

# 2023 Results (January–December) and 2024 Outlook

February 9, 2024

Shiseido Company, Limited

Takayuki Yokota

Chief Financial Officer

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SHISEIDO

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

## 2023 Core OP ¥39.8 bn: Worst is Over, Ready to Recover in 2024

Japan	<ul style="list-style-type: none"><li>● Local Consumer Purchases: Accelerated growth every quarter</li><li>● Market share: Improved every quarter with full-year market share gain</li><li>● Full-year profitability: Turned black with sharp profit increase in Q4 (+¥9.2 bn)</li></ul>
China	<ul style="list-style-type: none"><li>● Treated water impact steadily receding. Positive Consumer Purchases in Dec.: Growth in prestige, flattish overall</li><li>● Gained market share in the makeup category with <i>NARS</i> and <i>Clé de Peau Beauté</i> driven by strategic marketing investments</li><li>● Achieved strong growth in focus areas</li></ul>
Travel Retail	<ul style="list-style-type: none"><li>● Destocking on track &lt;Inventory adjustment&gt;<ul style="list-style-type: none"><li>• South Korea : Done at the end of 2023</li><li>• Hainan Island: Will be done by the end of Q1 2024</li></ul></li></ul>
Americas, EMEA, Asia Pacific	<ul style="list-style-type: none"><li>● Strong double-digit growth*: Primarily driven by <i>NARS</i>, <i>Drunk Elephant</i>, <i>narciso rodriguez</i></li></ul>
Global	<ul style="list-style-type: none"><li>● Agile cost management adapting to market conditions</li></ul>

\* Like-for-like increase (decrease) excludes the impact from FX and all business transfers in 2023 and 2022 as well as the services provided during the transition period ("business transfer impacts")

# 2023 (January–December): Executive Summary

(Billion yen)	2022	% of Net Sales	2023	% of Net Sales	YoY Change	YoY Change %	YoY FX-Neutral %	YoY Lfl <sup>*2</sup> %
Net Sales	1,067.4	100%	973.0	100%	−94.3	−8.8%	−12.2%	+1.8%
Core Operating Profit	51.3	4.8%	39.8	4.1%	−11.5	−22.4%		
Non-recurring items	−4.8	−0.4%	−11.7	−1.2%	−6.9	-		
Operating Profit	46.6	4.4%	28.1	2.9%	−18.4	−39.6%		
Profit Before Tax	50.4	4.7%	31.0	3.2%	−19.4	−38.5%		
Income Tax Expense	12.8	1.2%	6.9	0.7%	−6.0	−46.6%		
Profit Attributable to Owners of Parent	34.2	3.2%	21.7	2.2%	−12.5	−36.4%		
EBITDA <sup>*1</sup>	102.4	9.6%	91.8	9.4%	−10.6	−10.3%		

<sup>\*1</sup> Core Operating Profit+Depreciation and Amortization (excl. depreciation of right-of-use assets)   <sup>\*2</sup> Excludes FX and business transfer impacts

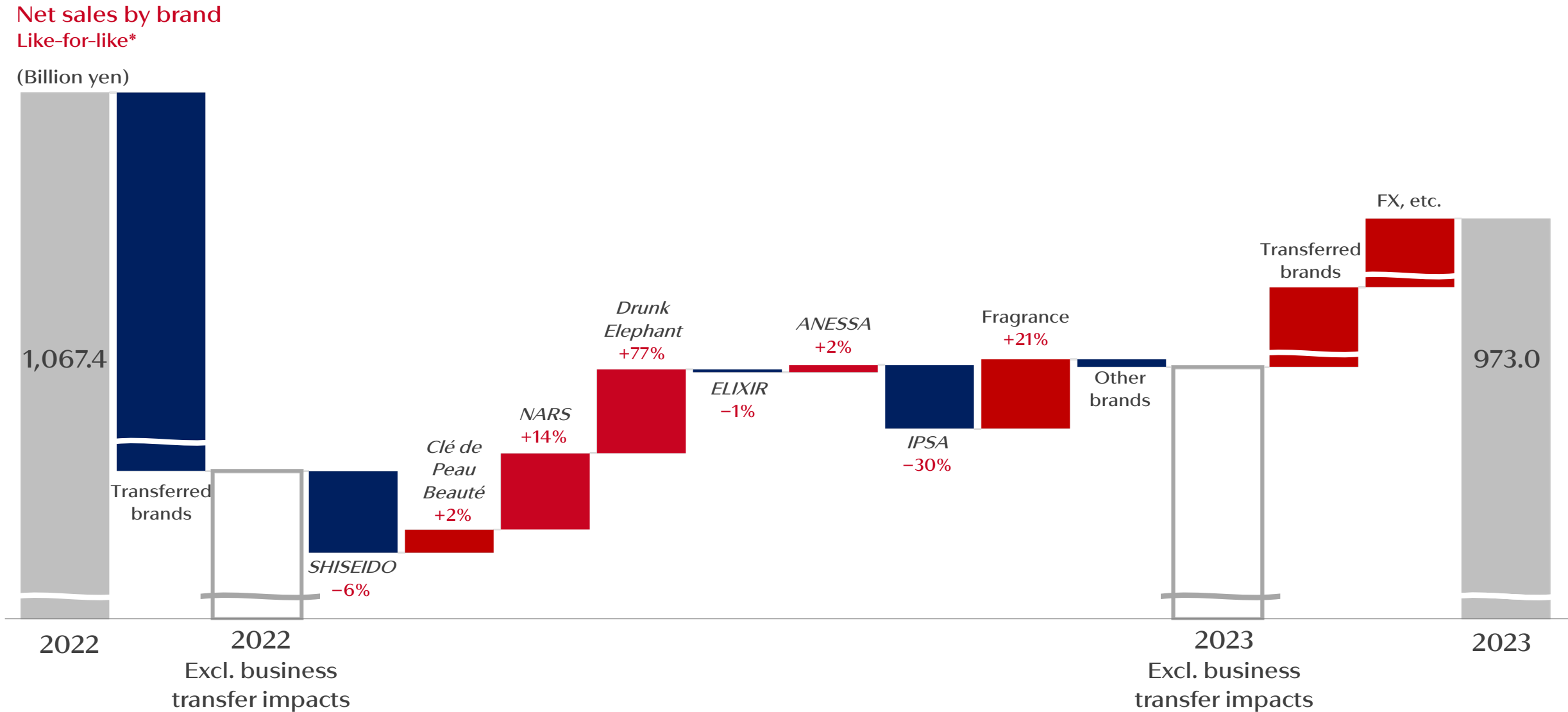
**Net Sales:** Japan local continued steady growth in mid-to-high price range, inbound steadily recovered due to increase in the number of tourists. Americas, EMEA and APAC remained strong  
Weakness in China and Travel Retail due to consumer pullback on Japanese products by the treated water release, etc.

**Core Operating Profit:** Despite strong growth delivered in 1H, the full-year core OP dropped YoY on lower sales in 2H

**Non-recurring items:** 2023: Losses incurred by the transfer of Kuki and Vietnam Factories,  
an impairment loss on the integration of two factories in Osaka, and gain on sales of fixed assets

**EBITDA:** EBITDA margin 9.4%

# Strong Growth Delivered by *NARS*, *Drunk Elephant*, and Fragrance, while Weakening Sales in China and Travel Retail across the Brands



\* YoY change (%) for each brand is calculated based on foreign exchange rate assumptions at the beginning of the fiscal year and excludes exchange rate differences and other factors.

# Net Sales YoY: Sales Remained Largely in Line with Our Previous Forecast

Like-for-like*	2023									
	vs. 2019					vs. 2022				
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY
Japan	-32%	-29%	-27%	-12%	-25%	+8%	+9%	+6%	+17%	+10%
China	+10%	+43%	+4%	+12%	+18%	-3%	+20%	-9%	-21%	-5%
Asia Pacific	+1%	+5%	+10%	+26%	+10%	+16%	+12%	+15%	+8%	+13%
Americas	+67%	+46%	+46%	+28%	+45%	+30%	+18%	+10%	+9%	+15%
EMEA	+30%	+19%	+27%	+0%	+17%	+22%	+11%	+15%	+26%	+19%
Travel Retail	+30%	+2%	-12%	-32%	-3%	-4%	-4%	-25%	-43%	-20%
Total	+0%	+4%	-5%	-1%	-1%	+7%	+10%	-2%	-6%	+2%

\* Excluding FX and business transfer impacts

# Japan: Accelerated Momentum Every Quarter, Gained Overall Market Share

## ● Q4 Market:

### ➤ Local:

- Low price ranges drove growth in the market; middle price range remained on recovery track
- Base makeup category led growth

### ➤ Inbound:

- Moderate recovery continued due to an increase in the number of tourists

## ● Shiseido Consumer Purchases<sup>\*1</sup>: FY +low teen% / Q4+low teen%

### ➤ Local: +high single digit% / +high single digit%

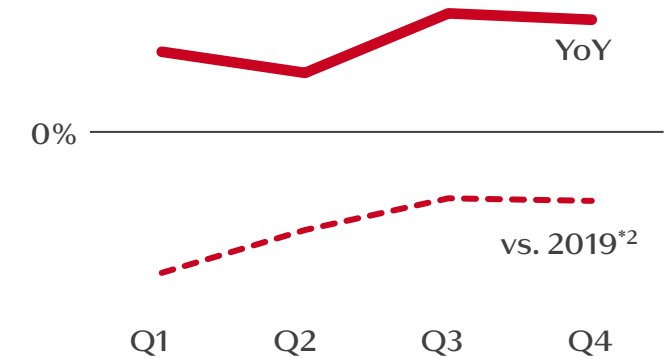
- *SHISEIDO* : +high teen% / +over 30%
- *Clé de Peau Beauté* : +mid teen% / +low teen%

Loyal users steadily increased

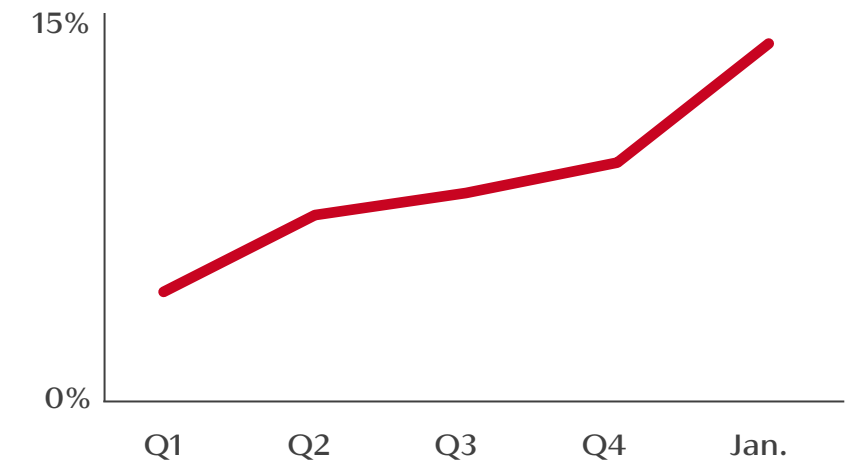
- *ELIXIR* : +low teen% / +high teen%
- *ANESSA* : +over 40% / +mid teen%
- *EC* : +low teen% / +mid teen%

### ➤ Inbound : +high 20% / +mid 20%

Local Market Growth



Shiseido Consumer Purchases<sup>\*1</sup> (Local)



