



**Shiseido Company, Limited**

Shiseido EMEA Business Strategy Event

June 7, 2024

## Event Summary

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<b>[Company Name]</b>	Shiseido Company, Limited	
<b>[Company ID]</b>	4911-QCODE	
<b>[Event Language]</b>	English	
<b>[Event Name]</b>	Shiseido EMEA Business Strategy Event	
<b>[Date]</b>	June 7, 2024	
<b>[Number of Speakers]</b>	Kentaro Fujiwara Alberto Noe Ayako Hirofuji Yuki Oshima	President and COO EMEA region CEO Deputy CFO, Chief DE&I Officer Vice President, Investor Relations Department

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# Presentation

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## To Be a Global Winner with Our Heritage

**Kentaro Fujiwara**  
President and COO

June 7, 2024



**Fujiwara\***: It is my pleasure to have an opportunity to talk to you about our commitment to regain growth at Shiseido.

Evolution of **Shiseido**

Founded **1872**

Distributed in **120** countries/regions

**36,000** employees

**100** nationalities

SHISEIDO 2

For those who are not familiar with us, Shiseido was founded over 150 years ago in 1872 as a Western-type of pharmacy in Ginza, Tokyo. And we operate in 120 countries with 36,000 employees having 100 different nationalities.

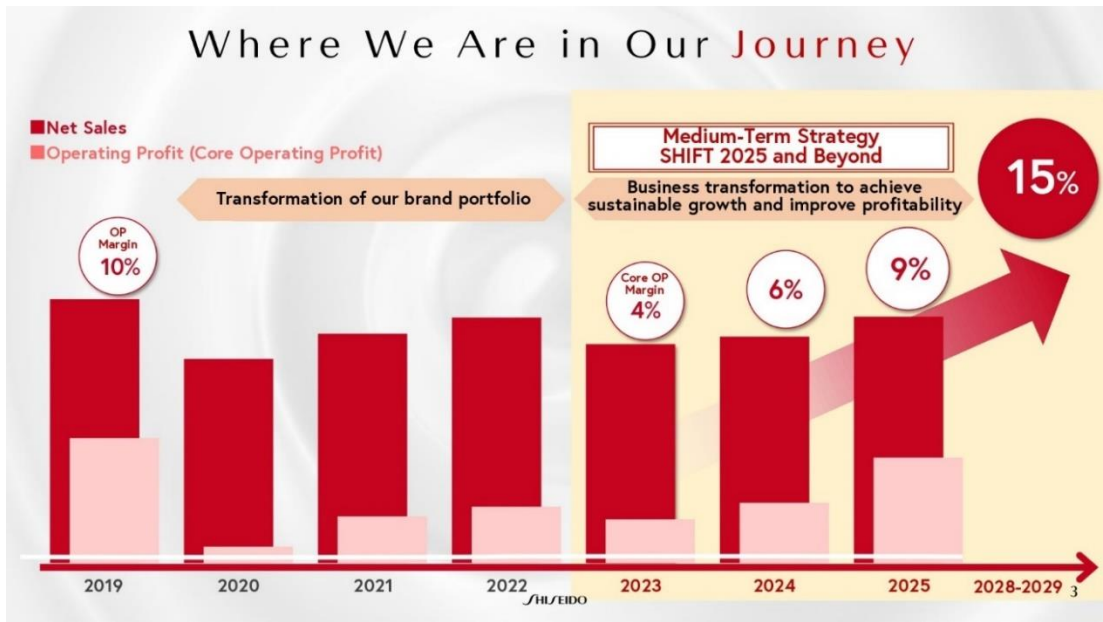
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This chart illustrates our journey.

We have been facing a quite challenging market environment over the past 3 years, and now we are undergoing a business transformation to ensure sustainable growth for the future.

There are two phases. The first one was from 2020 to 2022, the period of our brand portfolio transformation. Our record high margin was in 2019, 10%. Then COVID happened, causing a significant and prolonged impact on our business. We made a very tough decision to ensure the company's survival. Our core area was defined as "Skin Beauty" and the brand portfolio was drastically changed. This was indeed a painful but necessary transformation, resulting in a recovery of the Company's financial performance.

