares	Total amount of dividends	Dividend per share	Record date	Effective date
March 26, 2025 General Meeting of Shareholders	Ordinary shares	3,994	10.00	December 31, 2024	March 27, 2025

Current fiscal year (From January 1, 2025 to December 31, 2025)

		Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars		
Planned resolution date	Type of shares	Total amount of dividends		Dividend per share		Record date	Effective date
March 25,2026 General Meeting of Shareholders	Ordinary shares	7,990	51,002	20.00	0.13	December 31, 2025	March 26, 2026

27. Net Sales

(1) Contract balances

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

	Millions of yen		Thousands of U.S. dollars
	As of December 31, 2024	As of December 31, 2025	As of December 31, 2025
Receivables arising from contracts with customers			
Notes and accounts receivable	150,720	162,708	1,038,606
Contract liabilities	7,312	7,372	47,057

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

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

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

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

(2) Transaction price allocated to remaining performance obligations

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

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

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

28. Breakdown of Expenses by Nature

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

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended December 31, 2024	Fiscal year ended December 31, 2025	Fiscal year ended December 31, 2025
Purchase costs of raw materials and merchandise	162,306	141,459	902,968
Changes in finished goods and work in process	(797)	16,935	108,100
Employee benefit expenses	283,690	262,935	1,678,380
Depreciation and amortization	75,666	71,735	457,902
Outsourced processing expenses	18,436	11,586	73,956
Media expenses	112,527	116,140	741,351
Sample and sales equipment expenses	50,041	44,919	286,729
Others	286,968	286,835	1,830,940
Total	988,838	952,547	6,080,346

29. Other Operating Income and Operating Expenses

The breakdown of other operating income is as follows:

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended December 31, 2024	Fiscal year ended December 31, 2025	Fiscal year ended December 31, 2025
Rental income from buildings	501	572	3,561
Subsidy income	2,489	2,239	14,292
Gain on sale of non-current assets	2,117	495	3,160
Reversal of impairment losses	1,145	241	1,538
Gain on settlement of retirement benefit	1,173	-	-
Others	1,134	1,320	8,426
Total	8,561	4,869	31,080

Details of gain on sale of non-current assets in the previous and the current fiscal year are mainly related to sales of real estate.
Details of reversal of impairment losses in the current fiscal year are presented in “6. Operating Segments, (3) Segment revenue and business result” and “15. Impairment of Non-Financial Assets, (2) Reversal of impairment losses” of the Notes.
Details of gain on settlement of benefit obligations in the current fiscal year are presented in “22. Employee Benefits” of the Notes.

The breakdown of other operating expenses is as follows:

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended December 31, 2024	Fiscal year ended December 31, 2025	Fiscal year ended December 31, 2025
Structural reform expenses	1,876	2,575	16,437
Others	856	1,708	10,903
Total	2,733	4,284	27,346

Details of structural reform expenses in the previous and the current fiscal year are presented in “6. Operating Segments, (3) Segment revenue and business result” of the Notes.

30. Finance Income and Finance Costs

The breakdown of finance income is as follows:

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended December 31, 2024	Fiscal year ended December 31, 2025	Fiscal year ended December 31, 2025
Interest income			
Financial assets measured at amortized cost	6,851	6,694	42,729
Lease receivables	388	427	2,726
Retirement benefit asset	-	278	1,775
Dividend income			
Financial assets measured at fair value through other comprehensive income	66	81	517
Financial assets measured at fair value through profit or loss	0	2	13
Gain on revaluation of fair value			
Financial assets measured at fair value through profit or loss	-	3	19
Others	986	51	326
Total	8,292	7,539	48,123

The breakdown of finance costs is as follows:

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended December 31, 2024	Fiscal year ended December 31, 2025	Fiscal year ended December 31, 2025
Interest expenses			
Financial liabilities measured at amortized cost	2,125	2,796	17,848
Lease liabilities	1,679	1,668	10,647
Retirement benefit liability	236	91	581
Unwinding of provisions due to passage of time	12	64	409
Foreign exchange losses	1,894	1,284	8,196
Others	453	379	2,419
Total	6,402	6,284	40,112

31. Other Comprehensive Income

The amounts arising during the year, reclassification adjustments to profit or loss, and the tax effects for each item of other comprehensive income are as follows:

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended December 31, 2024	Fiscal year ended December 31, 2025	Fiscal year ended December 31, 2025
Items that will not be reclassified to profit or loss:			
Financial assets measured at fair value through other comprehensive income			
Amount arising during the year	(34)	652	4,162
Tax effect	(239)	(735)	(4,692)
Amount after tax effect adjustment	(273)	(82)	-523
Remeasurements of defined benefit plans			
Amount arising during the year	17,343	23,406	149,406
Tax effect	(5,526)	(7,423)	(47,383)
Amount after tax effect adjustment	11,816	15,983	102,023
Share of other comprehensive income of investments accounted for using equity method			
Amount arising during the year	7	7	45
Tax effect	-	-	-
Amount after tax effect adjustment	7	7	45
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations			
Amount arising during the year	40,167	12,965	82,759
Reclassification adjustments	(445)	422	2,694
Amount before tax effect adjustment	39,722	13,387	85,453
Tax effect	-	-	-
Amount after tax effect adjustment	39,722	13,387	85,453
Share of other comprehensive income of investments accounted for using equity method			
Amount arising during the year	771	(7)	(45)
Reclassification adjustments	(1,607)	-	-
Amount before tax effect adjustment	(835)	(7)	(45)
Tax effect	-	-	-
Amount after tax effect adjustment	(835)	(7)	(45)
Total other comprehensive income:			
Amount arising during the year	58,255	37,025	236,340
Reclassification adjustments	(2,052)	422	2,694
Amount before tax effect adjustment	56,203	37,447	239,034
Tax effect	(5,766)	(8,159)	(52,081)
Amount after tax effect adjustment	50,437	29,288	186,953

32. Earnings Per Share

(1) Basis for the calculation of basic earnings per share

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended December 31, 2024	Fiscal year ended December 31, 2025	Fiscal year ended December 31, 2025
Loss attributable to owners of parent	(10,813)	(40,680)	(259,671)
Profit (loss) not attributable to ordinary shareholders of parent	-	-	-
Loss used for calculating basic earnings per share	(10,813)	(40,680)	(259,671)
Weighted-average number of ordinary shares (thousands of shares)	399,570	399,486	
Basic (loss) per share (yen/U.S. dollars)	(27.06)	(101.83)	(0.65)

(2) Basis for the calculation of diluted earnings per share

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended December 31, 2024	Fiscal year ended December 31, 2025	Fiscal year ended December 31, 2025
Loss used for calculating basic earnings per share	(10,813)	(40,680)	(259,671)
Profit adjustment	-	-	-
Loss used for calculating diluted earnings per share	(10,813)	(40,680)	(259,671)
Weighted-average number of ordinary shares (thousands of shares)	399,570	399,486	
Increase in ordinary share			
Share acquisition rights (thousands of shares)	-	-	
Diluted weighted-average number of ordinary shares (thousands of shares)	399,570	399,486	
Diluted (loss) per share (yen/U.S. dollars)	(27.06)	(101.83)	(0.65)

There are 195 thousand dilutive potential ordinary shares in the previous fiscal year, 175 thousand shares in the current fiscal year. However, as they have an anti-dilutive effect, they have been excluded from the calculation of diluted loss per share.

33. Cash Flow Information

(1) Changes in liabilities related to financing activities are as follows:

Millions of yen

	January 1, 2024	Changes involving cash flows	Changes not involving cash flows			December 31, 2024
			New leases	Exchange differences on translation of foreign operations	Others	
Short-term borrowings and commercial papers	20,000	42,000	-	-	-	62,000
Long-term borrowings (including current portion)	80,559	21,000	-	60	-	101,620
Bonds (including current portion)	60,000	15,000	-	-	-	75,000
Lease liabilities (Note)	120,422	(26,376)	27,428	5,791	(2,725)	124,541
Total	280,982	51,623	27,428	5,852	(2,725)	363,161

Note: "Others" in lease liabilities mainly represents decreases resulting from the revision of considerations due to lease modifications.

Millions of yen

	January 1, 2025	Changes involving cash flows	Changes not involving cash flows			December 31, 2025
			New leases	Exchange differences on translation of foreign operations	Others	
Short-term borrowings and commercial papers	62,000	(32,000)	-	-	-	30,000
Long-term borrowings (including current portion)	101,620	45,000	-	(2)	-	146,617
Bonds (including current portion)	75,000	(40,000)	-	-	-	35,000
Lease liabilities (Note)	124,541	(23,728)	11,559	988	(1,818)	111,543
Total	363,161	(50,728)	11,559	986	(1,818)	323,160

Thousands of U.S. dollars

	January 1, 2025	Changes involving cash flows	Changes not involving cash flows			December 31, 2025
			New leases	Exchange differences on translation of foreign operations	Others	
Short-term borrowings and commercial papers	395,762	(204,264)	-	-	-	191,498
Long-term borrowings (including current portion)	648,666	287,246	-	(13)	-	935,893
Bonds (including current portion)	478,744	(255,330)	-	-	-	223,414
Lease liabilities (Note)	794,976	(151,462)	73,784	6,307	(11,605)	712,007
Total	2,318,148	(323,810)	73,784	6,294	(11,605)	2,062,811

Note: "Others" in lease liabilities mainly represents decreases resulting from the revision of considerations due to lease modifications.

(2) Non-cash transactions

The amount of assets related to newly recognized lease transactions is as follows:

	Millions of yen		Thousands of U.S. dollars
	As of December 31, 2024	As of December 31, 2025	As of December 31, 2025
Right-of-use assets	26,823	11,320	72,258

(3) Loss of control of subsidiaries

Not applicable in the previous fiscal year and the current fiscal year.

34. Share-Based Payments

(1) Share option plan

1) Details of share option plan

The Company adopts a share option plan. Share options are granted to Directors and Corporate Officers of the Company and its subsidiaries with an aim to incentivize and motivate them to increase corporate value. All share options issued by the Company are equity-settled share-based compensation. The exercise period is specified in the allotment contract, and the options will be forfeited if they are not exercised within that period. New share options are no longer issued due to the introduction of performance-linked compensation from the fiscal year ended December 31, 2019.

Details of share options issued by the Company are as follows:

- Vesting conditions:

  Continuous service from the grant date to the vesting date (the day before the date of start of the exercise period) (The person must maintain the position of a director or an Executive Officer of the Company at the time of exercise of rights. However, this shall not apply in the case of resignation due to expiration of term of office, mandatory retirement, or when there are other justifiable reasons.)

- Exercise period:

  12 years from the first day of the month containing the day on which three years have passed since the grant date (for the FY2011 - FY2014 portion of grants) or 12 years and six months from the first day of the month containing the day on which two years and six months have passed since the grant date (for the FY2015 - FY2018 portion of grants)

Note: For the details of the share option plan, please refer to "4. Corporate Information on the Company 1. Information on the Company's shares, (2) Status of stock acquisition rights, 1) Stock option plans."