# China: Market Environment Bottomed out after Q4 Challenges

## ● Q4 Market:

- Overall turned negative due to online drop, while offline accelerated
- Pullback on Japanese products by the treated water release

## ● Shiseido Consumer Purchases\*:

**Business Total** : FY –low single digit% / Q4 –high teen%

- Offline : +mid single digit% / –mid single digit%
- EC : –low teen% / –mid 20%
- **Mainland China** : –low single digit% / –high teen%
  - *SHISEIDO* : –low teen% / –over 30%
  - *Clé de Peau Beauté* : +mid teen% / flat
  - *NARS* : +high teen% / +over 30%
- **Hong Kong** : flat / –mid teen%

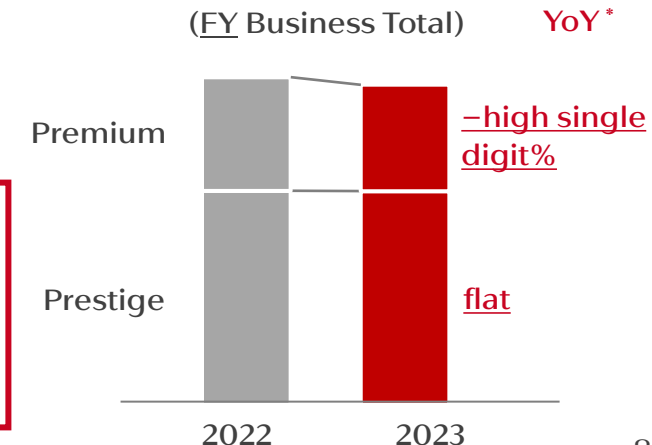


SHISEIDO



Clé de Peau Beauté

### Consumer Purchases by Category



Double 11: *Clé de Peau Beauté* and *NARS* grew strongly, ranking higher than 2022, while underperformed the market which posted YoY decline in sales  
Achieved over 3x growth on TikTok, benefiting from brand expansion

\* Excluding FX and business transfer impacts



# Travel Retail: Destocking on Track, Soon to Be Normalized

## ● Q4 Market:

- Continued retailer inventory adjustments associated with tighter regulations in Hainan Island and South Korea
- Consumer pullback of Japanese product by the treated water release

## ● Shiseido (Consumer Purchases)\*

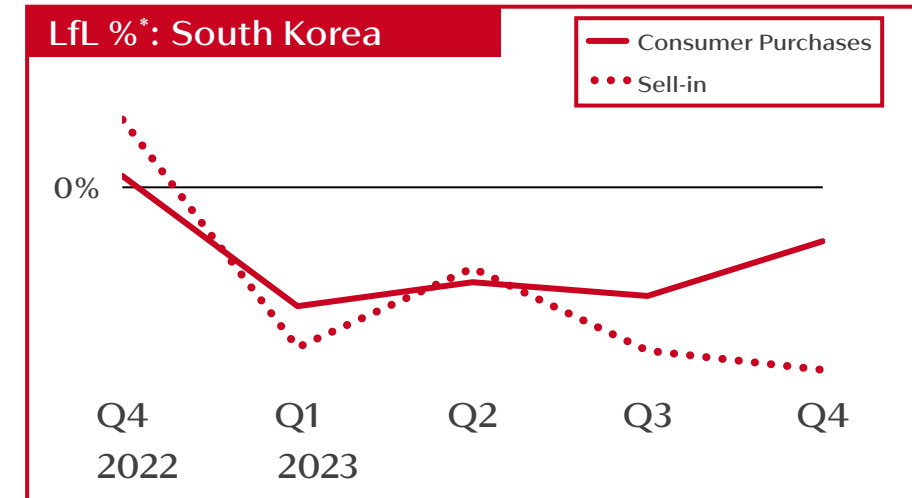
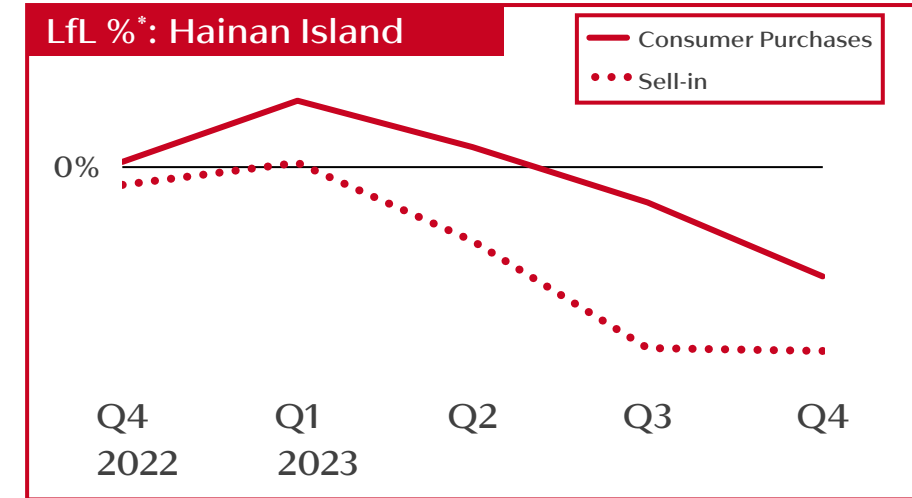
Global : FY –mid single digit% / Q4 –high teen%

➤ Asia : –high single digit% / –low 20%

• Hainan Island : –mid single digit% / –over 40%

• South Korea : –high 20% / –high teen%

➤ EC(Asia) : –high teen% / –over 40%



## Americas

Continued growth across all categories with market expansion

● Shiseido External Sales\*1 :

FY +15% / Q4 +9%

➤ *Drunk Elephant* :

over +80% / over +60%

➤ EC : +mid teen% / +low teen%



*Drunk Elephant*

## EMEA

Continued growth across all categories with market expansion

● Shiseido External Sales\*1 :

FY +19% / Q4 +26%

- Excl. Russia : +27% / +32%

➤ *NARS, Drunk Elephant, narciso rodriguez*: robust growth

➤ EC : +low 20% / +mid 20%



*narciso rodriguez*

## Asia Pacific

Market expansion in major countries and regions other than Taiwan

● Shiseido External Sales\*1 :

FY +13% / Q4 +8%

➤ *SHISEIDO*: strong growth

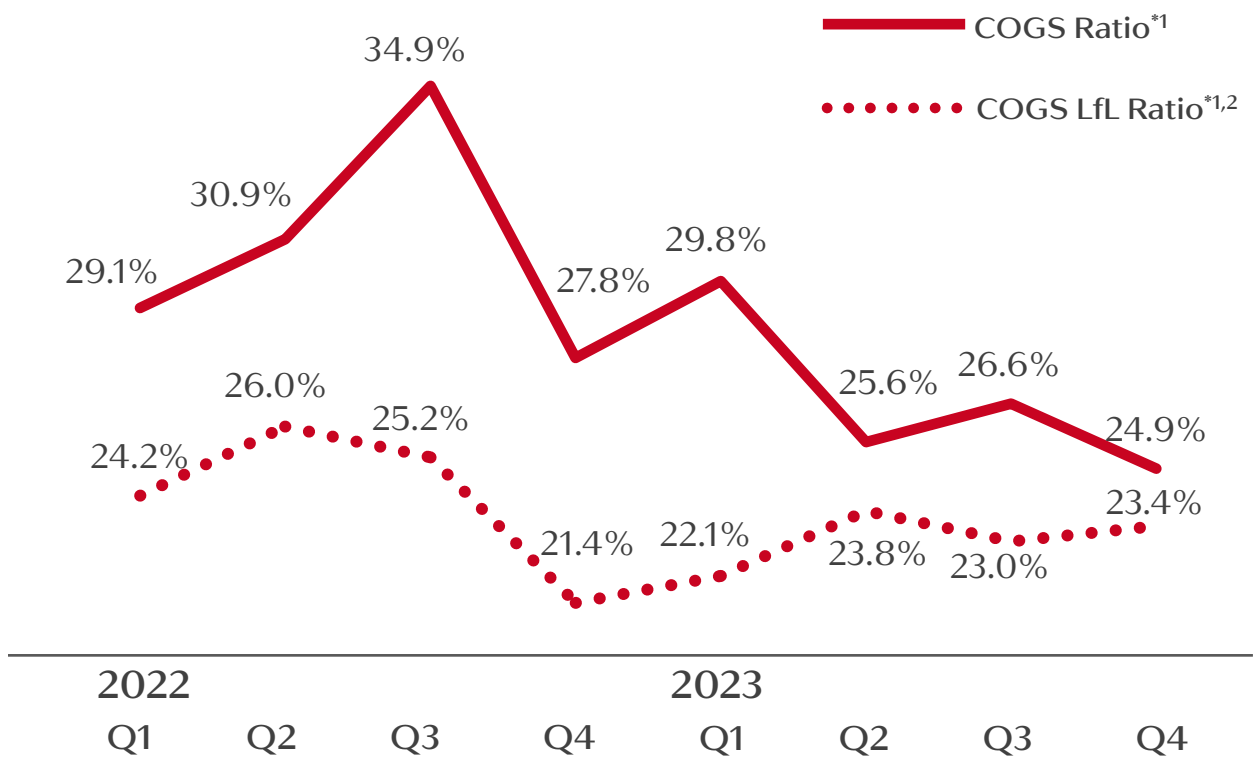
➤ EC\*2: +low teen% /  
+high single digit%



*SHISEIDO*

# COGS LfL Ratio: Improved ca. 1pt YoY with Productivity Improvement, etc.

	2022	2023
COGS Ratio*1	30.6%	26.7%
<u>COGS LfL Ratio</u> *1,2	<u>23.9%</u>	<u>23.1%</u>



## FY YoY COGS analysis

- (+) Higher productivity
- (+) Moderation of logistics cost pressures
- (+) Decline of the impact from MSA\*3 for business transfers (2022 5.4pts -> 2023 2.3pts)
- (-) Higher allowance for excess inventory write-offs
- (-) Change in cost accounting method for samples
- (-) Impairment losses and structural reform expenses on transfer of Kuki and Vietnam Factory (0.5pts)
- (-) Impairment loss of ¥6.3 bn on the integration of two factories in Osaka (0.7pts)  
(Cost optimization: ¥3.0-4.0 bn / year from 2026 onwards)

\*1 The scope of accounting for manufacturing cost has been changed in Q3 2023. As a result, the figures for 2022 and 2023 have been revised due to the retrospective application of a change in accounting.