Then comes the second phase; business transformation to achieve sustainable growth to improve profitability. Currently we are in the second year of our mid-term plan called "SHIFT 2025 and Beyond." The aim here is to reshape our cost structure so we will be well-positioned for the long term profitable growth.

Our margin target is 6% this year, 9% next year, and 15% by 2029. But the short-term profit delivery is not the only one that matters; we are now working on the transformation to improve the overall productivity by driving efficiency in all areas of the Company.

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## Our Missions Going Forward

- **Japan**  
Structural reforms
- **China and Travel Retail**  
Respond to market changes
- **Americas, EMEA, and Asia Pacific**  
Accelerate growth
- **Create new values**

JHL/EIDO

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These four are the main initiatives that we are focusing upon.

The top two, Japan and China and Travel Retail, are the top priorities for working on structural reforms in their businesses. Below two are mid-to long-term, accelerating growth in the EMEA, Americas, Asia Pacific to have the resilient and well-balanced global footprint.

And the last but not the least, the creation of new values.

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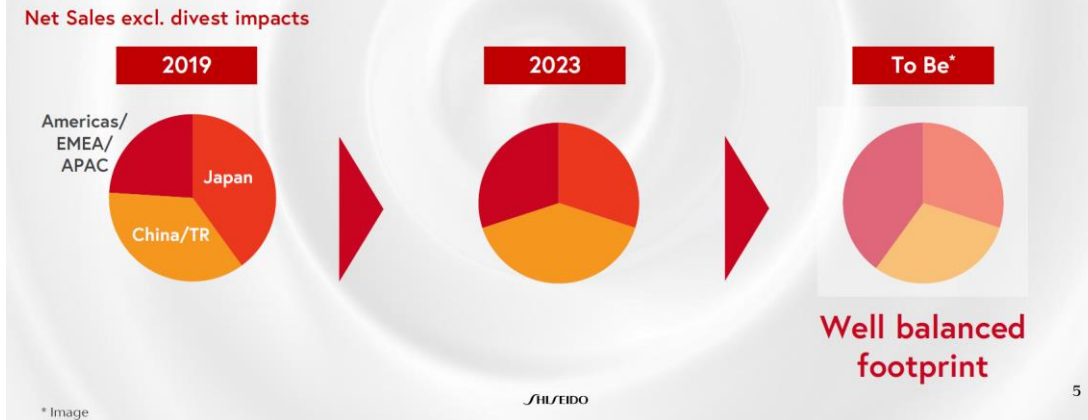
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# FULL GEOGRAPHIC COVERAGE

## Quantum leap growth in Americas/EMEA/APAC



Given increasing volatility in the Asian markets, we put great emphasis on the balancing of our global footprints. We want to be aligned with geographical presence and we have the next profit driver for the Group. We are accelerating the growth in the EMEA, Americas, and Asia Pacific by making sure the strategic marketing investment behind those areas.

Based on the experience of spending about 10 years in Europe in my early days, I see EMEA as a center of luxury and the center of sustainability. Having a strong brand presence, EMEA will definitely have a positive impact on our global business. So I'm very happy to say that EMEA is now profitable with a great brand portfolio and great talent, which give us the confidence for further growth acceleration.

And with that, now over to you, Alberto. Thank you.