2) Number and weighted average exercise price of share options

	Fiscal year ended December 31, 2024		Fiscal year ended December 31, 2025	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
	shares	yen	shares	yen
Outstanding at beginning of period	208,000	1	184,400	1
Granted	-	-	-	-
Exercised	(23,600)	1	(22,400)	1
Forfeited	-	-	-	-
Outstanding at end of period	184,400	1	162,000	1
Exercisable at end of period	184,400	1	162,000	1

Notes:

1. The weighted average share price at the time of exercise of share options during the previous fiscal year and the current fiscal year was ¥4,096 and ¥2,431($15.52), respectively.
2. The exercise price of share options outstanding as of the end of the previous fiscal year and the current fiscal year was both ¥1.
3. The weighted average remaining contract years of share options outstanding as of the end of the previous fiscal year and the current fiscal year were 6.2 years and 5.3 years, respectively.

3) Share-based payment expenses

No expenses were incurred in the previous and current fiscal years, as no new share options have been issued since the fiscal year ended December 31, 2019 and the vesting of outstanding share options had been completed by the end of the fiscal year ended December 31, 2021.

(2) Performance-linked share compensation plan

1) Details of performance-linked share compensation plan

The Company adopts a performance share unit plan under which shares in the Company or money are granted according to the rate of achievement of several predetermined evaluation indicators and other factors. This plan provides an effective incentive for generating and maintaining corporate value over the long term and is designed to encourage its personnel to share with its shareholders an awareness of the importance of sustainably generating profits.

Each fiscal year, the Company grants share units (one unit = one share) to eligible members (Corporate Executive Officers, Officers, and employees). Multiple evaluation indicators are determined in advance, with three fiscal years, including the fiscal year subject to grant, set as the period subject to evaluation. After the end of the evaluation period, the Company calculates a payout ratio within the range of 50% to 150% based on the achievement rate of each evaluation indicator. After adjusting the number of share units based on the payout ratio, the Company grants monetary compensation claims and money for the delivery of the Company's ordinary shares in proportion to the number of such share units to each grantee. All such monetary compensation claims are to be contributed in kind in order to deliver the Company's ordinary shares to each grantee.

2) Method of measuring the fair unit price of the Company's shares granted during the period based on the performance-linked share compensation plan

The fair value of the Company's shares granted during the period is determined based on the share price on the grant date.

The number of share units granted during the period and their fair values are as follows:

	As of December 31, 2024	As of December 31, 2025	As of December 31, 2025
Number of units granted during the period (units)	241,263	415,186	
Weighted average fair value (yen/ U.S. dollars)	5,732	3,324	21.22

3) Share-based payment expenses

Share-based payment expenses included in "Selling, general and administrative expenses" in the consolidated statement of profit or loss are as follows:

		Millions of yen	Thousands of U.S. dollars
	As of December 31, 2024	As of December 31, 2025	As of December 31, 2025
Equity-settled	1,032	1,484	9,473
Cash-settled	0	142	906

Total liabilities arising from share-based payment transactions are as follows:

		Millions of yen	Thousands of U.S. dollars
	As of December 31, 2024	As of December 31, 2025	As of December 31, 2025
Total carrying amount of liabilities	645	710	4,532
Total intrinsic value of vested liabilities	645	710	4,532

35. Financial Instruments

(1) Capital management

The Group's basic capital management policy is to endeavor to maintain its shareholders' equity at an appropriate level as well as to improve its capital efficiency in order to achieve sustainable growth and maximize its corporate value.

Major indicators used by the Group to manage its capital are net debt-to-EBITDA ratio, net debt-to-equity ratio, return on equity (hereinafter "ROE"), and return on invested capital (hereinafter "ROIC").

The Group's net debt-to-EBITDA ratio, net debt-to-equity ratio, ROE, and ROIC are as follows:

	As of December 31, 2024	As of December 31, 2025
Net debt-to-EBITDA ratio (times) (Note 1)	1.29	0.98
Net debt-to-equity ratio (times) (Note 2)	0.18	0.16
ROE (%) (Note 3)	(1.7)	(6.6)
ROIC (%) (Note 4)	0.6	(2.0)

Notes:

1. (Interest-bearing debt (excluding lease liabilities) - Cash and cash equivalents - Time deposits with maturities exceeding 3 months) / EBITDA
   EBITDA = Core operating profit + Depreciation and amortization (excluding depreciation of right-of-use assets)
2. (Interest-bearing debt (excluding lease liabilities) - Cash and cash equivalents - Time deposits with maturities exceeding 3 months) / Equity attributable to owners of parent
3. Profit attributable to owners of parent / Equity attributable to owners of parent (average of the beginning and ending balances)
4. Operating profit × (1 - Tax rate*) / (Interest-bearing debt (average of the beginning and the ending balances, including lease liabilities) + Equity attributable to owners of parent (average of the beginning and the ending balances))
   *The statutory tax rate is used.

The Group is not subject to any significant capital restrictions (excluding the Companies Act and other general regulations).

(2) Financial risk management

The Group is exposed to financial risks (credit risk, liquidity risk, and market risk) in the course of its business activities. To mitigate such financial risks, the Group conducts risk management in accordance with certain policies. The Group limits its investment to short-term deposits and securities, and other similar instruments, and has a policy to use bank borrowings, commercial papers, bonds, and other instruments to procure funds. The Group uses derivatives to avoid the risk of foreign exchange fluctuations of foreign currency-denominated receivables and payables and the risk of fluctuation of borrowing interest rates. The Group limits the use of derivatives to the extent of the balance of receivables and payables and actual demand, and does not engage in speculative transactions. The Group executes and manages derivatives in accordance with the internal rules and regulations that prescribe transaction authority.

1) Credit risk management

Credit risk is the risk that a counterparty to a financial asset held by the Group will default on its contractual obligations, resulting in a financial loss to the Group. Credit risk arises principally from the Group's receivables from customers, loans receivable, and derivatives.

The Group manages due dates and outstanding balances for each counterparty and periodically monitors the credit status of major counterparties. The Group does not have any credit risk overly concentrated in a specific counterparty or a group to which such counterparty belongs.

To mitigate counterparty risk associated with the use of derivatives, the Group enters into derivative contracts only with highly creditworthy financial institutions and other such counterparties.

The carrying amount of impaired financial assets presented in the consolidated financial statements represents the maximum exposure of the Group's financial assets to credit risk, without taking into account the assessed value of collateral obtained.

Fluctuation analysis of provision for doubtful accounts

The changes in provision for doubtful accounts related to trade receivables are as follows:

	Millions of yen	Millions of yen
	Lifetime expected credit losses for trade receivables	Expected Credit losses for Long-term loans receivable with significantly increased credit risk
Balance as of January 1, 2024	3,919	-
Increase during period	607	12,784
Decrease during period (intended use)	(1,178)	-
Decrease during period (reversal)	(71)	-
Other changes	608	454
Balance as of December 31, 2024	3,885	13,239
Increase during period	2,341	851
Decrease during period (intended use)	(447)	-
Decrease during period (reversal)	(564)	-
Other changes	472	24
Balance as of December 31, 2025	5,687	14,116

	Thousands of U.S. dollars	Thousands of U.S. dollars
	Lifetime expected credit losses for trade receivables	Expected Credit losses for Long-term loans receivable with significantly increased credit risk
Balance as of December 31, 2024	24,799	84,508
Increase during period	14,943	5,432
Decrease during period (intended use)	(2,853)	-
Decrease during period (reversal)	(3,600)	-
Other changes	3,013	153
Balance as of December 31, 2025	36,302	90,106

There are no financial assets that were directly written off in the previous fiscal year but for which collection activities are ongoing. Long-term loans receivable is a seller note issued for divestiture of three prestige makeup brands, and classified as financial assets measured at amortized cost. Due to the increased credit risk for the previous fiscal year, we recognized a loss allowance.

A maturity analysis of the carrying amount of trade receivables and the corresponding loss allowance is as follows: For financial assets other than trade receivables, there are no items that are materially past due. For financial assets other than trade receivables and Long-term loans receivable, there are no items that have significant credit risk exposure.

Previous fiscal year (As of December 31, 2024)

Millions of yen

	Not yet due	Past due				Total
		Within 30 days	Over 30 days	Over 60 days	Over 90 days	
Trade receivables	132,319	6,177	3,827	2,691	5,705	150,720
Loss allowance	220	22	40	6	3,595	3,885

Current fiscal year (As of December 31, 2025)

Millions of yen

	Not yet due	Past due				Total
		Within 30 days	Over 30 days	Over 60 days	Over 90 days	
Trade receivables	144,277	7,936	3,482	1,433	5,579	162,708
Loss allowance	211	103	732	297	4,341	5,687

Thousands of U.S. dollars

	Not yet due	Past due				Total
		Within 30 days	Over 30 days	Over 60 days	Over 90 days	
Trade receivables	920,956	50,657	22,226	9,147	35,612	1,038,606
Loss allowance	1,347	657	4,673	1,896	27,710	36,302

2) Liquidity risk management

Liquidity risk is the risk that the Group is unable to perform the repayment obligations of financial liabilities on their due dates.

The Group strives to generate stable operating cash flows and secure a wide range of financing sources, while always seeking to appropriately secure adequate funds for its business activities, maintain liquidity, and achieve a sound financial condition. The Group limits its fund investments to short-term deposits and securities, and other similar instruments.

The Group manages its liquidity risk mainly by preparing and updating a cash management plan on a monthly basis.

The balances of financial liabilities (including derivative financial instruments) by due date are as follows. All financial liabilities included in current liabilities other than those listed below are due within one year and their carrying amounts are equal to the contractual cash flows, and therefore, they are not included in the table below.

Previous fiscal year (As of December 31, 2024)

Millions of yen

	Carrying amount	Contractual cash flow	Due within 1 year	Due after 1-2 years	Due after 2-3 years	Due after 3-4 years	Due after 4-5 years	Due after 5 years
Non-derivative financial liabilities								
Borrowings	163,620	165,661	67,537	685	45,652	36,476	105	15,205
Bonds	75,000	76,134	40,286	260	20,254	170	15,161	-
Lease liabilities	124,541	128,477	22,158	18,518	14,731	13,622	12,607	46,839
Long-term accounts payable-other (including current portion)	22,382	24,445	3,254	19,202	791	751	231	215
Derivative financial liabilities								
Derivative liabilities	2,921	2,921	2,921	-	-	-	-	-

Notes:

1. Receivables and payables arising from derivatives are presented on a net basis.
2. The above amounts of liabilities are presented as the sum of current liabilities and non-current liabilities.

Current fiscal year (As of December 31, 2025)

Millions of yen

	Carrying amount	Contractual cash flow	Due within 1 year	Due after 1-2 years	Due after 2-3 years	Due after 3-4 years	Due after 4-5 years	Due after 5 years
Non-derivative financial liabilities								
Borrowings	176,617	182,076	31,601	46,537	37,284	8,723	27,663	30,266
Bonds	35,000	35,848	260	20,254	170	15,161	-	-
Lease liabilities	111,543	116,659	20,808	16,671	14,800	14,074	10,361	39,944
Long-term accounts payable-other (including current portion)	19,286	20,290	18,334	763	755	222	43	170
Derivative financial liabilities								
Derivative liabilities	703	703	703	-	-	-	-	-

Thousands of U.S. dollars

	Carrying amount	Contractual cash flow	Due within 1 year	Due after 1-2 years	Due after 2-3 years	Due after 3-4 years	Due after 4-5 years	Due after 5 years
Non-derivative financial liabilities								
Borrowings	1,127,391	1,162,907	201,717	297,057	237,993	55,681	176,580	193,195
Bonds	223,414	228,827	1,660	129,286	1,085	96,776	-	-
Lease liabilities	712,007	744,664	132,823	106,415	94,472	89,838	66,137	254,973
Long-term accounts payable-other (including current portion)	123,107	129,516	117,031	4,870	4,819	1,417	274	1,085
Derivative financial liabilities								
Derivative liabilities	4,487	4,487	4,487	-	-	-	-	-

Notes:
1. Receivables and payables arising from derivatives are presented on a net basis.
2. The above amounts of liabilities are presented as the sum of current liabilities and non-current liabilities.