\*2 Excludes business transfer impacts and impairment loss, etc. \*3 Manufacturing Service Agreement

# FY2023 Core Operating Profit by Reportable Segment

**Japan :** Returned to profitability driven by higher gross profit from increased sales

**China :** Profit improved significantly supported by higher gross profit driven by sales growth in 1H, and agile cost management despite YoY sales decline in 2H

**Asia Pacific :** Delivered YoY growth driven by higher gross profit from sales growth despite negative impact of business transfers

**Americas :** Delivered YoY growth driven by higher gross profit from sales growth despite negative impact of business transfers

**EMEA :** Declined YoY impacted by business transfers, etc., despite higher gross profit driven by sales growth

**Travel Retail :** Declined by lower gross profit due to lower sales

**Other / Adjustments :** Declined by lower gross profit driven by lower intersegment sales to China and Travel Retail, and increased DX related investments

Core Operating Profit (Core OPM)	2022		2023		(Billion yen) YoY
Japan	-13.1	(-5.4%)	1.8	(0.7%)	+14.9
China	-3.9	(-1.5%)	7.0	(2.8%)	+10.9
Asia Pacific	4.7	(6.6%)	5.1	(7.1%)	+0.4
Americas	7.7	(5.3%)	11.2	(9.7%)	+3.5
EMEA	6.9	(5.0%)	3.3	(2.7%)	-3.6
Travel Retail	37.7	(23.0%)	17.1	(12.9%)	-20.6
Other	7.1	(2.3%)	-23.3	(-9.4%)	-30.4
Adjustments	4.3	-	17.6	-	+13.3
<b>Total</b>	<b>51.3</b>	<b>(4.8%)</b>	<b>39.8</b>	<b>(4.1%)</b>	<b>-11.5</b>

# 2024 Sales Assumptions

	Sales Forecast	Assumptions
Japan	Total: +11% Local: +mid single digit% Inbound: +over 60%	Local: <ul style="list-style-type: none"><li>● Expect to see growth in both online and offline market while polarization will likely continue</li><li>● Core brands to deliver strong growth, while sales decline in Japan local brands due to SKU rationalization</li></ul> Inbound: <ul style="list-style-type: none"><li>● Tourist recovery will continue</li><li>● Negative impact of the treated water release lingers in Q1 2024 followed by recovery in Q2</li></ul>
China	+5%	<ul style="list-style-type: none"><li>● Moderate market growth: Changes in consumer behavior, becoming pragmatic (focus on functionality and efficacy)</li><li>● Negative impact of the treated water release lingers in Q1 2024 followed by recovery in Q2</li><li>● Outperforming the overall market by strengthening investment in growth opportunities</li></ul>
Travel Retail	+7%	<ul style="list-style-type: none"><li>● Retailers shifting back towards the business model with focus on tourists, putting more focus on inventory management</li></ul> <Inventory adjustment> <ul style="list-style-type: none"><li>- South Korea : Done at the end of 2023. Slow pace of tourism recovery</li><li>- Hainan Island: Will be done by the end of Q1 2024</li></ul>
Americas	+10%	<ul style="list-style-type: none"><li>● Market to grow steadily with mid single digit% growth</li><li>● Shiseido to outperform the market driven by <i>NARS</i> and <i>Drunk Elephant</i></li></ul>
EMEA	+13%	<ul style="list-style-type: none"><li>● Market to grow steadily with mid single digit% growth</li><li>● Shiseido to outperform the market driven by <i>Drunk Elephant</i> and fragrance</li></ul>
Asia Pacific	+13%	<ul style="list-style-type: none"><li>● Robust growth in Southeast Asia, steady growth in mature markets (countries/regions) including Taiwan and South Korea</li><li>● Shiseido to outperform the market through achieving strong growth in Southeast Asia</li></ul>

# 2024 Forecast

Complete all actions of structural reforms  
Accelerate brand investment for sustainable growth to achieve 2025 target  
–¥30 bn in non-recurring items, primarily costs of structural reforms

(Billion yen)	2023	2024 Forecast*1	% of Net Sales	YoY Change	YoY Change %	YoY FX-Neutral %	YoY Lfl*2%
Net Sales	973.0	1,000.0	100%	+27.0	+2.8%	+5%	+8%
Core Operating Profit	39.8	55.0	5.5%	+15.2	+38.0%		
Non-recurring Items	–11.7	–30.0	–3.0%	–18.3	-		
Profit before Tax	31.0	32.5	3.3%	+1.5	+4.7%		
Profit Attributable to Owners of Parent	21.7	22.0	2.2%	+0.3	+1.1%		
EBITDA*3	91.8	114.0	11.4%	+22.2	+24.2%		
Dividend (yen/per share) (Forecast)	60 Interim: 30 Year-end:30	60 Interim: 30 Year-end: 30					

Non-recurring Items –¥30 bn

- Organizational Reform, productivity improvement
- Offices / direct managed stores optimization

Exchange rates for 2024: USD 1 = JPY 135 (YoY –3.9%), EUR 1 = JPY 145 (–4.6%), CNY 1 = JPY 19.5 (–1.7%)

\*1 2024 Forecast does not include the financial impact of the acquisition of Dr. Dennis Gross Skincare \*2 Excludes FX ad business transfer impacts (estimated base)

\*3 Core Operating Profit+Depreciation and Amortization (excl. depreciation of right-of-use assets)

# Medium-Term Strategy SHIFT 2025 and Beyond Update - To Enhance Execution and Deliver Results

February 9, 2024

Shiseido Company, Limited

Kentaro Fujiwara

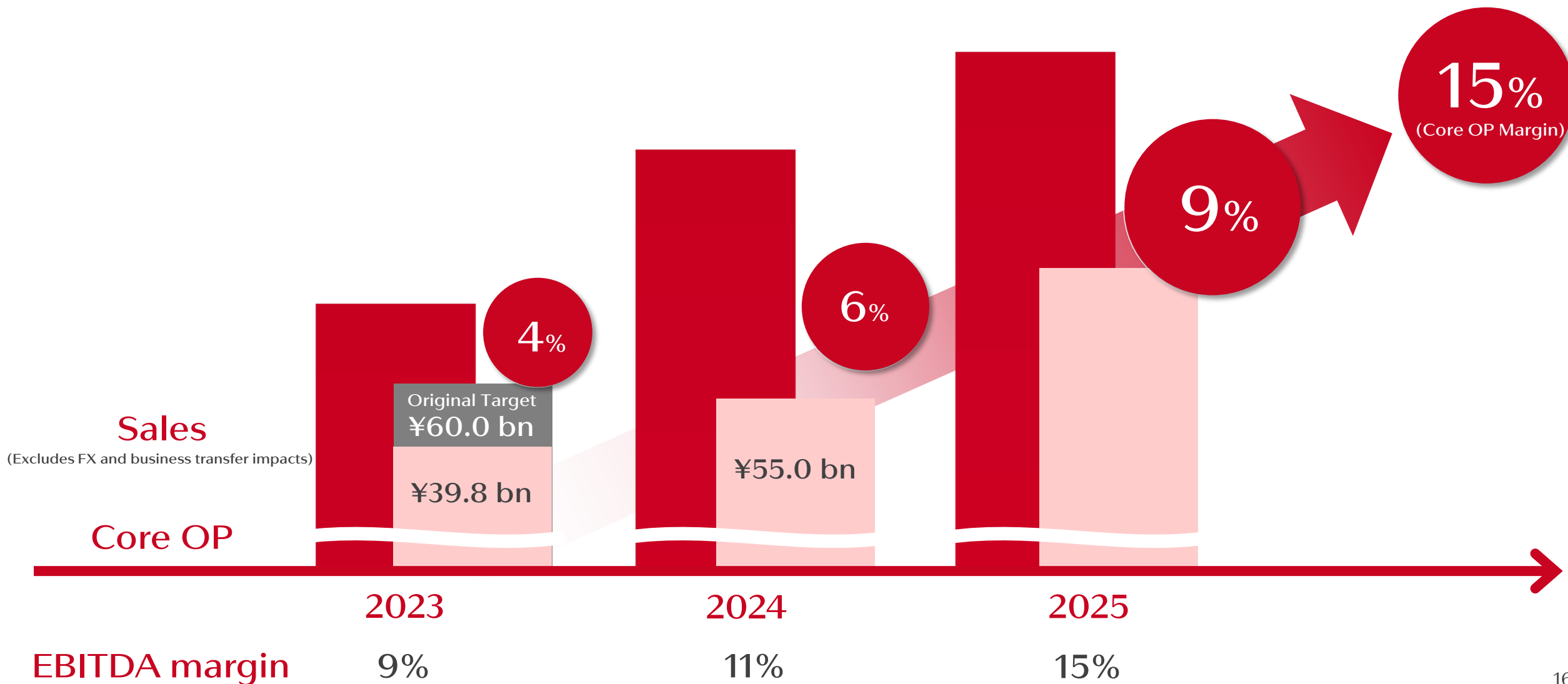
President and COO

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# Medium-Term Strategy SHIFT 2025 and Beyond

## Refining Strategy and Timeline to Achieve Our Target





2024 and 2025

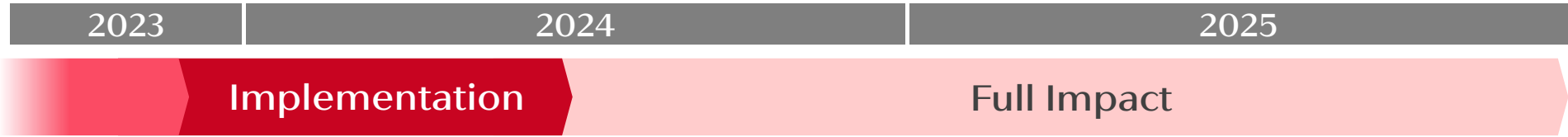
# Vision & Strategic Direction for 2024 and 2025

## Executing Business Transformation: Achieving Profitability and Resilience through Growth and Structural Reforms

- Global cost reduction (¥40.0 bn+)
- Complete Japan structural reform and accelerate growth
- Achieve high-quality sustainable growth in China and Travel Retail
- Accelerate growth in Americas, EMEA and Asia Pacific
- Advance growth momentum of core brands
- Enhance gross profit: Develop growth drivers to maximize results

# Global Cost Reduction Measures:

## Completing Main Actions in 2024 1H to Ensure Full Impact in 2025



(Billion yen)

Cost Improvement Impact	2024	2025	Total	
Japan	8.0	17.0	25.0	<Major initiatives>
COGS	3.0	2.0	5.0	SKU rationalization, focus on global/Asian brands, strategic price increases
Marketing and Other Expenses	2.0	8.0	10.0	Optimize marketing promotional costs, streamline current IT systems, increase marketing ROI
Organizational Productivity	3.0	7.0	10.0	Optimize organization structure, special early retirement system
China	5.0	3.0	8.0	Optimize organization structure, reduce inventory and drive localization of samples, optimize marketing promotional costs
Travel Retail	1.0	1.0	2.0	Optimize brand portfolio, increase marketing ROI, optimize organization structure
Asia Pacific, Americas, EMEA, Other (Global HQ)	1.0+	4.0+	5.0+	Improve productivity through FOCUS implementation, improve productivity at factories, SKU rationalization, optimize logistic networks and indirect procurement, streamline current IT systems, reduce IT outsource expenses
Total	15.0+	25.0+	40.0+	

# Japan: Brand Portfolio Strategy

## Attaining Market Leadership through Identifying Diverse Consumer Behaviors and Preferences

### ➤ Selection and concentration of brands

- Global / Asian brands
  - High growth in 2023, with 4pts increase in sales composition ratio
  - Customer Loyalty Enhancement - *Clé de Peau Beauté* and *SHISEIDO*
  - Aim for 70% sales contribution aligned with global markets over the mid- to long-term
- Japan Local Brands: Sharpen target and marketing initiatives
- Focus on hero SKUs: Periodic product renewal, new communications

### ➤ Innovative marketing for new market creation

- Establishing a new skin beauty category
- Expanding portfolio through new value creation; Inner Beauty Business