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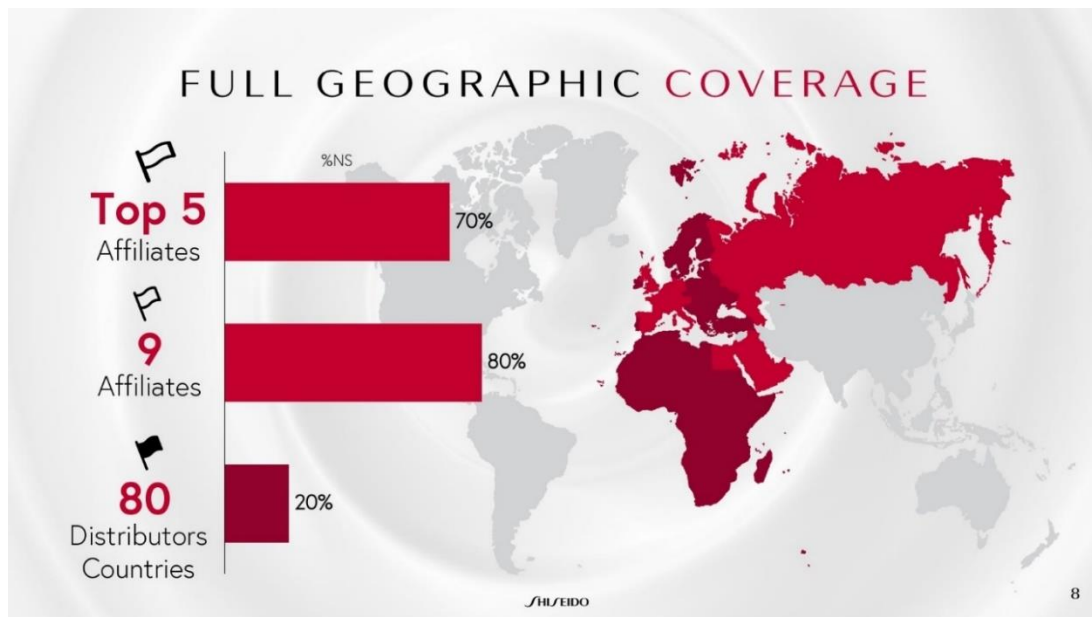
SHISEIDO

## EMEA

Accelerate  
Growth



**Noe\***: Thank you very much, Fujiwara-san. Hello, everybody. I'm Alberto Noe. I'm a regional CEO. And today, it is my pleasure to introduce you to our region and to share with you the progress we made as a region and the way we are going to contribute to the growth of the Group in the incoming years.



So let's have a look first at our ID cards. Today, we cover 80 markets, thanks to nine affiliates of five of which are representing 70% of our business, which is showing already that focus is an important word in our way of managing our business.

Let me explain you about Middle East. Specifically, Middle East, we really made a big transformation in the last two years. Before, our footprint was based completely on distributors of 100%. Now we control 80% of the business, thanks to our organization, thanks to another base in Dubai and the JV in Saudi Arabia.

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**ZADIG & VOLTAIRE**

**EMEA OVERVIEW**

**800M€**  
Sales

**Fragrance COE**  
for the Group

**2** Factories  
**1** R&D Center

9

As a region, we originally delivered EUR 800 million sales. And at the same time, we are the fragrance center of excellence. It means that we develop fragrances for the Group worldwide. We can count on two fantastic factories and one research and development center.



Let's have a look on our mix of business.

We have to say that the region is very close to the industry average. And our mix is, of course, overweighted slightly in skincare because of DNA of our Group and our capabilities. But our mix enables us really to leverage growth, thanks to all the segments.

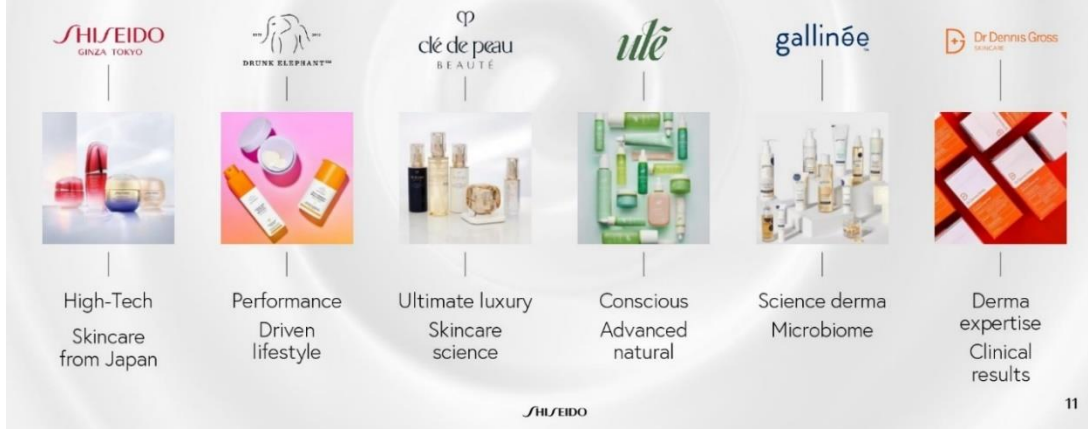
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## DIVERSE SKINCARE PORTFOLIO COVERING ALL CONSUMER NEEDS