3) Market risk management

The Group is exposed to risks associated with market fluctuations such as foreign exchange fluctuations and interest rate fluctuations in the course of its business activities. To appropriately manage these market risks, the Group may use derivatives, including foreign exchange forward contracts, currency swap contracts, and interest rate swap contracts. The Group executes and manages derivatives in accordance with the internal rules and regulations that prescribe transaction authority. The Group does not use derivatives for speculative purposes. Therefore, changes in the fair value of derivatives held by the Company generally have the effect of offsetting changes in the fair value or cash flows of the corresponding transactions.

(i) Foreign exchange risk

The Group is engaged in business on a global scale and therefore is exposed to the risk of foreign exchange fluctuations of foreign currency-denominated receivables and payables mainly arising from foreign currency transactions. The risk of foreign exchange fluctuations associated with foreign currency transactions are hedged using derivatives (foreign exchange forward contracts and foreign currency options) to mitigate its impact on operating results.

The Group's net exposures to foreign exchange fluctuation risk associated with receivables and payables denominated in the major foreign currencies of the US dollar, Euro, and Chinese yuan that it held at the end of each fiscal year are as follows: The following table excludes the amounts for which foreign exchange fluctuation risk is hedged by derivatives.

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended December 31, 2024	Fiscal year ended December 31, 2025	Fiscal year ended December 31, 2025
US dollar	13,775	11,241	71,754
Euro	1,484	959	6,122
Chinese yuan	(202)	(1,846)	(11,783)

For foreign currency-denominated receivables and payables held by the Group at the end of each fiscal year, the effect of a 10% appreciation of the Japanese yen on profit before tax in the consolidated statement of profit or loss is as follows:

This analysis does not include the effects of translating financial instruments denominated in functional currencies as well as assets and liabilities, and income and expenses of foreign operations into the Japanese yen. It also assumes that currencies other than the respective currencies used in the calculations remain constant.

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended December 31, 2024	Fiscal year ended December 31, 2025	Fiscal year ended December 31, 2025
US dollar	(1,377)	(1,124)	(7,175)
Euro	(148)	(95)	(606)
Chinese yuan	20	184	1,175

(ii) Interest rate risk management

The Group is exposed to various interest rate fluctuation risks in its business activities. Among interest-bearing debts, short-term borrowings and commercial papers are primarily used to procure funds for operating transactions, whereas long-term borrowings, bonds, and lease liabilities are primarily used to procure funds for investments and loans, capital expenditures, and operating transactions. Since floating-rate borrowings are exposed to interest rate fluctuation risk, the Group hedges interest rate fluctuation risk by using derivatives instruments such as interest rate swaps for each individual contract, as necessary. Therefore, exposure to the interest rate fluctuation risk of the Group is limited, and the impact on the interest rate fluctuation is determined to be immaterial.

(3) Fair value of financial instruments

Financial instruments measured at fair value are classified into the following three levels according to the observability and materiality of inputs used to measure such financial instruments.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Fair value measured by directly or indirectly using observable prices, other than level 1 prices

Level 3: Fair value measured using valuation techniques that incorporate unobservable inputs

1) Methods of fair value measurement

The methods of measuring the fair value of financial instruments are as follows:

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

The fair value of these instruments is measured at their carrying amount as their fair value approximates their carrying amount because of their short settlement periods.

(Other financial assets, other financial liabilities)

Of the financial assets measured at fair value through other comprehensive income and the financial assets measured at fair value through profit or loss, listed shares are measured at the quoted market price at the fiscal year-end, whereas unlisted shares and investments in capital are primarily measured using the discounted cash flow (hereinafter "DCF") method.

Other financial assets measured at amortized cost mainly include long-term loans receivable, and leasehold and guarantee deposits. Other financial liabilities measured at amortized cost mainly include long-term accounts payable-other. For the fair value of long-term loans receivable, there has been a change in valuation technique from measurement at the present value of future cash flows discounted at the current market interest rate, etc. to measurement using the option pricing model with equity volatility, risk free rates, etc. as inputs for the current fiscal year due to the increased credit risk. The fair value of leasehold and guarantee deposits, and long-term accounts payable-other is measured at the present value of future cash flows discounted at the current market interest rate, etc. The fair value of financial assets and financial liabilities measured at amortized cost that have short settlement periods is measured at the carrying amount as their fair value approximates their carrying amount.

Of the derivatives that are either financial assets or financial liabilities measured at fair value through profit or loss, foreign exchange forward contracts and interest rate swap contracts are measured based on forward foreign exchange rates provided by counterparty financial institutions or interest rates of interest rate swap contracts, etc. at the end of the accounting period. Sold call option liabilities for investments accounted for using equity method are calculated using the binomial model based on the fair value of the underlying share, time to maturity, volatility, and other factors.

(Bonds and borrowings)

The fair value of short-term borrowings is measured at their carrying amount as their fair value approximates their carrying amount because of their short settlement periods.

The fair value of long-term borrowings with floating interest rates is measured at their carrying amount as their fair value reflects the market interest rates within a short period of time and therefore approximates their carrying amount.

The fair value of long-term borrowings with fixed interest rates is measured at the present value of future cash flows discounted at an interest rate assumed to be applied if similar contracts were newly executed.

The fair value of bonds is measured based on quoted market prices, etc.

2) Financial instruments measured at amortized cost

The carrying amount and the fair value of financial instruments measured at amortized cost are as follows: The table below does not include financial instruments whose fair value closely approximates their carrying amount.

	Millions of yen				Thousands of U.S. dollars	
	As of December 31, 2024		As of December 31, 2025		As of December 31, 2025	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Assets:						
Other financial assets						
Leasehold and guarantee deposits	23,150	16,065	22,221	13,086	141,842	83,531
Long-term loans receivable	43,142	31,791	47,822	33,102	305,260	211,298
Total	66,293	47,857	70,044	46,188	447,108	294,830

Note: Leasehold and guarantee deposits are classified as level 2 in the fair value hierarchy. Long-term loans receivable are classified as level 3 in the fair value hierarchy.

3) Financial instruments measured at fair value

The fair value hierarchy of financial instruments measured at fair value is as follows:

Previous fiscal year (As of December 31, 2024)

Millions of yen

	Level 1	Level 2	Level 3	Total
Assets:				
Financial assets measured at fair value through profit or loss				
Other financial assets				
Derivatives	-	2,533	-	2,533
Investments in capital	-	-	4,604	4,604
Others	83	-	3,601	3,684
Financial assets measured at fair value through other comprehensive income				
Other financial assets				
Shares and investments in capital	3,586	160	4,971	8,718
Total	3,669	2,693	13,177	19,540
Liabilities:				
Financial liabilities measured at fair value through profit or loss				
Other financial liabilities				
Derivatives	-	2,921	-	2,921
Total	-	2,921	-	2,921

Current fiscal year (As of December 31, 2025)

Millions of yen

	Level 1	Level 2	Level 3	Total
Assets:				
Financial assets measured at fair value through profit or loss				
Other financial assets				
Derivatives	-	333	-	333
Investments in capital	-	-	4,715	4,715
Others	91	-	3,785	3,876
Financial assets measured at fair value through other comprehensive income				
Other financial assets				
Shares and investments in capital	3,387	68	5,130	8,586
Total	3,478	402	13,631	17,512
Liabilities:				
Financial liabilities measured at fair value through profit or loss				
Other financial liabilities				
Derivatives	-	703	-	703
Total	-	703	-	703

Current fiscal year (As of December 31, 2025)

Thousands of U.S. dollars

	Level 1	Level 2	Level 3	Total
Assets:				
Financial assets measured at fair value through profit or loss				
Other financial assets				
Derivatives	-	2,126	-	2,126
Investments in capital	-	-	30,097	30,097
Others	581	-	24,161	24,741
Financial assets measured at fair value through other comprehensive income				
Other financial assets				
Shares and investments in capital	21,620	434	32,746	54,807
Total	22,201	2,566	87,010	111,783
Liabilities:				
Financial liabilities measured at fair value through profit or loss				
Other financial liabilities				
Derivatives	-	4,487	-	4,487
Total	-	4,487	-	4,487

Transfers between levels of the fair value hierarchy were recognized on the date the event or change in circumstances giving rise to the transfer occurred. No transfer was made between level 1 and level 2 of the fair value hierarchy in the previous and current fiscal years.

4) Information on fair value measurement of financial instruments categorized as level 3

Financial instruments categorized as level 3 mainly consist of unlisted shares, investments in capital and written call option liabilities for investments accounted for using equity method. Fair value of unlisted shares and investments in capital is measured primarily using the DCF method. Written call option liabilities for investments accounted for using equity method are calculated using the binomial model based on the fair value of the underlying share, time to maturity, volatility, and other inputs.

The fair value of financial instruments categorized as level 3 is measured in accordance with the group accounting policy and accounting guidelines using valuation techniques that appropriately reflect the nature, characteristics, and risk of the financial instruments, as well as using cash flows and other inputs. The valuation and the analysis of the valuation results are performed by the members in charge of the responsible department. The valuation results are reviewed and approved by the head of the responsible department.

For financial instruments categorized as level 3, no significant change in their fair value is expected if any of the unobservable inputs is changed to reflect reasonably possible alternative assumptions.

5) Reconciliation of financial instruments categorized as level 3

Changes in the balances of financial instruments categorized as level 3 from the beginning to the end of each fiscal year are as follows:

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

			Millions of yen
	Financial assets measured at fair value through other comprehensive income	Financial assets measured at fair value through profit or loss	Financial liabilities measured at fair value through profit or loss
Beginning balance	4,754	7,626	515
Total gains and losses			
Profit or loss (Note 1)	-	(64)	(515)
Other comprehensive income (Note 2)	215	-	-
Purchase	-	391	-
Sale	(3)	(17)	-
Transfer from level 3 (Note 3)	(0)	-	-
Others	5	269	-
Ending balance	4,971	8,205	-

Current fiscal year (From January 1, 2025 to December 31, 2025)

	Millions of yen			Thousands of U.S. dollars		
	Financial assets measured at fair value through other comprehensive income	Financial assets measured at fair value through profit or loss	Financial liabilities measured at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income	Financial assets measured at fair value through profit or loss	Financial liabilities measured at fair value through profit or loss
Beginning balance	4,971	8,205	-	31,731	52,375	-
Total gains and losses						
Profit or loss (Note 1)	-	(14)	-	-	(89)	-
Other comprehensive income (Note 2)	243	-	-	1,551	-	-
Purchase	61	93	-	389	594	-
Sale	(136)	(30)	-	(868)	(191)	-
Others	(9)	246	-	(57)	1,570	-
Ending balance	5,130	8,500	-	32,746	54,258	-

Notes:

1. The amounts of profit or loss are included in “Finance income” and “Finance costs” in the consolidated statement of profit or loss. The amounts attributable to changes in unrealized gains or losses related to financial assets measured at fair value through profit or loss held as of the end of each fiscal year were ¥(64) million and ¥(14) million ($(89) thousand) for the previous and the current fiscal year, respectively.
2. The amounts of other comprehensive income are included in “Financial assets measured at fair value through other comprehensive income” in the consolidated statement of comprehensive income.
3. The transfer from Level 3 recognized in the previous fiscal year was due to the investee’s listing on the exchange.