# Japan: Consumer Touchpoint Strategy

## Delivering Exceptional Consumer Experiences by Leveraging Key Strengths

### ➤ Distribution Channel

- EC: Accelerate strategic actions for each platform, targeting 30% in 2025
  - Retail.com: Create seamless customer experience by reinforcing OMO strategy
  - Owned.com: Renewal of Watashi+, enhancing consumer experience and satisfaction
  - Pure Play: Enhance new brand entry
- Department stores: Increase loyal customer base - *SHISEIDO* and *Clé de Peau Beauté*
- Drug stores: Shifting to self-selection model
- Cosmetics specialty store & GMS: Achieve optimization and productivity by strengthening localized marketing initiatives

### ➤ Touchpoint

- Delivering value through personalized service
  - Identifying focused consumer touchpoints / fostering relationships with consumers through localized services

# China and Travel Retail (Asia) : Market Dynamics

- Shifting from rapid growth to steady growth
- By price range
  - High prestige: High growth
  - Prestige and premium: Persisting competitive landscape
- Expanding growth opportunities in tier 3-5 cities with rising middle-class consumers
- Distribution diversification accelerates in digital platforms and offline retailers
- Increasing presence of Chinese local brands
- Expansion of number of tourists
- Rising trend of Travel Retail E-commerce purchase by Chinese consumers

# Winning in China: Strengthening Investments in Growth Opportunities

## Building a Sustainable Profit Delivery Business Model in a Moderately Growing Environment: Emphasizing Quality Growth

- Focus on high-prestige brands targeting affluent consumer base
  - *SHISEIDO* : Future Solution - accelerate growth
  - *Clé de Peau Beauté* : SYNACTIF, Supreme etc.
  - *The Ginza* : expand both E-commerce and offline
- Expand brand portfolio
  - *NARS, Drunk Elephant* growth acceleration
- Targeted marketing for local consumers, including marketing asset creation
- Address digital platform diversification
- Brand expansion into emerging retailers
- Brand expansion into tier 3-5 cities targeting rising middle-class consumers
- Travel Retail refocus on travelers' growth (70-80% of sales contribution in 2025)

# Wining in China: Operational Reform for Productivity

## ➤ Business Transformation

- Less reliance on large-scale events, strategic marketing leveraging consumer data to enhance loyalty and satisfaction
- Reducing price promotions, expand our official route to market
- Optimize physical number of stores
- Streamline organization structure for productivity and efficiency

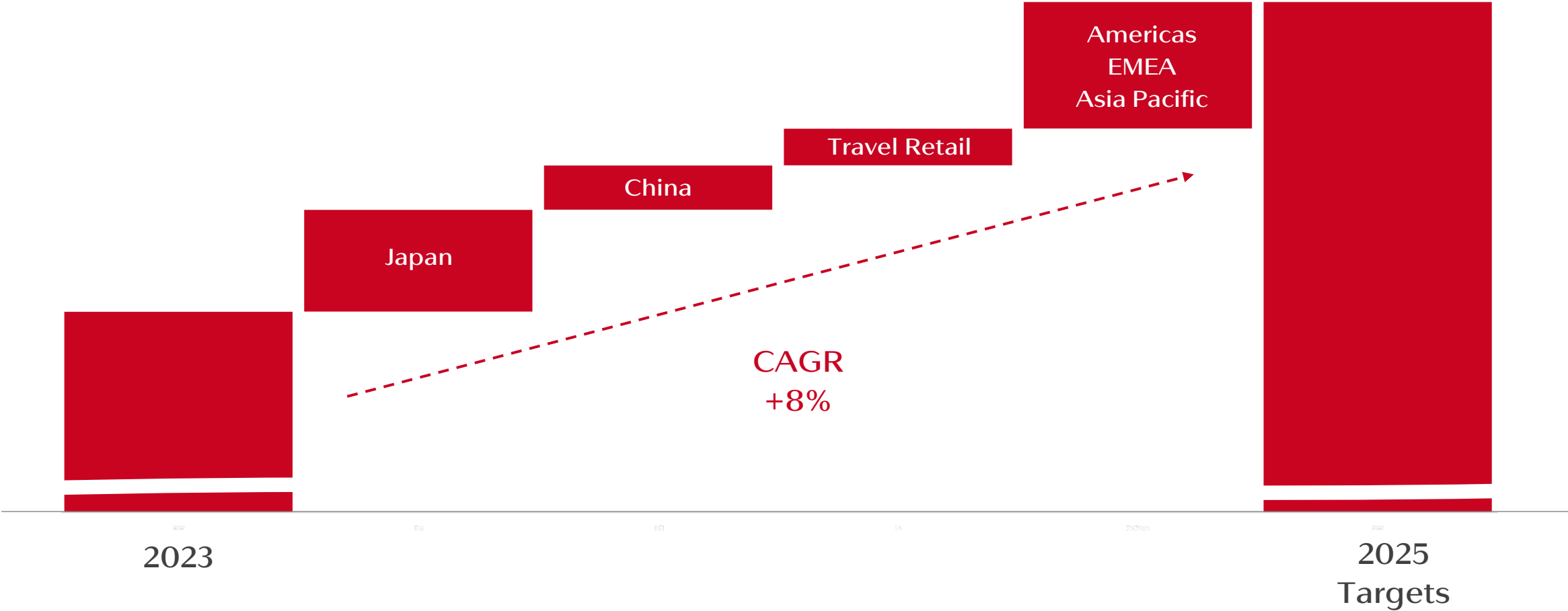
## ➤ Driving synergy through an integrated approach for China and Travel Retail

- Travel Retail Region CEO to report to China Region CEO
- Integrated marketing activities and investment optimization
- Reinforcing strategic investments for key retailers
- Operational processes optimization



# Driving Sales Growth: Accelerating Expansion in Japan, Americas, EMEA and Asia Pacific, Winning in China's stabilizing market (China / TR Asia)

## Attaining an Optimal Geographical Footprint



\* Excludes FX and business transfer impacts

# Strengthening Investments in Core Brands

## Global Brands



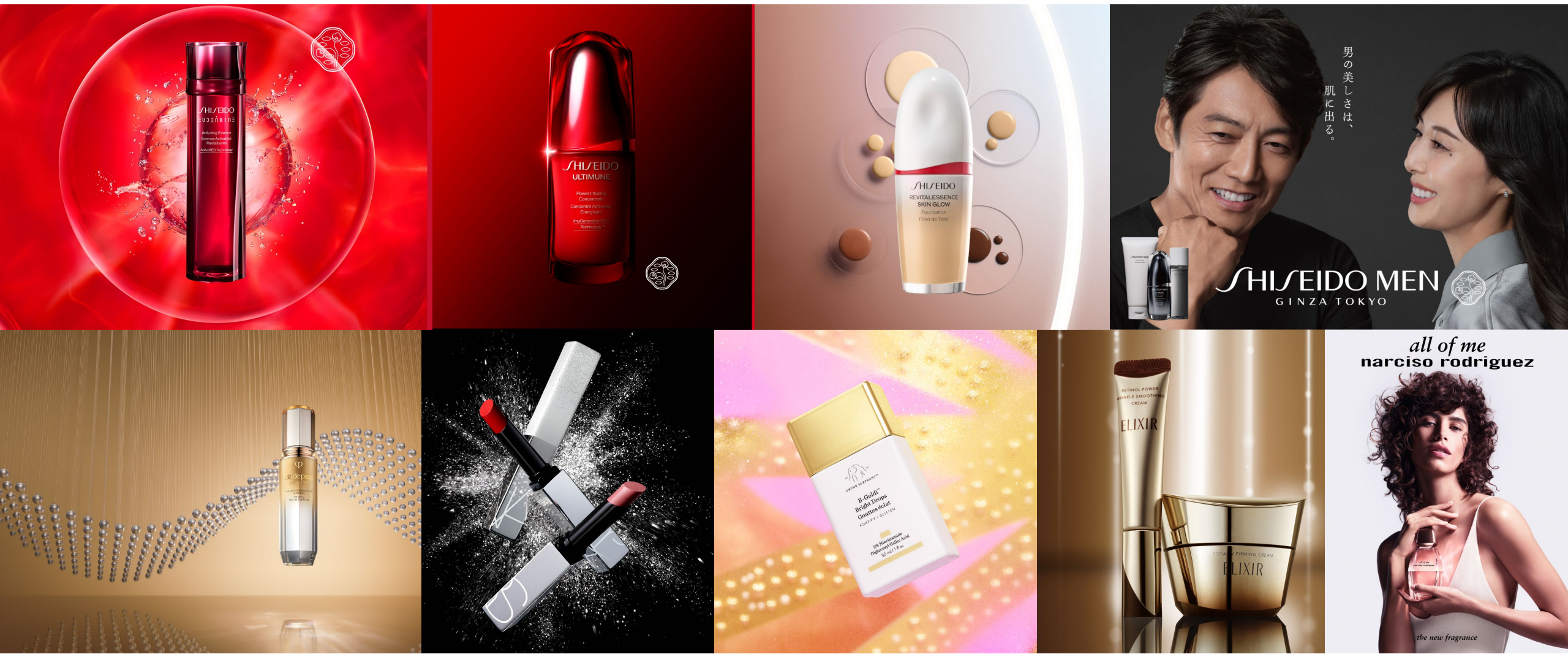
Asian Brands

Fragrance Brands



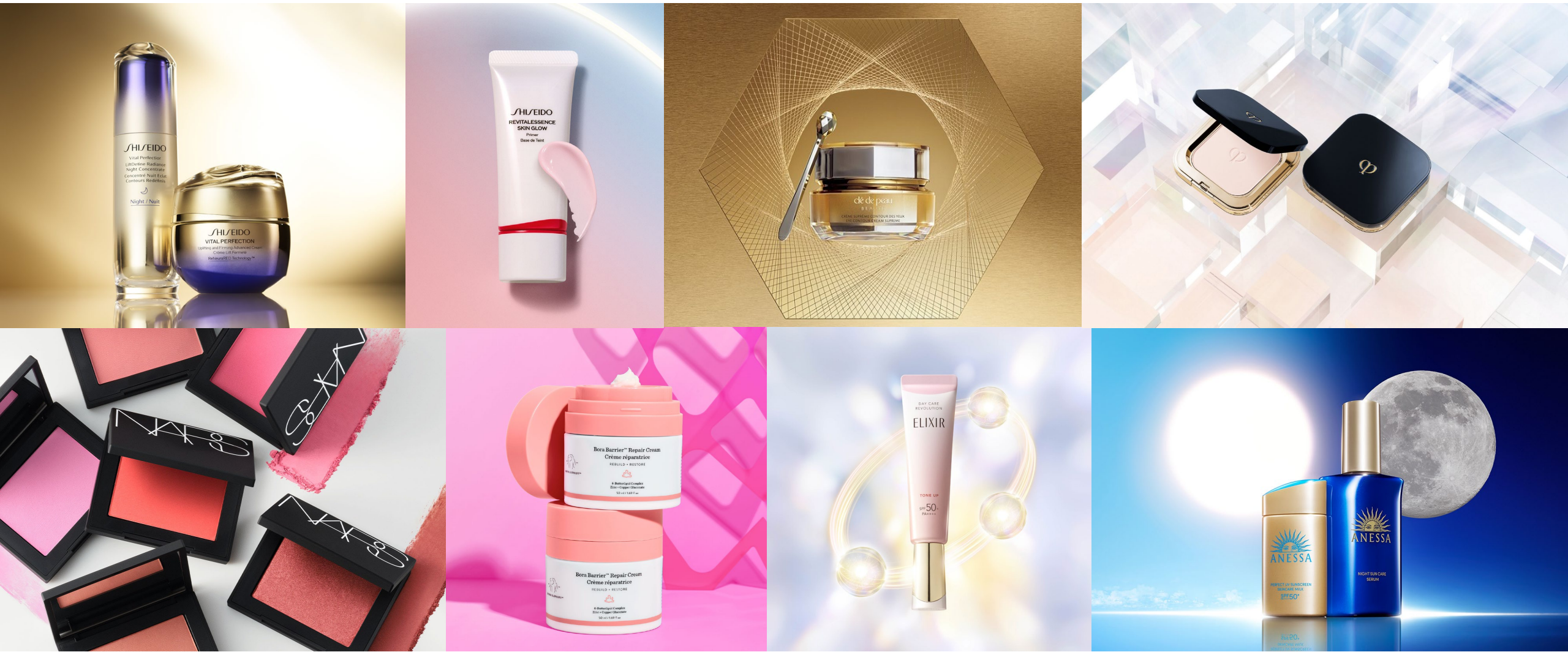


# 2023: Cutting Edge Innovation in Core Brands





# 2024: Innovative Product Launches



# Gross Profit Enhancement: Develop Growth Drivers to Maximize Results

## Definition of gross profit

### Consumer purchase

– Retailer margin

### = External sales

– Rebate

– Returns

– COGS

### = Gross profit

## Topline growth

Strong innovation and effective communication to enhance brand value

## Price harmonization

Periodic review on retailer price,  
reduce price promotion, expand official route to market