When we look at our portfolio, in skincare, we are a powerhouse covering all consumer needs. And let me explain why.

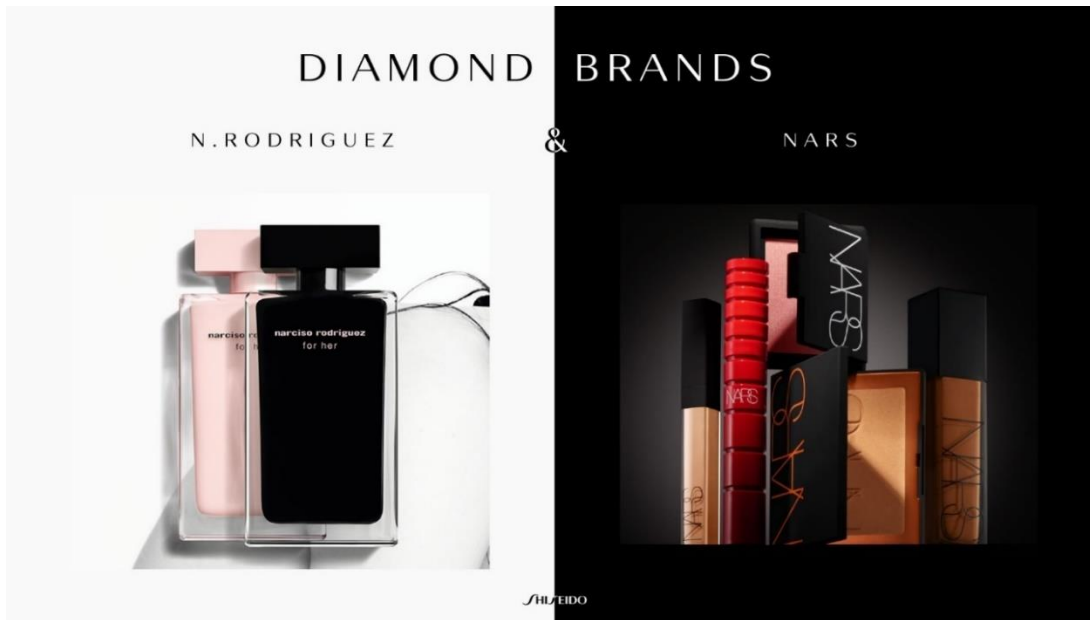
Our portfolio is really diverse. We started from what we call a high-tech skincare brand from Japan, SHISEIDO. We have also a dream and lifestyle brand and focus on performance like Drunk Elephant. We have an offer on ultimate luxury and skincare science, thanks to Clé de Peau Beauté, but then we adapted our portfolio to the needs of the consumers in our region, and we created a conscious and advanced network brand at Ulé.

And we recently acquired another brand called Gallinée, really bold on science derma microbiome. And not to forget the last newcomer of our portfolio, Dr. Dennis Gross Skincare, a derma expertise clinical results brand. This is to show you that we have a strong capability to develop a big brand as Shiseido, but at the same time, also other brands, selling brands, really to capture the consumer needs in the region.