(4) Hedge accounting

1) Risk management policy

The Group enters into derivatives for the following purposes: (i) foreign exchange forward contracts and foreign currency options to hedge the risk of foreign exchange fluctuations of foreign currency-denominated receivables and payables, and foreign currency-denominated receivables and payables that are certainly expected to arise from forecast transactions; (ii) interest rate swap contracts to hedge the risk of interest rate fluctuations associated with borrowings; and (iii) interest rate and currency swap contracts to hedge the risk of foreign exchange fluctuations and the risk of interest rate fluctuations associated with foreign currency-denominated borrowings. Of these derivatives, the Group designates interest rate swap contracts that qualify for hedge accounting as cash flow hedges and applies hedge accounting.

In applying hedge accounting, the same notional amount, term (maturity), and underlying interest rates are set for the hedging instrument and the hedged item, in principle, to maintain the effectiveness of the hedging relationship throughout the hedge period. The Group sets an appropriate hedge ratio based on the relationship between the hedging instrument and the hedged item, which is generally one-to-one.

2) Information on items designated as hedging instruments and hedged items

There were no items designated as hedging instruments and hedged items at the end of the previous fiscal year and the end of the current fiscal year.

3) Impact of the application of hedge accounting on the consolidated statement of profit or loss and the consolidated statement of comprehensive income

There were no impact of the application of hedge accounting on the consolidated statement of profit or loss and the other comprehensive income (before tax effect) for the previous fiscal year and the current fiscal year.

36. Major Subsidiaries

(1) Major subsidiaries

The information on major subsidiaries as of the end of the current fiscal year is as stated in "1. Overview of the Company 4. Information on subsidiaries and associates."

Compared to the previous fiscal year, the number of subsidiaries decreased by 7.

(2) Gains or losses associated with loss of control of subsidiaries

The amounts of gains or losses associated with loss of control of subsidiaries were immaterial in the previous and current fiscal years.

(3) Changes in ownership interests in subsidiaries that did not result in a loss of control

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

There were no material changes in ownership interests in subsidiaries that did not result in a loss of control.

Current fiscal year (From January 1, 2025 to December 31, 2025)

On November 28, 2025, the Company entered into a share purchase agreement to additionally acquire 51% of the shares owned by the non-controlling shareholders of the Company's subsidiary Shiseido (Thailand) Co. Ltd. via the Company's subsidiary Shiseido Asia Pacific Pte. Ltd., primarily for the purpose of comprehensively managing business operations in the growing market. The Company executed the procedures for the additional acquisition of shares pursuant to the agreement on December 26, 2025. As a result of this additional acquisition of shares, the voting rights held by the Group in Shiseido (Thailand) Co. Ltd. increased from 49% to 100%. As a result, capital surplus decreased by ¥7,125 million ($45,481 thousand) and non-controlling interests decreased by ¥3,387 million ($21,620 thousand).

37. Related Parties

(1) Related party transactions

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

The dividend received from FineToday Holdings Co., Ltd. (hereinafter "FTH"), which was our affiliate company at the end of the first six months of the previous fiscal year, was ¥3,616 million and the Company reduced the book value of its investment in FTH. There are no outstanding balances related to this transaction.

As a result of the transfer of all shares of FTH, the company is no longer a related party as of the end of the previous fiscal year.

Current fiscal year (From January 1, 2025 to December 31, 2025)

Not applicable.

(2) Key management personnel compensation

Compensation paid to key management personnel is as follows:

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended December 31, 2024	Fiscal year ended December 31, 2025	Fiscal year ended December 31, 2025
Short-term employee benefits	3,095	2,295	14,650
Post-retirement benefits	83	615	3,926
Share-based payments	497	594	3,792
Others	154	0	0
Total	3,831	3,505	22,373

Note: Key management personnel include our Directors, Corporate Executive Officers, the CEO of each region, and Executive Officers who are regularly involved in making important decisions for the Group.

38. Commitments

Commitments related to expenditures after the current fiscal year end as follows:

	Millions of yen		Thousands of U.S. dollars
	As of December 31, 2024	As of December 31, 2025	As of December 31, 2025
Purchase of property, plant and equipment	4,024	1,251	7,985
Purchase of intangible assets (Note)	6,076	464	2,962
Total	10,100	1,715	10,947

In addition to the above, there are no contracted lease transactions that had not commenced as of the end of the previous fiscal year and the current fiscal year.

Note: The Group has concluded a blanket contract for system development, and operation and maintenance services, for which the total contract amount has already been determined, but since the amount of consideration for part of the contract has yet to be determined, the amounts shown above refer to the contract balance.
Accordingly, the above amounts include the amounts to be expensed in future periods.

39. Significant Subsequent Events

Not applicable.

(2) Others

(Semi-annual information etc. for the current fiscal year)

Millions of yen

	Six months ended June 30, 2025	Fiscal year ended December 31, 2025
Net sales	469,831	969,992
Profit (loss) before tax	19,202	(27,715)
Profit (loss) attributable to owners of parent	9,535	(40,680)
Basic earnings (loss) per share (yen)	23.87	(101.83)

Thousands of U.S. dollars

	Six months ended June 30, 2025	Fiscal year ended December 31, 2025
Net sales	2,999,049	6,191,702
Profit (loss) before tax	122,571	(176,912)
Profit (loss) attributable to owners of parent	60,864	(259,671)
Basic earnings (loss) per share (U.S. dollars)	0.15	(0.65)

(Significant litigation)

Not applicable.

2. Non-Consolidated Financial Statements and Notes

(1) Non-Consolidated Financial Statements

1) Non-Consolidated Balance Sheet

	Notes	Millions of yen		Thousands of U.S. dollars
		As of December 31, 2024	As of December 31, 2025	As of December 31, 2025
Assets				
Current assets:				
Cash and deposits		10,803	8,255	52,694
Accounts receivable	1	80,004	98,665	629,803
Merchandise and finished goods		10,176	9,447	60,303
Work in process		5,136	4,513	28,808
Raw materials and supplies		19,051	17,454	111,413
Prepaid expenses		5,638	6,759	43,144
Short-term loans receivable	1	734	544	3,472
Accounts receivable-other	1	14,653	13,112	83,697
Deposits paid to subsidiaries and associates		49,952	67,815	432,880
Other		9,005	6,266	39,997
Allowance for doubtful accounts		(482)	(250)	(1,596)
Total current assets		204,674	232,586	1,484,655
Non-current assets:				
Property, plant and equipment:				
Buildings		102,681	97,438	621,971
Structures		3,530	3,177	20,280
Machinery and equipment		53,866	55,078	351,577
Vehicles		99	131	836
Tools, furniture and fixtures		9,096	8,526	54,424
Land		34,889	35,033	223,624
Leased assets		1,927	1,325	8,458
Construction in progress		3,742	1,755	11,203
Total property, plant and equipment		209,833	202,467	1,292,398
Intangible assets:				
Patent right		8	6	38
Telephone subscription right		97	97	619
Software		48,734	57,025	364,005
Software in progress		11,864	1,089	6,951
Leased assets		28	16	102
Other		410	194	1,238
Total intangible assets		61,145	58,429	372,967

	Notes	Millions of yen		Thousands of U.S. dollars
		As of December 31, 2024	As of December 31, 2025	As of December 31, 2025
Investments and other assets:				
Investment securities		3,222	3,714	23,707
Shares of subsidiaries and associates		388,730	218,773	1,396,483
Investments in other securities of subsidiaries and associates		27,150	27,150	173,305
Investments in capital		110	78	498
Investments in capital of subsidiaries and associates		13,164	13,164	84,029
Long-term loans receivable	1	544	734	4,685
Long-term prepaid expenses		903	249	1,589
Deferred tax assets		21,392	17,436	111,298
Other		5,367	4,967	31,706
Allowance for doubtful accounts		-	(385)	(2,458)
Total investments and other assets		460,586	285,885	1,824,876
Total non-current assets		731,565	546,782	3,490,246
Total assets		936,240	779,368	4,974,901

	Notes	Millions of yen		Thousands of U.S. dollars
		As of December 31, 2024	As of December 31, 2025	As of December 31, 2025
Liabilities				
Current liabilities:				
Electronically recorded obligations-operating		21,944	15,256	97,383
Accounts payable - trade	1	8,183	7,668	48,947
Short-term borrowings		62,000	30,000	191,498
Current portion of long-term borrowings		5,000	-	-
Current portion of bonds payable		40,000	-	-
Lease liabilities		1,038	871	5,560
Accounts payable - other	1	24,367	19,080	121,792
Accrued expenses	1	2,079	2,180	13,915
Income taxes payable		657	514	3,281
Deposits received		1,215	506	3,230
Deposits received from subsidiaries and associates		105,760	111,214	709,907
Provision for bonuses		3,919	6,418	40,968
Provision for bonuses for directors (and other officers)		147	150	957
Provision for structural reform		-	2,024	12,920
Other	1	15,309	15,920	101,621
Total current liabilities		291,625	211,805	1,352,004
Non-current liabilities:				
Bonds payable		35,000	35,000	223,414
Long-term borrowing		96,000	146,000	931,955
Lease liabilities		954	502	3,204
Provision for retirement benefits		2,128	121	772
Provision for loss on guarantees		350	350	2,234
Asset retirement obligations		387	390	2,489
Other		1,432	1,482	9,460
Total non-current liabilities		136,252	183,846	1,173,535
Total liabilities		427,877	395,652	2,525,546

	Notes	Millions of yen		Thousands of U.S. dollars
		As of December 31, 2024	As of December 31, 2025	As of December 31, 2025
Net assets				
Shareholders' equity:				
Share capital		64,506	64,506	411,758
Capital surplus:				
Legal capital surplus		70,258	70,258	448,474
Total capital surplus		70,258	70,258	448,474
Retained earnings:				
Legal retained earnings		16,230	16,230	103,600
Other retained earnings:				
Reserve for tax purpose reduction entry of non-current assets		4,850	4,906	31,316
Retained earnings brought forward		353,606	228,183	1,456,549
Total retained earnings		374,687	249,320	1,591,472
Treasury shares		(2,325)	(1,868)	(11,924)
Total shareholders' equity		507,126	382,217	2,439,787
Valuation and translation adjustments:				
Valuation difference on available-for-sale securities		588	917	5,853
Total valuation and translation adjustments		588	917	5,853
Share acquisition rights		647	581	3,709
Total net assets		508,363	383,716	2,449,355
Total liabilities and net assets		936,240	779,368	4,974,901