## Brand / SKU mix

Strategic high growth for global brands and hero products,  
SKU rationalization

## Channel mix

Delivering Exceptional Customer Experiences, increase Japan EC ratio

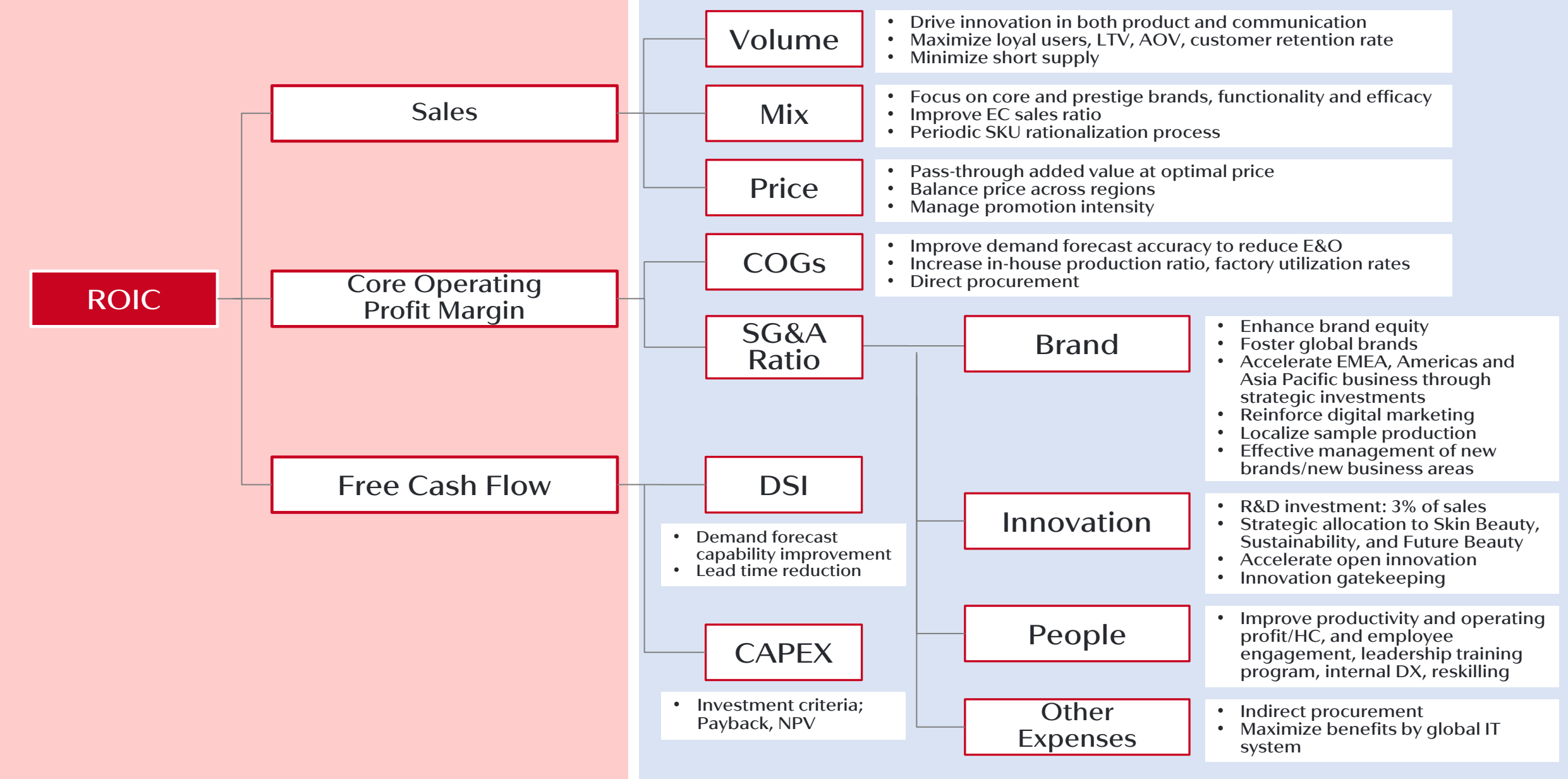
## COGS improvement

Procurement, E&O reduction, inventory management,  
manufacturing utilization & productivity

# Financial Targets

		2023 Results	2024 Forecast	2025 Target	
Return on capital Improvement	ROIC	4.0%	5%	9%	
	ROE	3.6%	4%	11%	
Cash generation capability improvement	Free Cash Flow	¥53.5 bn	¥70.0 bn	¥100.0 bn <sup>*1</sup>	
	DSI	197 days (235 days <sup>*2</sup> )	230 days	200 days	
Sound financial position	Net D/E	0.06×	0.1×	0.2× or less	
	Net D/EBITDA	0.39×	0.6×	0.5× or less	

# Improving Return on Invested Capital (ROIC)



# Improving Profitability and Productivity through FOCUS Implementation

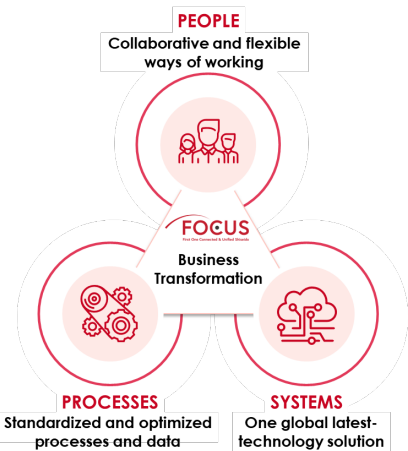


**FOCUS 1.0**  
(Global ERP implementation:  
Planning, Sales, Logistics  
and Finance Areas )

FOCUS 1.0 deployments to be completed in all regions by the end of 2024

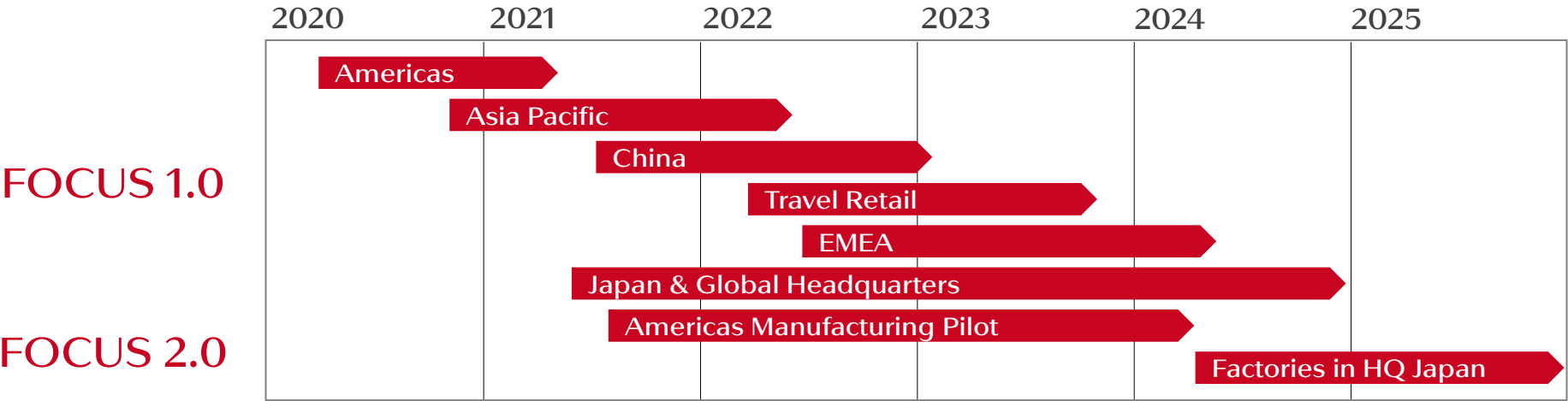
Standardize data, processes and systems globally

Over **60%** of global sales are processed through FOCUS, boosting productivity by improving supply and forecast accuracy, inventory turnover, and operational efficiency



**FOCUS 2.0**  
(Manufacturing & Procurement Areas)

Pilot for Manufacturing and Procurement in progress in Americas  
Deployments to HQ factories in Japan in 2024 and onwards



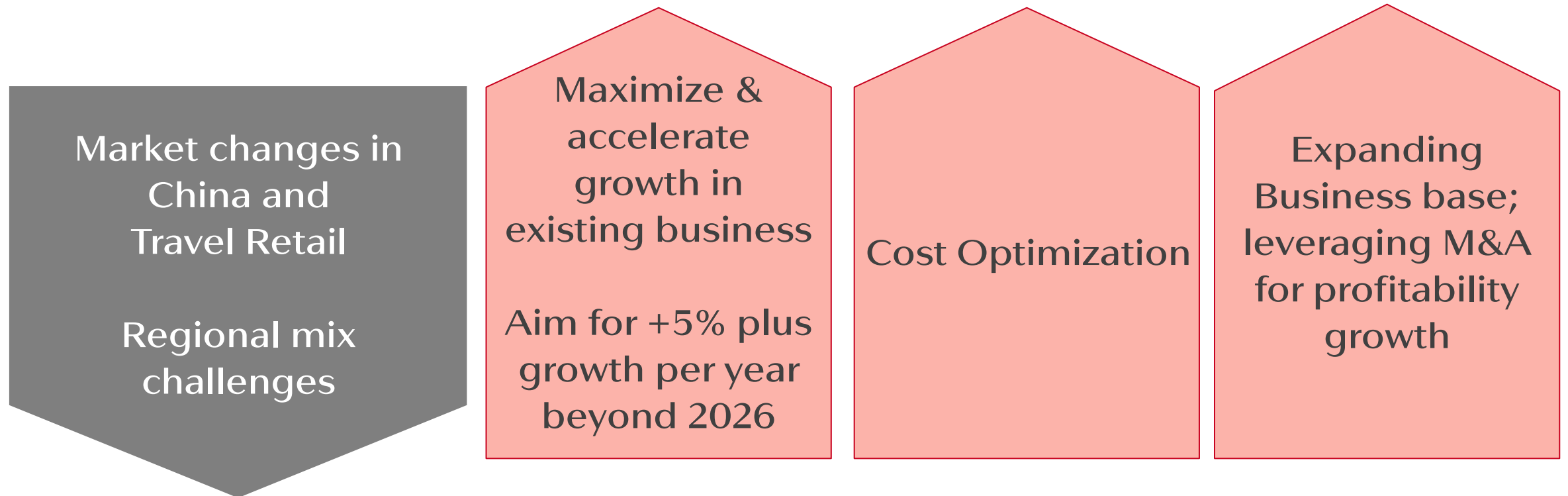
\* FOCUS: First One Connected and Unified Shiseido