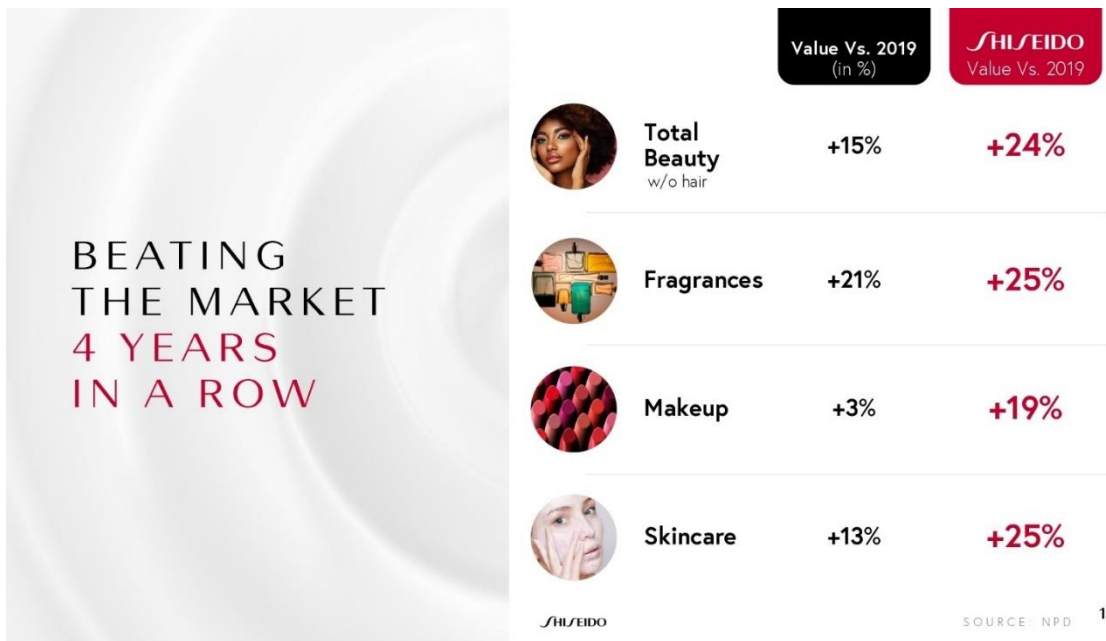
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We have also what we call our Diamond brands as, for instance, Narciso Rodriguez and NARS. These brands have already proven to be able to reach a leading position in the region as, for instance, Narciso Rodriguez being number one in feminine fragrances in Italy or NARS, ranked at number four in UK in makeup, which I have to say is the best ranking worldwide for the brand.



I want to share with you also and have a focus on the last four years to show that in the last four years we have been able to beat the market in four years in a row.

From 2019 to 2023, the market grew at plus 15%. We, at Shiseido Europe, we have been able to grow at plus 24%. And as you can see here, we grew better than the market in all the categories.

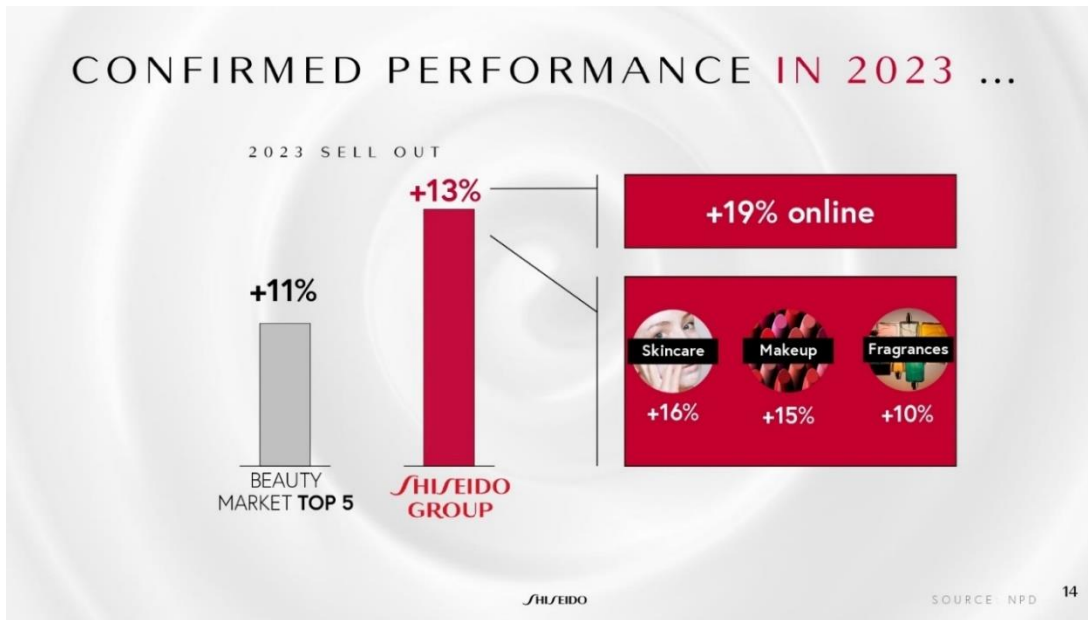
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## CONFIRMED PERFORMANCE IN 2023 ...