2) Non-Consolidated Statement of Income

	Notes	Millions of yen		Thousands of U.S. dollars
		Fiscal year ended December 31, 2024	Fiscal year ended December 31, 2025	Fiscal year ended December 31, 2025
Net sales	1	245,678	254,754	1,626,159
Cost of sales	1	139,880	134,358	857,641
Gross profit		105,797	120,396	768,518
Selling, general and administrative expenses	1, 2	108,393	107,593	686,793
Operating profit (loss)		(2,595)	12,802	81,718
Non-operating income				
Interest income	1	2,510	2,373	15,147
Dividend income	1	16,342	63,070	402,592
Foreign exchange gains		654	-	-
Gain on investments in investment partnerships	1	1,649	1,654	10,558
Royalty income	1	1,107	905	5,777
Other	1	3,038	2,051	13,092
Total non-operating income		25,303	70,055	447,179
Non-operating expenses				
Interest expenses	1	3,762	3,770	24,065
Interest expenses on bonds		141	215	1,372
Loss on investments in investment partnerships		361	322	2,055
Provision of allowance for doubtful accounts		286	153	977
Foreign exchange losses		-	1,391	8,879
Other		122	243	1,551
Total non-operating expenses		4,675	6,095	38,906
Ordinary profit		18,032	76,763	489,997
Extraordinary income				
Gain on sale of non-current assets		65	9	57
Gain on sale of investment securities		0	-	-
Gain on liquidation of subsidiaries and associates		-	471	3,007
Gain on sale of shares of subsidiaries and associates	3	12,755	-	-
Gain on extinguishment of tie-in shares		-	205	1,309
Gain on cancellation of leases		3	-	-
Total extraordinary income		12,825	687	4,385
Extraordinary losses				
Loss on disposal of non-current assets		633	3,844	24,537
Impairment losses		136	183	1,168
Structural reform expenses	1, 4	1,822	2,851	18,199
Loss on valuation of shares of subsidiaries and associates	5	1,500	181,329	1,157,468
Loss on sale of investment securities		-	5	32
Loss on cancellation of leases		-	0	0
Total extraordinary losses		4,092	188,214	1,201,417
Profit (loss) before income taxes		26,765	(110,764)	(707,034)
Income taxes - current		905	(1,495)	(9,543)
Income taxes - deferred		4,336	3,765	24,033
Total income taxes		5,242	2,269	14,484
Net profit (loss)		21,523	(113,034)	(721,524)

[Details of manufacturing cost]

Classification		Fiscal year ended December 31, 2024		Fiscal year ended December 31, 2025		
		Millions of yen	% of Total	Millions of yen	Thousands of U.S. dollars	% of Total
I	Raw material costs (Note 1)	67,590	56.2	68,221	435,472	57.2
II	Labor costs	18,644	15.5	19,164	122,329	16.1
III	Other expenses (Note 2)	34,038	28.3	31,913	203,709	26.8
	Total manufacturing expenses for the current period	120,272	100.0	119,299	761,515	100.0
	Work in process inventory at the beginning of the period	5,585		5,136	32,784	
	Total	125,858		124,436	794,306	
	Work in process inventory at the end of the period	5,136		4,513	28,808	
	Cost of products manufactured for the current period	120,721		119,923	765,499	

Notes:

1. Outsourced processing expenses included in raw material costs were ¥9,039 million for the previous fiscal year and ¥8,038 million ($51,309 thousand) for the current fiscal year.
2. A breakdown of other expenses is as follows:

Items	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended December 31, 2024	Fiscal year ended December 31, 2025	Fiscal year ended December 31, 2025
Depreciation	10,579	10,800	68,939
Outsourced processing expenses	8,453	7,635	48,736
Packing and shipping expenses	2,441	2,616	16,699

(Method of Cost Accounting)

The Company has adopted the simple process cost accounting system based on standard cost, and the cost variance is allocated to the cost of sales, finished goods and work in process at year-end.

3) Non-Consolidated Statement of Changes in Equity

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

Millions of yen

	Shareholders' equity							
		Capital surplus			Retained earnings			
						Other retained earnings		
	Share capital	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Reserve for tax purpose reduction entry of non-current assets	Retained earnings brought forward	Total retained earnings
Balance at beginning of period	64,506	70,258	17	70,275	16,230	4,795	356,134	377,160
Changes during period								
Dividends of surplus							(23,981)	(23,981)
Net profit (loss)							21,523	21,523
Provision of reserve for tax purpose reduction entry						55	(55)	-
Purchase of treasury shares								
Disposal of treasury shares			(17)	(17)			(15)	(15)
Other								
Net changes of items other than shareholders' equity								
Total changes during period	-	-	(17)	(17)	-	55	(2,528)	(2,473)
Balance at end of period	64,506	70,258	-	70,258	16,230	4,850	353,606	374,687

	Shareholders' equity		Valuation and translation adjustments		Share acquisition rights	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of period	(1,591)	510,351	441	441	716	511,508
Changes during period						
Dividends of surplus		(23,981)				(23,981)
Net profit (loss)		21,523				21,523
Provision of reserve for tax purpose reduction entry		-				-
Purchase of treasury shares	(1,047)	(1,047)				(1,047)
Disposal of treasury shares	313	280				280
Other		-				-
Net changes of items other than shareholders' equity		-	147	147	(68)	79
Total changes during period	(734)	(3,225)	147	147	(68)	(3,145)
Balance at end of period	(2,325)	507,126	588	588	647	508,363

Current fiscal year (From January 1, 2025 to December 31, 2025)

Millions of yen

	Shareholders' equity							
		Capital surplus			Retained earnings			
						Other retained earnings		
	Share capital	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Reserve for tax purpose reduction entry of non-current assets	Retained earnings brought forward	Total retained earnings
Balance at beginning of period	64,506	70,258	-	70,258	16,230	4,850	353,606	374,687
Changes during period								
Dividends of surplus							(11,984)	(11,984)
Net profit (loss)							(113,034)	(113,034)
Provision of reserve for tax purpose reduction entry						55	(55)	-
Purchase of treasury shares								
Disposal of treasury shares							(176)	(176)
Other							(171)	(171)
Net changes of items other than shareholders' equity								
Total changes during period	-	-	-	-	-	55	(125,422)	(125,366)
Balance at end of period	64,506	70,258	-	70,258	16,230	4,906	228,183	249,320

	Shareholders' equity		Valuation and translation adjustments		Share acquisition rights	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustment		
Balance at beginning of period	(2,325)	507,126	588	588	647	508,363
Changes during period						
Dividends of surplus		(11,984)				(11,984)
Net profit (loss)		(113,034)				(113,034)
Provision of reserve for tax purpose reduction entry		-				-
Purchase of treasury shares	(2)	(2)				(2)
Disposal of treasury shares	459	283				283
Other		(171)				(171)
Net changes of items other than shareholders' equity		-	328	328	(66)	262
Total changes during period	457	(124,909)	328	328	(66)	(124,646)
Balance at end of period	(1,868)	382,217	917	917	581	383,716

Thousands of U.S. dollars

	Shareholders' equity							
		Capital surplus			Retained earnings			
						Other retained earnings		
	Share capital	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Reserve for tax purpose reduction entry of non-current assets	Retained earnings brought forward	Total retained earnings
Balance at beginning of period	411,758	448,474	-	448,474	103,600	30,959	2,257,156	2,391,721
Changes during period								
Dividends of surplus							(76,497)	(76,497)
Net profit (loss)							(721,524)	(721,524)
Provision of reserve for tax purpose reduction entry						351	(351)	-
Purchase of treasury shares								
Disposal of treasury shares							(1,123)	(1,123)
Other							(1,092)	(1,092)
Net changes of items other than shareholders' equity								
Total changes during period	-	-	-	-	-	351	(800,600)	(800,243)
Balance at end of period	411,758	448,474	-	448,474	103,600	31,316	1,456,549	1,591,472

	Shareholders' equity		Valuation and translation adjustments		Share acquisition rights	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments and others		
Balance at beginning of period	(14,841)	3,237,112	3,753	3,753	4,130	3,245,008
Changes during period						
Dividends of surplus		(76,497)				(76,497)
Net profit (loss)		(721,524)				(721,524)
Provision of reserve for tax purpose reduction entry		-				-
Purchase of treasury shares	(13)	(13)				(13)
Disposal of treasury shares	2,930	1,806				1,806
Other		(1,092)				(1,092)
Net changes of items other than shareholders' equity		-	2,094	2,094	(421)	1,672
Total changes during period	2,917	(797,325)	2,094	2,094	(421)	(795,647)
Balance at end of period	(11,924)	2,439,787	5,853	5,853	3,709	2,449,355

Notes to Non-Consolidated Financial Statements

(Significant accounting policies)

1. Valuation standards and methods for securities

(1) Shares of subsidiaries and associates

Shares of subsidiaries and associates are valued at cost determined by the moving-average method.

(2) Available-for-sale securities

1) Other than non-marketable equity securities

Market value method

(Unrealized gains and losses are included directly in net assets, and the cost of securities sold is determined primarily by the moving-average method.)

Securities that have the same characteristics as deposits are valued at cost determined by the moving-average method.

2) Non-marketable equity securities

Cost method determined by the moving-average method

However, investments in limited liability investment partnerships, etc. are recorded as securities at the amount equivalent to the Company's interest in the assets of the partnerships, etc., and the Company's interest in the profits or losses earned by the partnerships, etc. from operations is recognized in profit or loss.

2. Valuation standards and methods for inventories

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

3. Depreciation of non-current assets

(1) Property, plant and equipment (excluding leased assets)

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

Buildings:	2–50 years
Structures:	7–50 years
Machinery and equipment:	2–15 years
Vehicles:	3–7 years
Tools, furniture and fixtures:	2–15 years

(2) Intangible assets (excluding leased assets)

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

Software:	5–15 years

(3) Leased assets

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

(4) Long-term prepaid expenses

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

4. Provisions

(1) Allowance for doubtful accounts

The Company provides an allowance for doubtful accounts based on historical loss ratios as compared to the balance of total receivables for the general receivables and the estimate on an individual basis for the doubtful receivables.

(2) Provision for bonuses

The Company provides accrued bonuses for employees based on the estimated amounts to be paid for the fiscal year. This provision includes bonuses for Executive Officers who are not Corporate Executive Officers, for whom the calculations are the same as those for provision for bonuses for directors (and other officers).

(3) Provision for bonuses for directors (and other officers)

The Company provides accrued bonuses for Corporate Executive Officers who concurrently serve as Executive Officers based on the estimated amounts to be paid for the fiscal year.

(4) Provision for structural reform

The Company provides accrued expenses (losses) related to structural reforms based on the amount of losses expected to be incurred in the future.

(5) Provision for retirement benefits

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

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

Past service cost is amortized by the straight-line method over a fixed number of years (10 years) within the average remaining years of service of the eligible employees.

Actuarial gain or loss is amortized from the following year on a straight-line basis over a fixed number of years (10 years) within the average remaining years of service of the eligible employees.

(6) Allowance for losses on guarantees

The Company provides an allowance for estimated probable losses on guarantees based on the financial status of the parties for which guarantees have been provided.