Towards 2030

# Route to Attain Global-Standard Profitability Levels

## Company-Wide Efforts to Accelerate Achievement of Core Operating Profit 15% Target by 2028-2029



# PERSONAL BEAUTY WELLNESS COMPANY

Strengthening our Core in Skincare while Expanding into New Beauty Frontiers

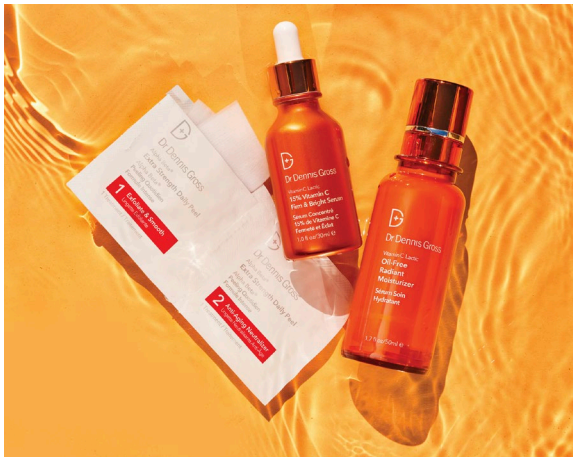


# Reinforcing Skin Beauty Category: Entering the Dermacosmetics Market through Acquisition of Dermatologist-led Prestige Skincare Brand; *Dr. Dennis Gross Skincare*



## ➤ Acquisition rationale

- Complement the white space in our business; derma & medical cosmetics
- Reinforce our prestige skincare brand portfolio under the skin beauty strategy
- Expected to drive growth and profitability in the Americas Business
- Contribute to value creation and global business expansion through synergistic partnership



# Developing New Beauty Frontiers by Expanding the Skincare Category; Loose Skin, Second Skin, and Skincare-Active Foundation



Loose Skin



Second Skin



Skincare-Active Foundation

Creating new beauty categories to become the No. 1 company, complementing our core strength; anti-wrinkles, brightening\*, and sun care, etc.

\* Inhibits melanin production and prevents the formation of dark spots and freckles



# Creating New Lifestyle Values : Venturing Into the Inner Beauty Market

## SHISEIDO BEAUTY WELLNESS

- Launched Inner Beauty Business that creates new value through fusion of beauty and wellness
- Leveraging Shiseido's over 100 years of life science research and data science, create a new beauty wellness market based on our unique expertise and knowledge unraveling the relationship between skin, body, and mind



SHISEIDO BEAUTY WELLNESS

### TUNE BEAUTE

「チューンボーテ」



R&D Partnership with  
TSUMURA & CO

### ROOTINA

「ルーティナ」



R&D Partnership with  
Kagome Co., Ltd.

### The Collagen

「ザ・コラーゲン」



Renewal



# Localization of Innovation

## Existing Business

- R&D
  - Regional innovation centers (RIC)
- Brand holder satellites
  - Further strengthening of product development and marketing fitted to consumers in each region



Region innovation centers



A researcher from RIC (Europe) has received the top award at IFSCC\* for the first time

## New Market Expansion

- Localized M&A drive
- Beauty innovation contest
  - Employee-initiated new business ideas
- Consumer-driven new business development



Beauty innovation contest



\* The International Federation of Societies of Cosmetic Chemists: an international organization where cosmetic engineers from around the world gather for the development of more functional and safer cosmetic technologies



# Focus Investment Areas to Drive Medium to Long-term Growth

## Brands



## Innovations



## People





# Sustainability

Improving  
ESG  
evaluation

2023 Achievement: **Received  
an MSCI ESG Rating of AA**

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

2023 Achievement:  
Included in the DJSI World and DJSI Asia  
Pacific for the 3rd Consecutive Year;  
Received the highest rating among global  
industry peers

## Environment

External Evaluation Improvement



CLIMATE FORESTS

Selected as CDP's "A-List"  
company, the highest  
rating, for "forests and  
water security" in addition  
to "climate change"



"TCFD/TNFD Report"  
recognized as a pioneering  
initiative at the 20th LCA  
Japan Forum Awards,  
receiving "Encouragement  
Award"

## Society (DE&I)

Ratio of Female Leaders\*1

**58.8%** Shiseido Group  
**40.0%** Japan (target: **50%**)

**SHISEIDO DE&I Lab**



## Governance

**Transition to a Company with  
Three Statutory Committees\*2**

Purpose:  
To clearly separate management  
oversight and business execution  
while reinforcing both functions to  
improve strategic effectiveness in a  
highly volatile business environment

**66.6%** External Directors  
**41.6%** Female Directors

Nominating Committee and  
Compensation Committee will be  
composed of independent directors

\*1 Flash report as of February 2024

\*2 Subject to shareholder approval at the 124th OGM of shareholders  
in March 2024

# BEAUTY INNOVATIONS FOR A BETTER WORLD

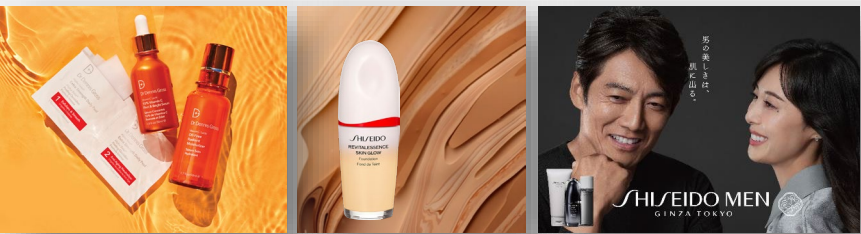
Short-term  
Goals  
~2025

Medium-term  
Goals  
~2030

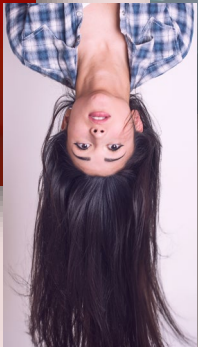
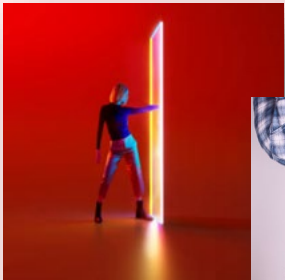
To be a Company Committed to  
Innovate and Disrupt for New Beauty Value Creation

## Business Transformation

To achieve sustainable growth & profitability



Continuous new category creation



Expanding category boundaries  
for market and value creation



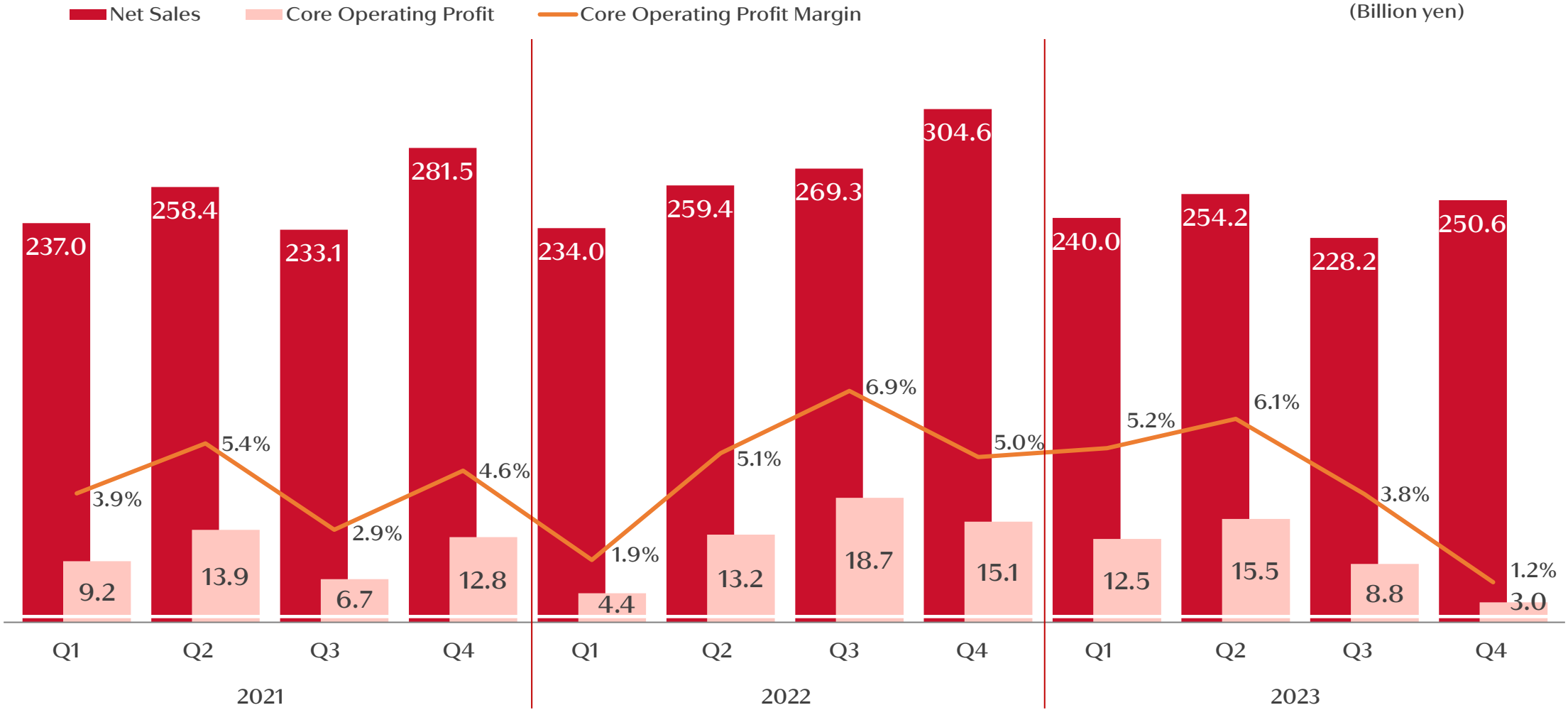
The Shiseido logo, featuring a stylized red 'S' followed by the word 'HISEIDO' in red capital letters.