And we can say that we can confirm this also for 2023, where we have been able, once again, to overperform the market, and we have been able even to overperform strongly the market in online and to achieve great results in terms of ranking that I want to share today with you.

Looking at brand SHISEIDO, for instance, we gained one ranking, a ranking at number four brand in the region, and we are the best performing brand into the legacy brands. So it means that we have been able to expand our market share, increase our market share while the market is really driven by indie brands and new brands. And additionally, we have been able to reach the second position when we focus on our top four NPD markets, France, Germany, Italy, and Spain.

Drunk Elephant too contributed strongly, and we have been able to deliver two times retail sales in 2023 versus 2022.

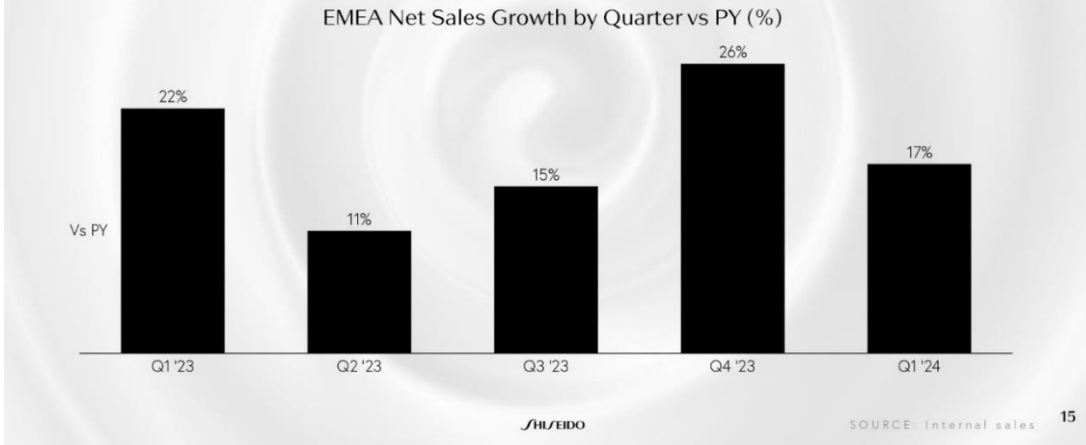
NARS entered in the top 10 brand in Europe, which is in the top five key markets in Europe, and as I was saying before, top four brand in the UK, which is an outstanding result. And also Narciso, of course, thanks to our star product, for her, gained fourth position, ranking at number eight in the region, and still, as I said, number one in Italy.