5. Methods of hedge accounting

Deferred hedge accounting is applied. With regard to interest and currency swaps that meet the requirements for special accounting treatment ("tokurei-shori," exceptional accounting, and "furiate-shori," deferral hedge accounting), special accounting treatment is employed.

6. Recognition of revenues and expenses

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

7. Other significant accounting policies for preparation of the non-consolidated financial statements

(1) Application of the group tax sharing system

The Company has applied the group tax sharing system.

(2) Accounting treatment related to retirement benefits

The method of accounting for unrecognized actuarial gain or loss and unrecognized past service cost related to retirement benefits is different from the method adopted in the consolidated financial statements.

(3) Functional currency and presentation currency

Amounts in U.S. dollars are included solely for the convenience of the reader. The rate of ¥156.66 = US$1 prevailing on December 31, 2025 has been used in translating the non-consolidated financial statements expressed in Japanese yen into U.S. dollars. Such translations should not be construed as representations that the Japanese yen amounts could be readily converted, realized or settled in U.S. dollars at this rate. Fractions resulting from the translations are rounded.

(Significant accounting estimates)

(Valuation of shares of subsidiaries and associates in connection with Shiseido Americas Corp. (hereinafter "Shiseido America"))

(1) The amount recorded in the non-consolidated financial statements for the current fiscal year

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year (As of December 31, 2024)	Current fiscal year (As of December 31, 2025)	Current fiscal year (As of December 31, 2025)
Shares of subsidiaries and associates in connection with Shiseido America	334,234	153,930	982,574
Loss on valuation of shares of subsidiaries and associates in connection with Shiseido America	-	180,303	1,150,919

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

A valuation loss shall be recognized for non-marketable equity securities, including investments in subsidiaries and associates, if the substantive value of the shares declines significantly due to a deterioration of the issuer's financial position, unless its recoverability is supported by sufficient evidence. For shares of subsidiaries and associates in connection with Shiseido America, it was determined that, during the current fiscal year, the fair value had declined significantly compared to the acquisition cost. Accordingly, the acquisition cost was reduced to the fair value, and the resulting loss was recognized as a loss on valuation of shares of subsidiaries and associates under extraordinary losses. The substantive value of the investment in Shiseido America includes excess earnings potential of Americas Business cash-generating unit. For details, please refer to "4. Significant Accounting Estimates and Judgments" under "1. Consolidated Financial Statements and Notes, (1) Consolidated Financial Statements, Notes to the Consolidated Financial Statements."

(Change in accounting policies)

(Application of Accounting Standard for Current Income Taxes)

The Accounting Standard for Current Income Taxes (ASBJ Statement No. 27, October 28, 2022; hereinafter "2022 Revised Accounting Standards"), etc. has been applied from the beginning of the current fiscal year.

Regarding the revisions to the classification of income taxes, we have followed the transitional treatments set forth in the proviso to Paragraph 20-3 of the 2022 Revised Accounting Standards. There is no impact on the financial statements.

(Non-consolidated balance sheet)

1. Monetary receivables from and payables to subsidiaries and associates are as follows:

	Millions of yen		Thousands of U.S. dollars
	As of December 31, 2024	As of December 31, 2025	As of December 31, 2025
Short-term monetary receivables	93,939	111,924	714,439
Long-term monetary receivables	544	734	4,685
Short-term monetary payables	18,402	17,744	113,264

Note: Excluding the items that are separately disclosed on the non-consolidated balance sheet.

2. Contingent liabilities

Guarantees have been provided for standby letters of credit as follows:

	Millions of yen		Thousands of U.S. dollars
	As of December 31, 2024	As of December 31, 2025	As of December 31, 2025
Shiseido Americas Corp.	944	2,061	13,156
Total	944	2,061	13,156

Note: Amounts of guarantees denominated in foreign currencies are translated at year-end exchange rates.

(Non-consolidated statement of income)

1. Transactions with subsidiaries and associates are included as follows:

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended December 31, 2024	Fiscal year ended December 31, 2025	Fiscal year ended December 31, 2025
Net sales	242,010	252,732	1,613,252
Purchases	10,610	5,780	36,895
Other operating transactions	22,272	23,894	152,521
Non-operating transactions	25,446	71,484	456,300

2. Major items and amounts of selling, general and administrative expenses and their approximate percentages are as follows:

	Millions of yen		Thousands of U.S. dollars
	Fiscal year ended December 31, 2024	Fiscal year ended December 31, 2025	Fiscal year ended December 31, 2025
Research and development expenses	25,387	25,046	159,875
Outsourcing expenses	15,952	16,650	106,281
Salaries and bonuses	12,180	13,304	84,923
Media expenses and media creative production expenses	12,851	13,391	85,478
Depreciation and amortization	10,756	9,886	63,105
Retirement benefit expenses	1,072	607	3,875
Approximate percentages			
Selling expenses	55.7%	56.5%	
General and administrative expenses	44.3%	43.5%	

3. Gain on sale of shares of subsidiaries and associates

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

As a result of the Company transferring all shares of FineToday Holdings Co., Ltd., which is involved in the personal care business, to Oriental Beauty Holding (HK) Limited, a gain on sale of shares of subsidiaries and associates was recorded as extraordinary income.

Current fiscal year (From January 1, 2025 to December 31, 2025)

Not applicable.

4. Structural reform expenses

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

Structural reform expenses recorded under "Extraordinary losses" include expenses of ¥804 million associated with the advisory costs related to structural reform, etc. and expenses of ¥435 million in connection with an early retirement support plan as part of business transformation.

Current fiscal year (From January 1, 2025 to December 31, 2025)

Structural reform expenses recorded under "Extraordinary losses" include expenses of ¥1,857 million ($11,854 thousand) in connection with the "next career support plan" related to "Action Plan 2025-2026," and expenses of ¥771 million ($4,922 thousand) associated with the advisory costs related to structural reform, etc.

5. Loss on valuation of Investments in Shares of Subsidiaries and Associates

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

The Company recorded a loss of ¥1,500 million on valuation of shares of affiliated companies of The Ginza Co., Ltd., a consolidated subsidiary.

Current fiscal year (From January 1, 2025 to December 31, 2025)

The Company recorded a loss of ¥181,329 million ($1,157,468 thousand) on valuation of shares of affiliated companies of Shiseido Americas Corp., a consolidated subsidiary, etc.

(Securities)

Previous fiscal year (As of December 31, 2024)

Shares of subsidiaries and associates

[Carrying amount]

Classification	Millions of yen
Shares of subsidiaries	387,964
Shares of associates	766

Market values of shares of subsidiaries and associates are not stated because they are non-marketable equity securities.

Current fiscal year (As of December 31, 2025)

Shares of subsidiaries and associates

[Carrying amount]

Classification	Millions of yen	Thousands of U.S. dollars
Shares of subsidiaries	218,007	1,391,593
Shares of associates	766	4,890

Market values of shares of subsidiaries and associates are not stated because they are non-marketable equity securities.

(Tax-effect accounting)

1. Major components of deferred tax assets and deferred tax liabilities

	Millions of yen		Thousands of U.S. dollars
	As of December 31, 2024	As of December 31, 2025	As of December 31, 2025
Deferred tax assets			
Shares of subsidiaries and associates	24,129	81,257	518,684
Depreciation and amortization	3,910	3,323	21,212
Inventories	3,377	2,431	15,518
Loss on valuation of financial assets	237	257	1,640
Provision for retirement benefits	579	-	-
Provision for bonuses	1,478	2,316	14,784
Tax losses carried forward	11,799	9,244	59,007
Refund liabilities	196	339	2,164
Allowance for doubtful accounts	149	200	1,277
Foreign tax credit carried forwards	2,068	2,563	16,360
Others	2,756	2,796	17,848
Subtotal of deferred tax assets	50,682	104,728	668,505
Valuation allowance for tax losses carried forward	(75)	(354)	(2,260)
Valuation allowance for total deductible temporary difference and other	(26,344)	(83,973)	(536,021)
Subtotal of valuation allowance	(26,419)	(84,327)	(538,280)
Total deferred tax assets	24,262	20,401	130,225
Deferred tax liabilities			
Valuation difference on non-current assets due to company split	(322)	(327)	(2,087)
Valuation difference on available-for-sale securities	(204)	(360)	(2,298)
Removal cost corresponding to asset retirement obligations	(164)	(16)	(102)
Prepaid Pension Expense	-	(20)	(128)
Reserve for tax purpose reduction entry	(2,179)	(2,239)	(14,292)
Total deferred tax liabilities	(2,870)	(2,964)	(18,920)
Net deferred tax assets	21,392	17,436	111,298

2. Breakdown by major items causing the difference between statutory effective tax rate and the effective tax rate after the application of tax effect accounting

	%	
	Fiscal year ended December 31, 2024	Fiscal year ended December 31, 2025
Statutory effective tax rate	31.0	-
(Adjustment)		
Permanently non-deductible expenses	0.5	-
Permanently non-taxable income	(14.0)	-
Tax credits	(1.0)	-
Valuation allowance	1.2	-
Withholding tax on dividends, etc. from overseas subsidiaries	0.8	-
Other	1.1	-
Effective tax rate after application of tax effect accounting	19.6	-

Note: Note is omitted because profit before income taxes is negative in the current fiscal year.

3. Income taxes and inhabitant tax or accounting treatment of tax effects relevant to these taxes

The Company applies the group tax sharing system and follows the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (Practical Issues Task Force No.42, August 12, 2021).

4. Revisions to the amounts of deferred tax assets and deferred tax liabilities due to changes in tax rate of income taxes, etc.

Following the enactment of the "Act Partially Amending the Income Tax Act" (Act No. 13 of 2025) by the Diet on March 31, 2025, the "Special Defense Corporate Tax" will be imposed from fiscal years beginning on or after April 1, 2026.

Accordingly, deferred tax assets and deferred tax liabilities related to temporary differences expected to be reversed in the fiscal years beginning on January 1, 2027 are calculated by changing the statutory tax rate from 31.0% to 31.5%.

The impact of this change is negligible.

(Significant subsequent events)

Not applicable.

4) Supplementary schedules

[Investment securities schedule]

Note is omitted based on Paragraph 3 of Article 121 of the Regulations for Financial Statements.

[Detailed schedule of property, plant and equipment and intangible assets]

Millions of yen

Type of assets	January 1, 2025	Increase	Decrease	Depreciation	December 31, 2025	Accumulated depreciation
Property, plant and equipment						
Buildings	102,681	2,561	1,279 [0]	6,525	97,438	59,495
Structures	3,530	48	19 [-]	381	3,177	4,164
Machinery and equipment	53,866	8,133	1,897 [183]	5,023	55,078	37,346
Vehicles	99	89	3 [-]	52	131	417
Tools, furniture and fixtures	9,096	1,657	191 [0]	2,035	8,526	22,125
Land	34,889	144	-	-	35,033	-
Leased assets	1,927	553	0	1,154	1,325	2,137
Construction in progress	3,742	9,104	11,091 [-]	-	1,755	-
Total property, plant and equipment	209,833	22,291	14,484 [183]	15,173	202,467	125,685

Thousands of U.S. dollars

Type of assets	January 1, 2025	Increase	Decrease	Depreciation	December 31, 2025	Accumulated depreciation
Property, plant and equipment						
Buildings	655,439	16,348	8,164 [0]	41,651	621,971	379,771
Structures	22,533	306	121 [-]	2,432	20,280	26,580
Machinery and equipment	343,840	51,915	12,109 [1,168]	32,063	351,577	238,389
Vehicles	632	568	19 [-]	332	836	2,662
Tools, furniture and fixtures	58,062	10,577	1,219 [0]	12,990	54,424	141,229
Land	222,705	919	-	-	223,624	-
Leased assets	12,301	3,530	0	7,366	8,458	13,641
Construction in progress	23,886	58,113	70,797 [-]	-	11,203	-
Total property, plant and equipment	1,339,417	142,289	92,455 [1,168]	96,853	1,292,398	802,279

Notes:

1. Amounts in [ ] under “Decrease” are decreases due to impairment losses.
2. The increase in “Construction in progress” is mainly due to purchase of machinery and equipment at the “Kakegawa Factory” and “Osaka Ibaraki Factory.”
3. The decrease in “Construction in progress” is mainly due to the reclassification to “Machinery and equipment” following the acquisition of machinery and equipment at the “Kakegawa Factory” and “Osaka Ibaraki Factory.”