SHISEIDO

Be a Global Winner  
with Our Heritage

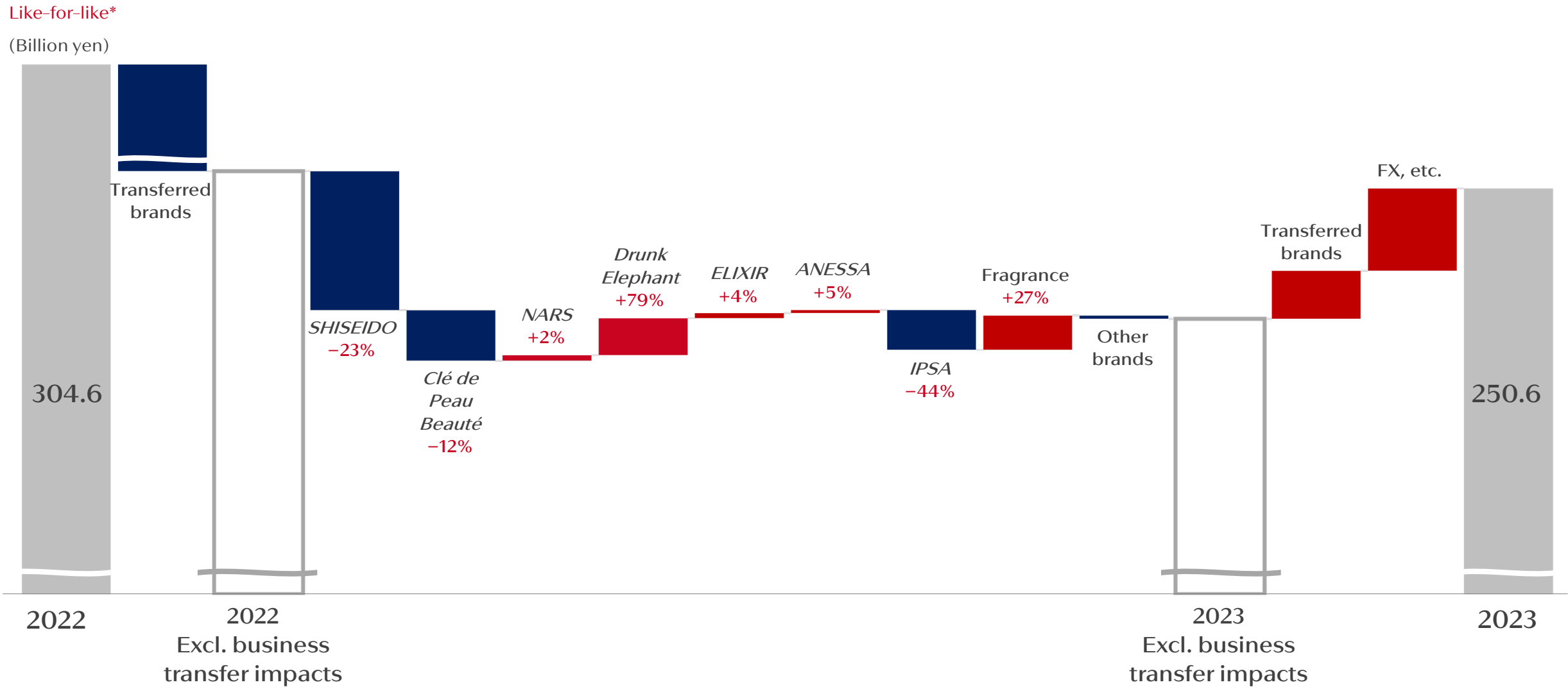
# Supplemental Data 1

## KPI Trends



# Supplemental Data 2

## 2023 Q4 Net Sales by Brand



\* YoY change (%) for each brand is calculated based on foreign exchange rate assumptions as of Feb 2023 and excludes exchange rate differences etc.



## Supplemental Data 3

### 2023 Q4 Net Sales and Core Operating Profit by Reportable Segment

Top: Net Sales  
Bottom: Core OP  
(Billion yen)

	2022	% of Net Sales / Core OPM % <sup>*1</sup>	2023	% of Net Sales / Core OPM % <sup>*1</sup>	YoY Change	YoY Change %	YoY FX-Neutral %	YoY LfL % <sup>*2</sup>
Japan	59.0	19.4%	68.3	27.2%	+9.3	+15.7%	+15.7%	+16.7%
	-7.1	-11.7%	2.0	2.9%	+9.2	-	-	-
China	86.3	28.4%	69.9	27.9%	-16.5	-19.1%	-21.5%	-21.0%
	4.7	5.4%	5.0	7.0%	+0.3	+6.0%	-	-
Asia Pacific	19.3	6.3%	18.5	7.4%	-0.8	-4.2%	-9.2%	+8.3%
	0.6	3.1%	3.4	16.8%	+2.8	+437.8%	-	-
Americas	40.0	13.1%	28.6	11.4%	-11.4	-28.5%	-31.6%	+8.8%
	0.9	2.1%	4.7	15.6%	+3.8	+433.9%	-	-
EMEA	38.7	12.7%	34.4	13.7%	-4.3	-11.1%	-19.4%	+26.2%
	-1.7	-4.2%	-1.1	-2.9%	+0.6	-37.0%	-	-
Travel Retail	43.5	14.3%	24.0	9.6%	-19.5	-44.9%	-46.6%	-42.6%
	10.9	25.0%	-1.8	-7.7%	-12.7	-	-	-
Other <sup>*3</sup>	17.7	5.8%	7.0	2.8%	-10.8	-60.6%	-60.9%	-1.2%
	0.0	0.0%	-19.6	-40.2%	-19.6	-	-	-
Subtotal	304.6	100%	250.6	100%	-54.0	-17.7%	-20.4%	-6.2%
	8.3	2.2%	-7.3	-2.4%	-15.7	-	-	-
Adjustment	-	-	-	-	-	-	-	-
	6.8	-	10.4	-	+3.6	+52.8%	-	-
Total	304.6	100%	250.6	100%	-54.0	-17.7%	-20.4%	-6.2%
	15.1	5.0%	3.0	1.2%	-12.1	-80.0%	-	-

\*1 Core OPM is calculated using total sales including intersegment sales and internal transfers between segments \*2 Excluding FX and business transfer impacts

\*3 The business results previously included in the Professional Business segment, are now included in the Other segment



## Supplemental Data 4

### 2023 Net Sales and Core Operating Profit by Reportable Segment

Top: Net Sales Bottom: Core OP (Billion yen)	2022	% of Net Sales / Core OPM % <sup>*1</sup>	2023	% of Net Sales / Core OPM % <sup>*1</sup>	YoY Change	YoY Change %	YoY FX-Neutral %	YoY LfL % <sup>*2</sup>
Japan	237.6	22.3%	259.9	26.7%	+22.3	+9.4%	+9.4%	+10.0%
	-13.1	-5.4%	1.8	0.7%	+14.9	-	-	-
China	258.2	24.2%	247.9	25.5%	-10.3	-4.0%	-6.4%	-4.6%
	-3.9	-1.5%	7.0	2.8%	+10.9	-	-	-
Asia Pacific	68.0	6.4%	67.3	6.9%	-0.7	-1.1%	-6.3%	+12.5%
	4.7	6.6%	5.1	7.1%	+0.4	7.5%	-	-
Americas	137.9	12.9%	110.3	11.4%	-27.6	-20.0%	-25.0%	+15.2%
	7.7	5.3%	11.2	9.7%	+3.5	46.2%	-	-
EMEA	128.4	12.0%	116.9	12.0%	-11.5	-8.9%	-17.3%	+18.9%
	6.9	5.0%	3.3	2.7%	-3.6	-51.7%	-	-
Travel Retail	163.7	15.3%	132.5	13.6%	-31.1	-19.0%	-24.1%	-19.5%
	37.7	23.0%	17.1	12.9%	-20.6	-54.6%	-	-
Other <sup>*3</sup>	73.5	6.9%	38.2	3.9%	-35.4	-48.1%	-48.3%	-11.1%
	7.1	2.3%	-23.3	-9.4%	-30.4	-	-	-
Subtotal	1,067.4	100%	973.0	100%	-94.3	-8.8%	-12.2%	+1.8%
	47.0	3.5%	22.2	1.8%	-24.8	-52.8%	-	-
Adjustment	-	-	-	-	-	-	-	-
	4.3	-	17.6	-	+13.3	+309.0%	-	-
Total	1,067.4	100%	973.0	100%	-94.3	-8.8%	-12.2%	+1.8%
	51.3	4.8%	39.8	4.1%	-11.5	-22.4%	-	-

\*1 Core OPM is calculated using total sales including intersegment sales and internal transfers between segments \*2 Excluding FX and business transfer impacts

\*3 The business results previously included in the Professional Business segment, are now included in the Other segment

# Supplemental Data 5

## 2023 Net Sales by Category

(Billion yen)

### Japan

	2022	% of Net Sales	2023	% of Net Sales	YoY Change	YoY Change % / YoY FX-Neutral % <sup>*1</sup>	YoY Lfl % <sup>*2</sup>
Prestige	69.3	29.2%	82.1	31.6%	+12.8	+18.5%	
Premium	141.3	59.5%	151.5	58.3%	+10.2	+7.2%	
Others	26.9	11.3%	26.3	10.1%	-0.6	-2.4%	
Total	237.6	100%	259.9	100%	+22.3	+9.4%	+10.0%

### China

Prestige	175.6	68.0%	174.8	70.5%	-0.8	-3.0%	
Premium	74.0	28.7%	67.3	27.2%	-6.7	-10.8%	
Others	8.6	3.3%	5.7	2.3%	-2.8	-35.8%	
Total	258.2	100%	247.9	100%	-10.3	-6.4%	-4.6%

### Asia Pacific

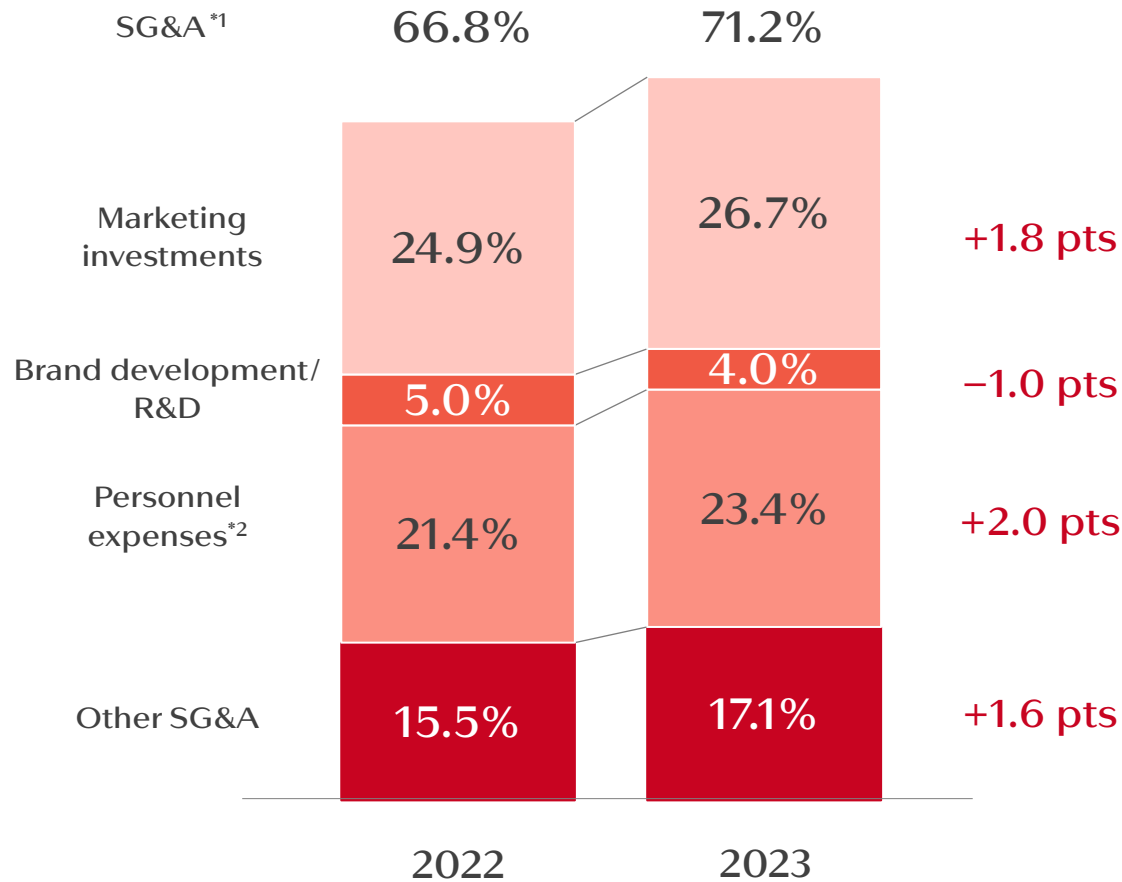
Prestige	41.3	60.8%	46.1	68.6%	+4.8	+5.6%	
Premium	12.7	18.6%	14.6	21.7%	+1.9	+10.4%	
Personal Care	2.3	3.4%	-	-	-2.3	-	
Others	11.7	17.2%	6.5	9.7%	-5.2	-48.1%	
Total	68.0	100%	67.3	100%	-0.7	-6.3%	+12.5%