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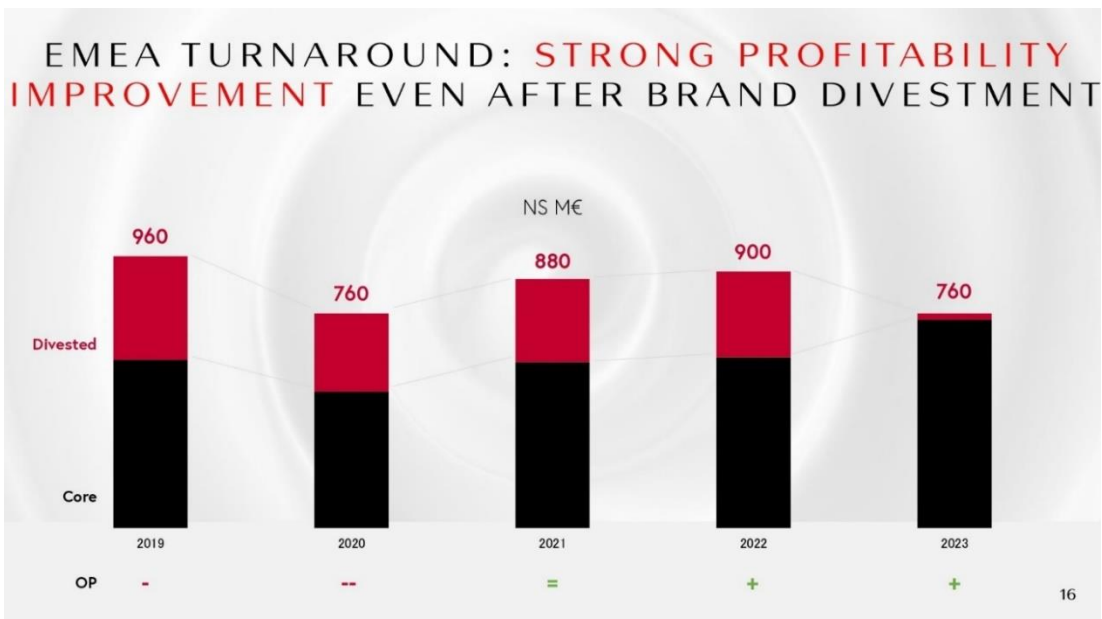
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## ...EVIDENCED WITH 5 CONSECUTIVE QUARTERS OF DD NET SALES GROWTH



This 2023 results have been confirmed not only on the market share, but also in the revenue, showing five consecutive quarters of double-digit growth in the region.



This market share increase seen in our strong growth has translated into a real turnaround in profitability.

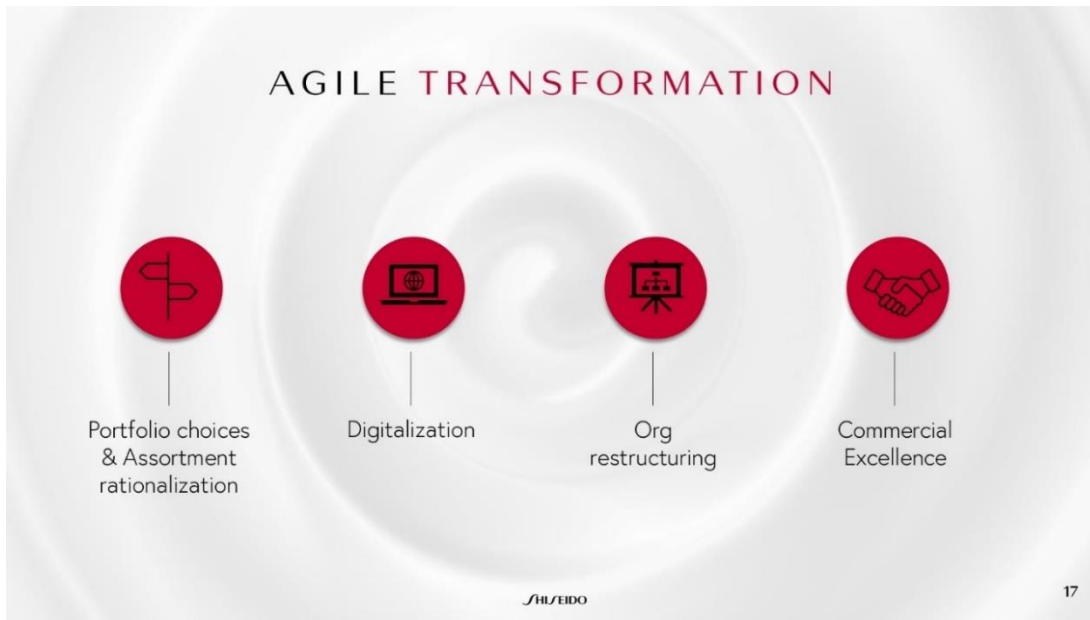
As you can see, in 2019, we were not profitable. And then, of course, as you know, we have a diverse brand in the years. And we arrived after many years in 2021, 2022, and 2023 to gain even profitability with, we see here, EUR 200 million less of top line.