Millions of yen

Type of assets	January 1, 2025	Increase	Decrease	Amortization	December 31, 2025
Intangible assets					
Patent right	8	0	-	2	6
Telephone subscription right	97	-	-	-	97
Software	48,734	16,793	401	8,101	57,025
Software in progress	11,864	10,647	21,423	-	1,089
Leased assets	28	-	0	11	16
Other	410	-	0	215	194
Total intangible assets	61,145	27,441	21,826	8,330	58,429

Thousands of U.S. dollars

Type of assets	January 1, 2025	Increase	Decrease	Amortization	December 31, 2025
Intangible assets					
Patent right	51	0	-	13	38
Telephone subscription right	619	-	-	-	619
Software	311,081	107,194	2,560	51,711	364,005
Software in progress	75,731	67,962	136,748	-	6,951
Leased assets	179	-	0	70	102
Other	2,617	-	0	1,372	1,238
Total intangible assets	390,304	175,163	139,321	53,172	372,967

Note: The increases in “Software” and “Software in progress” are mainly due to the development of “Global Core System.”

[Detailed schedule of allowances]

Millions of yen

Classification	January 1, 2025	Increase	Decrease	December 31, 2025
Allowance for doubtful accounts	482	635	482	635
Provision for bonuses	3,919	6,418	3,919	6,418
Provision for bonuses for directors (and other officers)	147	150	147	150
Provision for structural reform	-	2,024	-	2,024
Provision for loss on guarantees	350	-	-	350

Thousands of U.S. dollars

Classification	January 1, 2025	Increase	Decrease	December 31, 2025
Allowance for doubtful accounts	3,077	4,053	3,077	4,053
Provision for bonuses	25,016	40,968	25,016	40,968
Provision for bonuses for directors (and other officers)	938	957	938	957
Provision for structural reform	-	12,920	-	12,920
Provision for loss on guarantees	2,234	-	-	2,234

(2) Details of major assets and liabilities

This information is omitted because the Company prepares consolidated financial statements.

(3) Others

There are no other matters to report.

6. Basic Information Related to Stock Administration

Fiscal Year	From January 1 to December 31
Annual General Meeting of Shareholders	March every year
Record Date	December 31
Record Dates for Dividend of Surplus	December 31 and June 30
Number of Shares Constituting One Unit	100 shares
Purchase/Additional Purchase of Less-Than-One-Unit Address Where Repurchases or Additional Purchases are Processed: Administrator of Shareholder Registry: Offices Available for Repurchases or Additional Purchases: Commissions for Repurchases or Additional Purchases:	 (Special Account) Sumitomo Mitsui Trust Bank, Limited, Stock Transfer Agency Department, 1-4-1 Marunouchi, Chiyoda-ku, Tokyo (Special Account) Sumitomo Mitsui Trust Bank, Limited, 1-4-1, Marunouchi, Chiyoda-ku, Tokyo - Free
Method of Giving Public Notices	The method of giving public notices of the Company shall be electronic notification. In the event that the Company cannot give a public notice in electronic form due to any accident or any other unavoidable cause, such public notice shall be inserted in the Nihon Keizai Shimbun. The website address where the Company's public notices is posted is as follows: https://corp.shiseido.com/en/ir/issue/legal/
Special Benefits to Shareholders	Shareholder benefits 1. Eligible shareholders Shareholders who hold 100 or more shares of our company as of the end of December in both the previous fiscal year and the current fiscal year (Four categories based on the number of shares owned at both points in time) 2. Contents of benefits Options include: (1) Points that can be used on our official e-commerce site, 'SHISEIDO ONLINE STORE,' (2) Products introduced by our company, and (3) Donations (The content of benefits varies according to the classification of the number of shares owned.)

Notes:

1. Any shareholder who holds less-than-one-unit shares of the Company cannot exercise any right other than those listed below, in respect of their less- than-one-unit shares.
   (1) The rights as provided for in the items of Article 189, paragraph 2 of the Companies Act;
   (2) The rights that can be requested pursuant to Article 166, paragraph 1 of the Companies Act;
   (3) The rights to the allocation of shares and stock acquisition rights offered to shareholders, in proportion to the numbers of their respective shares; and
   (4) The right to make requests for additional purchase of less-than-one-unit shares
2. The above benefit plan is applied to shareholders who were listed or recorded in the shareholder registry as of the end of December 2024.

7. Reference Information on the Company

1. Information on the Parent Company of the Company

The Company has no parent company, etc. as set forth in Article 24-7, Paragraph 1 of the Financial Instruments Exchange Act.

2. Other Reference Information

The Company filed the following documents between the commencement date of the fiscal year under review and the filing date of the annual securities report:

(1) Annual securities report accompanying documents and confirmation notes

The annual securities report for the 125th period (from January 1, 2024 to December 31, 2024) was submitted to the Director of the Kanto Local Finance Bureau on March 26, 2025.

(2) Internal control report and its attached documents

Submitted to the Director of the Kanto Local Finance Bureau on March 26, 2025.

(3) Semi-annual report and confirmation notes

The semi-annual report of the 126th period (from January 1, 2025 to June 30, 2025) was submitted to the Director of the Kanto Financial Bureau on August 6, 2025.

(4) Extraordinary reports

An extraordinary report based on Article 24-5, Paragraph 4 of the Financial Instruments and Exchange Law and Article 19, Paragraph 2, Item 9-2 of the Cabinet Office Ordinance on Disclosures of Corporate Information, etc. was submitted to the Director of the Kanto Local Finance Bureau on March 27, 2025.

An extraordinary report based on Article 24-5, Paragraph 4 of the Financial Instruments and Exchange Law and Article 19, Paragraph 2, Item 2-2 of the Cabinet Office Ordinance on Disclosures of Corporate Information, etc. was submitted to the Director of the Kanto Local Finance Bureau on June 30, 2025.

An extraordinary report based on Article 24-5, Paragraph 4 of the Financial Instruments and Exchange Law and Article 19, Paragraph 2, Item 12 and 19 of the Cabinet Office Ordinance on Disclosures of Corporate Information, etc. was submitted to the Director of the Kanto Local Finance Bureau on February 10, 2026.

(5) Shelf registration statement and accompanying documents

Securities registration statement for Disposal of treasury stock associated with performance share unit plan was submitted to the Director of the Kanto Local Finance Bureau on May 19, 2025.

(6) Amended shelf registration statement (common bonds)

Submitted to the Director of the Kanto Local Finance Bureau on March 27, 2025.
Submitted to the Director of the Kanto Local Finance Bureau on June 30, 2025.
Submitted to the Director of the Kanto Local Finance Bureau on November 13, 2025.
Submitted to the Director of the Kanto Local Finance Bureau on February 10, 2026.

Part II Information on Guarantors for the Company

Not applicable.

Independent Auditor's Report

March 23, 2026

To the Board of Directors of Shiseido Company, Limited:

KPMG AZSA LLC
Tokyo Office, Japan
Masakazu Hattori
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Kentaro Hayashi
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Yuki Kodaka
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Report on the Audit of the Consolidated Financial Statements

Opinion

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act of Japan, we have audited the consolidated financial statements for the 126th fiscal year (January 1, 2025 to December 31, 2025) of Shiseido Company, Limited ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group") included in "Financial Information," which comprise the consolidated statement of financial position as at December 31, 2025, and the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2025, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) pursuant to Article 312 of the "Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements."

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Appropriateness of the Group's judgment on the valuation of goodwill allocated to the cash-generating unit in the Americas Business Cash-Generating Unit	
The key audit matter	**How the matter was addressed in our audit**
As disclosed in the Notes to the Consolidated Financial Statements (14. Goodwill and Intangible Assets), the Company's consolidated statement of financial position includes goodwill of ¥58,793 million, of which ¥9,733 million is allocated to the Americas Business Cash-Generating Unit, representing 0.8% of total assets. During the current fiscal year, an impairment loss of ¥46,818 million was recognized on this goodwill. The Company performs impairment testing for Cash-Generating Units with allocated goodwill annually and whenever indicators of impairment arise. Impairment loss is recognized if the recoverable amount is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. The recoverable amount is the higher of its fair value less costs of disposal and its value in use. During the current fiscal year, the Company identified indicators of impairment for the Americas Business Cash-Generating Unit due to deteriorating profitability. Following the impairment test, the Company determined that the value in use of the Cash-Generating Unit was lower than its carrying amount, resulting in the recognition of an impairment loss on goodwill. The value in use was measured by discounting projected future cash flows based on the future business plan (the "Business Plan"), which incorporates key assumptions regarding long-term U.S. market growth rates and sales expansion strategies. In formulating the Business Plan, the Company established a long-term market growth rate of 2.2%, based on U.S. market growth rate. Although sales declined during the current fiscal year—attributed to the U.S. economic slowdown and the delayed recovery of "Drunk Elephant"—the Company anticipates sales growth through brand expansion and improved profit margins from global cost structure reforms starting in the subsequent fiscal year. These long-term market growth rates and projected sales increases involve a high degree of uncertainty; consequently, management's judgment regarding these key assumptions could significantly impact the estimation of future cash flows. Furthermore, the determination of the discount rate and the selection of underlying input data require specialized valuation expertise. Accordingly, we concluded that the appropriateness of management's judgment concerning the valuation of goodwill allocated to the Americas Business Cash-Generating Unit was a matter of most significance for the current fiscal year and identified it as a key audit matter.	In order to evaluate the appropriateness of management's judgment regarding the valuation of goodwill allocated to the Americas Business Cash-Generating Unit, we conducted audit procedures which primarily included the following: (1) Evaluation of Internal Controls We evaluated the design and operating effectiveness of internal controls over the estimation of value in use for the goodwill impairment test, focusing particularly on the review process by senior financial management regarding the reasonableness of long-term market growth rates, discount rates, and underlying data, as well as the reasonableness of projected future cash flows. (2) Assessment of the Reasonableness of Estimated Value in Use In order to assess the appropriateness of the key assumptions within the Business Plan, which serve as the basis for the calculation of future cash flows, we performed inquiries of the Chief Financial Officer (CFO) regarding the basis of these assumptions and performed the following procedures: -We compared the business plan used in the previous year's impairment test with actual results for the current fiscal year to assess the historical accuracy of management's forecasting. -We compared assumptions between the previous and current fiscal years' business plans and held discussions with the Finance & Accounting and Corporate Planning Departments to evaluate the nature and reasonableness of any significant changes. -We assessed the reasonableness of the projected long-term market growth rate by comparing it with U.S. economic growth rate. -For sales projections from the subsequent fiscal year onward, we performed trend analysis using historical data and recent actual results, and compared projected sales increases with market forecast data from external sources. Involving valuation specialists from our domestic network firm, we performed the following procedures: -We evaluated the appropriateness of the discount rate calculation methodology adopted by management in light of relevant accounting standards -We assessed the appropriateness of the input data used in the discount rate calculation by comparing it with independent estimates developed by our valuation specialists based on external market data.