\*1 YoY Change for Japan, and YoY Change FX-Neutral for China and Asia Pacific \*2 Excluding FX and business transfer impacts

# Supplemental Data 6

## Cost Structure in 2023

(% of Net Sales  
based on Core Operating Profit )



- Marketing investments

- Strengthened investments for brand equity improvement
- Lower costs thanks to business transfers
- Agile cost management

- Brand development / R&D

- Lower costs thanks to business transfers

- Personnel expenses

- Inflation impact
- Optimization by structural reforms, etc.

- Other SG&A

- Higher DX-related investments (FOCUS, etc.)
- Lower freight

\*1 The scope of accounting for SG&A has been changed in Q3 2023. As a result, the figures for 2022 and 2023 have been revised due to the retrospective application of a change in accounting

\*2 Including POS personnel expenses

## Supplemental Data 7

### 2023 SG&A

(Billion yen)	2022	% of Net Sales	2023	% of Net Sales	YoY Change	YoY Change %	YoY Change FX- Neutral %
Marketing investments <sup>*1</sup>	367.0	34.4%	354.1	36.4%	−12.9	−3.5%	−6.5%
Brand development / R&D	53.7	5.0%	39.0	4.0%	−14.7	−27.3%	−28.5%
Personnel expenses	127.1	11.9%	133.5	13.7%	+6.5	+5.1%	+1.2%
Other SG&A	165.7	15.5%	166.1	17.1%	+0.4	+0.3%	−2.5%
SG&A <sup>*2</sup> (Core OP-based)	713.5	66.8%	692.8	71.2%	−20.7	−2.9%	−5.8%
Non-recurring items <sup>*3</sup>	4.4	-	3.8	-	−0.6	-	-
SG&A	717.8	67.3%	696.6	71.6%	−21.2	−3.0%	−6.1%

\*1 Including POS personnel expenses

\*2 The scope of accounting for SG&A has been changed in Q3. As a result, the figures for 2022 and 2023 have been revised due to the retrospective application of a change in accounting

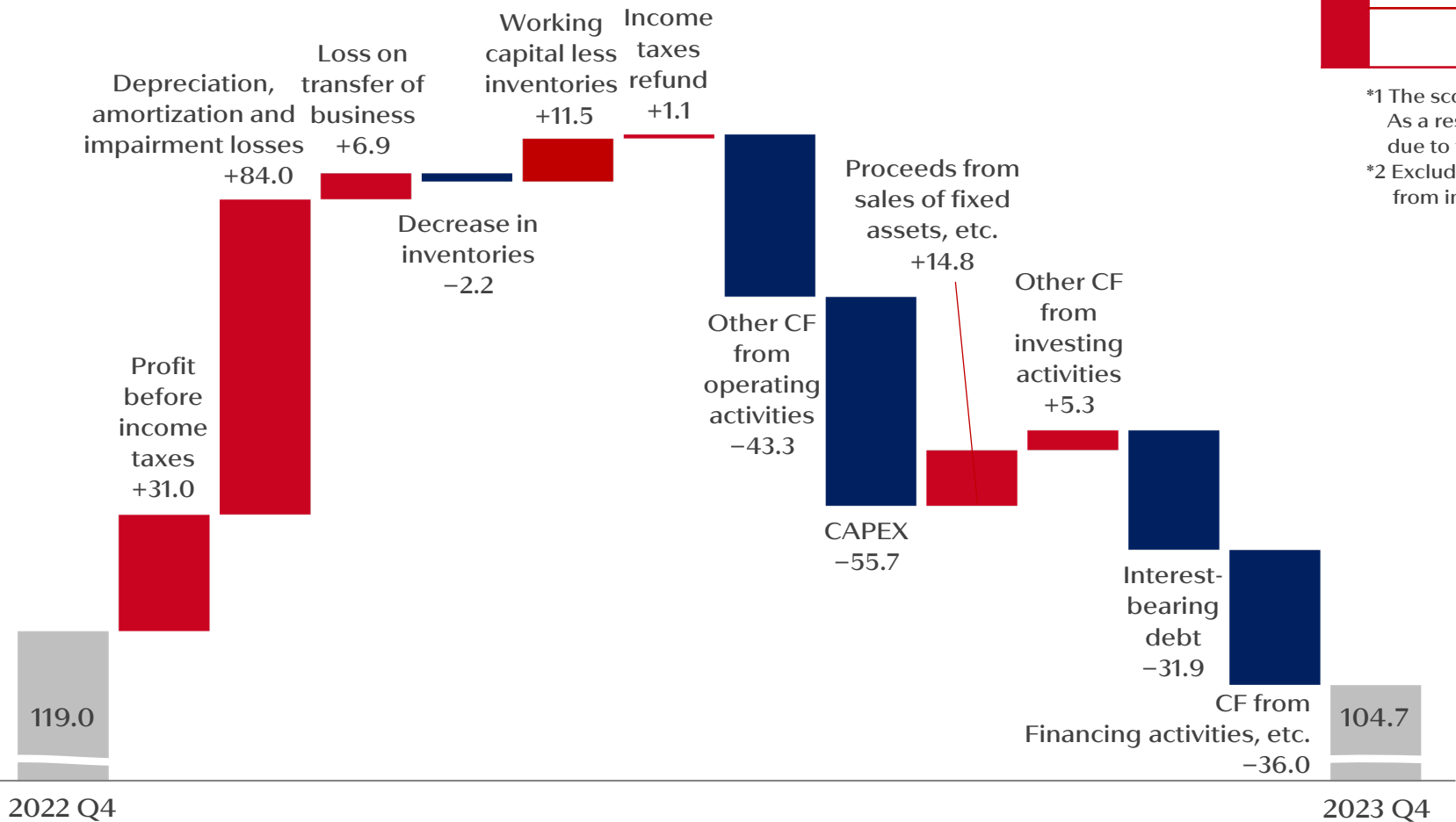
\*3 Non-recurring items attributable to SG&A

# Supplemental Data 8

## Cash Flow Management

(Billion yen)

Free Cash Flow: +53.5	
Operating CF: +89.0	Investing CF: −35.5



KPIs	2022 Q4	2023 Q4
Inventories (Billion yen)	130.9	149.6
DSI (Days)*1	148 (200)*2	197 (235)*2
Net D/E ratio	0.05	0.06

\*1 The scope of accounting for cost of sales has been changed in Q3. As a result, the figures for 2022 and 2023 have been revised due to the retrospective application of a change in accounting

\*2 Excluding impacts from product supply due to business transfer and from impairment losses (estimation)

# Supplemental Data 9

## 2023 Non-recurring Items

	2022			2023		
(Billion yen)	Q3 YTD	Q4	FY	Q3 YTD	Q4	FY
Core Operating Profit	36.2	15.1	51.3	36.8	3.0	39.8
Gain / Loss on Transfer of Business	15.2	0.1	15.3	−9.1	2.2	−6.9
Gain / Loss on Sales of Fixed Assets	3.7	−0.0	3.6	12.5	0.8	13.3
Structural Reform Expenses	−3.4	−3.2	−6.6	−5.1	−2.6	−7.7
Impairment Losses	−14.8	−1.1	−15.9	−8.0	−0.4	−8.3
Structural Reforms-Related	0.6	−4.2	−3.5	−9.7	−0.0	−9.8
Profit (Subsidy income)	0.6	0.0	0.6	0.0	0.0	0.0
Loss (Salaries and allowances for employees, etc.)	−1.8	−0.0	−1.8	-	-	-
COVID-19-Related	−1.2	−0.0	−1.2	0.0	-	0.0
Other	-	-	-	−1.3	−0.7	−2.0
Non-recurring items	−0.6	−4.2	−4.8	−11.0	−0.7	−11.7
Operating Profit	35.7	10.9	46.6	25.8	2.3	28.1



## Supplemental Data 10

### Capital Expenditures; Depreciation and Amortization

(Billion yen)	2022	2023	2024 Forecast
Property, Plant and Equipment	31.3	26.9	33.0 <sup>*1</sup>
Intangible Assets, etc.	28.6	28.5	26.0 <sup>*1</sup>
Capital Expenditures <sup>*2</sup>	59.8	55.4	59.0 <sup>*1</sup>
Property, Plant and Equipment	36.3	34.7	
Intangible Assets, etc.	14.7	17.2	
Depreciation and Amortization	51.0	52.0	

<sup>\*1</sup> Revised on February 26, 2024

<sup>\*2</sup> Investments in capital expenditures; property, plant and equipment (excl. right-of-use assets) and intangible fixed assets (excl. goodwill, trademark rights, right-of-use assets)

# Supplemental Data 11

## 2024 Net Sales Forecast by Reportable Segment

(Billion yen)	2023	2024 Forecast <sup>*1</sup>	YoY Change %	YoY Change FX-Neutral %	Like-for- like % <sup>*2</sup>
Japan	259.9	287.0	+10.4%	+10%	+11%
China	247.9	252.5	+1.8%	+4%	+5%
Asia Pacific	67.3	73.0	+8.5%	+10%	+13%
Americas	110.3	108.0	−2.1%	+2%	+10%
EMEA	116.9	122.0	+4.3%	+9%	+13%
Travel Retail	132.5	136.0	+2.6%	+6%	+7%
Other	38.2	21.5	−43.7%	−43%	−3%
Total	973.0	1,000.0	+2.8%	+5%	+8%

Exchange rates for 2024: USD 1 = JPY 135 (YoY −3.9%), EUR 1 = JPY 145 (−4.6%), CNY 1 = JPY 19.5 (−1.7%)

<sup>\*1</sup> 2024 Forecast does not include the financial impact of the acquisition of Dr. Dennis Gross Skincare

<sup>\*2</sup> Excluding FX and business transfer impacts

SHISEIDO