Other Information

The other information comprises the information included in the Annual Securities Report, but does not include the consolidated financial statements, the financial statements, and our auditor's reports thereon. Management is responsible for the preparation and presentation of the other information. The Audit Committee is responsible for overseeing the Corporate Executive Officers and Directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

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

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

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

We have nothing to report in this regard.

Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with IFRS Accounting Standards.

The Audit Committee is responsible for overseeing the Corporate Executive Officers and Directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

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

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

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

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

- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with IFRS Accounting Standards, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the audit of the consolidated financial statements to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit of the consolidated financial statements. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Audit of the Internal Control Report

Opinion

We also have audited the accompanying internal control report of Shiseido Company, Limited ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group") as of December 31, 2025.

In our opinion, the accompanying internal control report, which states that the internal control over financial reporting was effective as of December 31, 2025, presents fairly, in all material respects, the results of the assessments of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Basis for Opinion

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

Responsibilities of Management and the Audit Committee for the Internal Control Report

Management is responsible for the design and operation of internal control over financial reporting and the preparation and fair presentation of the internal control report in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

The Audit Committee is responsible for overseeing and examining the design and operation of internal control over financial reporting.

Internal control over financial reporting may not completely prevent or detect financial statement misstatements.

Auditor's Responsibilities for the Audit of the Internal Control Report

Our objectives are to obtain reasonable assurance about whether the internal control report is free from material misstatement based on our audit of the internal control report and to issue an auditor's report that includes our opinion.

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

- Perform procedures to obtain audit evidence about the results of the assessments of internal control over financial reporting in the internal control report. The procedures for the audit of the internal control report are selected and performed, depending on the auditor's judgment, based on significance of effect on the reliability of financial reporting.
- Evaluate the overall presentation of the internal control report, including the appropriateness of the scope, procedures and results of the assessments that management presents.
- Plan and perform the audit of the internal control report to obtain sufficient appropriate audit evidence about the results of the assessments of internal control over financial reporting in the internal control report. We are responsible for the direction, supervision and review of the audit work performed for the purpose of the internal control report. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of our audit of the internal control report, the results thereof, material weaknesses in internal control identified during our audit of internal control report, and those that were remediated.

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

Fee-related Information

Fees paid or payable to our firm and to other firms within the same network as our firm for audit and non-audit services provided to the Company and its subsidiaries are described in "Corporate governance (3) Status of Audits" of "Corporate Information on the Company."

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

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

Notes to the Reader of Independent Auditor's Report

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report on the Audit of the Consolidated Financial Statements as required by the Financial Instruments and Exchange Act of Japan.

Independent Auditor's Report

March 23, 2026

To the Board of Directors of Shiseido Company, Limited:

KPMG AZSA LLC
Tokyo Office, Japan
Masakazu Hattori
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Kentaro Hayashi
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Yuki Kodaka
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Report on the Audit of the Financial Statements

Opinion

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act of Japan, we have audited the accompanying financial statements for the 126th fiscal year (January 1, 2025 to December 31, 2025) of Shiseido Company, Limited ("the Company") included in "Financial Information," which comprise the non-consolidated balance sheet as at December 31, 2025, and the non-consolidated statements of income and changes in equity for the year then ended, notes, comprising a summary of significant accounting policies and other explanatory information, and supplementary schedules.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2025, and its financial performance for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Appropriateness of the Company's judgment on the valuation of shares of subsidiaries and associates (related to the investment in Shiseido Americas Corporation)	
The key audit matter	**How the matter was addressed in our audit**
As described in the Notes (Significant Accounting Estimates), the Company's balance sheet includes Shares of subsidiaries and associates of ¥218,773 million, which includes a ¥153,930 million investment in Shiseido Americas Corp. ("Shiseido Americas"), a consolidated subsidiary representing 19.8% of total assets. During the current fiscal year, Loss on valuation of shares of subsidiaries of ¥180,303 million was recognized on these shares. The Company is required to recognize a loss on valuation of shares of subsidiaries and associates without quoted market prices when their substantive value declines significantly due to a deterioration in the investee's financial condition, unless recoverability is supported by sufficient evidence. In assessing the investment in Shiseido Americas, the Company determined the substantive value based on a valuation reflecting the excess earning capacity of the Americas Business Cash-Generating Unit. Following the identification of a significant decline in the substantive value at the end of the current fiscal year, the Company evaluated the recoverability of these shares and subsequently recognized a loss on valuation of shares of subsidiaries and associates. The assessment regarding this excess earning capacity—consistent with the methodology applied to the goodwill impairment assessment for the Americas Business Cash-Generating Unit —is subject to significant management's judgment. This judgment is highly sensitive to the inherent uncertainties in future business plans, which are predicated on long-term market growth rates in the U.S. and the anticipated success of sales expansion strategies. Accordingly, we concluded that the appropriateness of management's judgment concerning the valuation of the investment in Shiseido Americas was a matter of most significance for the current fiscal year and, therefore, identified it as a key audit matter.	In order to evaluate the appropriateness of management's judgment regarding the valuation of the Shares of subsidiaries and associates (investment in Shiseido Americas), we primarily performed the following audit procedures: -We evaluated the design and operating effectiveness of internal controls related to the valuation process for these shares. -We recalculated and confirmed, based on the financial data of the affiliate, that the substantive value was determined based on a valuation reflecting the excess earning capacity of the Americas Business Cash-Generating Unit, and that the existence of any significant impairment was appropriately considered. -We performed audit procedures consistent with those described in the Key Audit Matters section "Appropriateness of the Group's judgment on the valuation of goodwill allocated to the cash-generating unit in the Americas Business segment" in audit report for consolidated financial statements. These procedures focused on the reasonableness of key assumptions impacting the excess earning capacity, which significantly affects the calculation of the substantive value.

Other Information

The other information comprises the information included in the Annual Securities Report, but does not include the financial statements and our auditor's report thereon. Management is responsible for the preparation and presentation of the other information. The Audit Committee is responsible for overseeing the Corporate Executive Officers and Directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

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

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

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

We have nothing to report in this regard.

Responsibilities of Management and the Audit Committee for the Financial Statements

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

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

The Audit Committee is responsible for overseeing the Corporate Executive Officers and Directors' performance of their duties with regard to the design, implementation and maintenance of the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Fee-related Information

Fee-related information is described in the auditor's report on the consolidated financial statements.

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

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

Notes to the Reader of Independent Auditor's Report

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report on the Audit of the Financial Statements as required by the Financial Instruments and Exchange Act of Japan.

[Cover Page]

[Document Title]	Internal Control Report
[Clause of Stipulation]	Article 24-4-4, Paragraph 1 of the Financial Instruments and Exchange Act
[Filed to]	Director-General, Kanto Local Finance Bureau
[Filing date]	March 23, 2026
[Company Name]	Shiseido Company, Limited
[Title and Name of Representative]	Kentaro Fujiwara, Representative Corporate Executive Officer, President and CEO
[Title and Name of Chief Financial Officer]	Ayako Hirofuji, Representative Corporate Executive Officer, CFO
[Address of Head Office]	5-5 Ginza 7-chome, Chuo-ku, Tokyo, Japan
[Place for public inspection]	Tokyo Stock Exchange, Inc. (2-1, Nihonbashi Kabuto Cho, Chuo-ku, Tokyo)

1 [Matters Relating to the Basic Framework for Internal Control Over Financial Reporting]

Kentaro Fujiwara, Representative Corporate Executive Officer, President and CEO, and Ayako Hirofuji, Representative Corporate Executive Officer and CFO are responsible for the design and operation of internal control over the financial reporting of Shiseido Company, Limited ("the Company") and have designed and operated internal control over financial reporting in accordance with the basic framework for internal control set forth in "On the Revision of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)" published by the Business Accounting Council.

Internal control is designed to achieve its objectives to the extent reasonable through the effective function and combination of its basic elements. Therefore, there is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

2 [Matters Relating to the Scope of Assessment, the Basis Date of Assessment and the Assessment Procedures]

The assessment of internal control over financial reporting was performed as of December 31, 2025, which is the end of the current fiscal year. The assessment was conducted in accordance with generally accepted assessment standards of internal control over financial reporting in Japan.

In conducting this assessment, we evaluated internal controls that may have a material effect on the Company's entire financial reporting on a consolidation basis ("company-level controls") and based on the results of this assessment, we selected business processes to be tested.

We analyzed these selected business processes, identified key controls that may have a material impact on the reliability of the Company's financial reporting, and assessed the design and operation of these key controls. These procedures have allowed us to evaluate the effectiveness of internal controls of the Company.

We determined the necessary scope of assessment of internal control over financial reporting for the Company, as well as its consolidated subsidiaries and equity-method associates from the perspective of the materiality that may affect the reliability of their financial reporting. The materiality that may affect the reliability of the financial reporting was determined taking into account the materiality of quantitative and qualitative impacts on financial reporting and likelihood of occurrence, and we reasonably determined the scope of assessment of internal controls over business processes based on the results of an assessment of company-level controls conducted for the Company and its consolidated subsidiaries. We did not include those consolidated subsidiaries and equity-method associates in the scope of assessment of company-level controls because their impact on the consolidated financial statements was considered immaterial in terms of quantitative and qualitative impact and likelihood of occurrence.

Considering that the Group's main business is the manufacture and sale of cosmetics, net sales was adopted as the indicator for assessing the significant business units. Regarding the scope of assessment of internal control over business processes, based on the

result that the assessment of company-level controls was favorable, we accumulated business units in descending order of net sales (after the elimination of intercompany transactions) for the fiscal year, and those business units whose combined net sales amount reached two-thirds of the consolidated net sales, as well as locations that were deemed to have a material impact on the reliability of financial reporting from perspectives other than net sales were selected as "significant business units."

We included in the scope of assessment, at the selected significant business units, the business processes related to net sales, accounts receivable, and inventories as accounts that may have a material impact on the business objectives of the Company, which are the manufacture and sale of cosmetics.

Furthermore, not only at the selected significant business units but also at other business units, we added to the scope of assessment, as business processes having higher materiality considering their impact on the financial reporting, business processes related to significant accounts that have a higher likelihood of material misstatements and significant account involving estimates and forecasts (e.g., goodwill impairment testing, recoverability of deferred tax assets).

3 [Matters Relating to the Results of the Assessment]

As a result of the assessment described above, we concluded that the Company's internal control over financial reporting was effectively maintained as of the end of the current fiscal year.

4 [Supplementary Information]

Not applicable.

5 [Special Notes]

Not applicable.