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How we did this? We have to stay focused on what we call an agile transformation.

So first of all, a strong portfolio prioritization choices. You have to know that we cut over 1,000 unprofitable SKUs from our asset.

Then we accelerated our digitalization reaching 36% of mix of business, which we know very well for us is a better profitable channel versus the brick-and-mortar channel.

Third, we implemented an organizational restructuring, a strong one, with a reduction of around 25% of headcount, even reaching a reduction of 35% in our region, at the center, at the zone.

And of course, to gain and compete and build the competition, we developed excellent retail partnerships, both in digital but also in animation with some key retailers in the region.

Those four factors combined have enabled us to improve, of course, our profitability.

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Going towards the future, we have an ambitious plan to continue to deliver above market growth. And here, you can see our five strategic drivers: core brand, core markets, core channels; digital acceleration; local R&D and production capabilities; sustainability leaders; and, of course, people.

Let's have a look on it.

1

**CORE BRANDS,**  
**CORE MARKETS,**  
**CORE CHANNELS**

SHISEIDO

**80%**  
NS

**80%**  
A&P

SHISEIDO

When we say core brands, core market, and core channel, it means that the focus is the recipe for us to win. It means that we know very well that we need to stay focused on our core brands, the four core brands that I talked about before. The core markets, the top five core markets that we saw before, and, of course, the core channels for the profitability. And this is our trajectory really to be sure to allocate at least 80% of our A&P to the growth and the ambition of this core brand market and channels.

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## DIGITAL POWERHOUSE

ECOM 36% NS = BEST IN CLASS

ECOM SHARE &gt; BM SHARE

FR, GER DIGITAL HUBS

AI



Second is really EMEA has embarked since three years in digital transformation, really to create what we call a digital powerhouse.

As we were saying, e-commerce, we have been able to reach 36% of our net sales are online sales, which is a best-in-class position in Europe in front of all our competitors. At the same time, we have been able to develop a market share online that is higher than the market share that we have on brick and mortar. And from what I was saying before in terms of profitability contribution, this is really good news for us.

At the same time, we built what we call a digital hubs. Why? Because we specialize two countries, France and Germany, and we created to be able to deliver growth and expertise in online and also to retain our talents because having two hubs is also helping to retain and attract talent in the digital world.

And, of course, the AI is a key milestone for all, and we kicked off a project on how we will leverage on it in the near future with a cross-functional team really working on it to capture and to be focused on what will be key for us for the future to be adapted here.

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**3 LOCAL R&D & PRODUCTION CAPABILITIES**

Ormes Gien

Strategic Assets

SHISEIDO

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Then, of course, local R&D and production.

We have two state-of-art factories serving our region. And agile, and they are really giving us agile and end supply chain to our consumers. This is an advantage that, of course, we are leveraging, and our R&D center, of course, is working closely with our Global Innovation Center in Tokyo, which is another competitive advantage, really to capture the needs of the European consumers.

**4 SUSTAINABILITY LEADER**

- EIC, Group R&D center for green sciences
- Group Sustainability champion
- Open innovation
- Most awarded company\*

**31** IFSCC\* Research Awards

Company	IFSCC* Research Awards
Shiseido	31
Company A	11
B	8
C	6
D	4
E	2
F	1

SHISEIDO

SOURCE: INTERNATIONAL FEDERATION OF SOCIETIES OF COSMETIC CHEMISTS

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Then as Fujiwara-san was saying, we are a leader in sustainability for the Group, of course, we are here to have and to drive the direction, the focus on it for the future. We know very well that we have a green hub of innovation that is strong. We are starting, of course, for green technology, and we are leveraging on open innovation, really, which also include to build the R&D partnership with European start-up.

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And we always claim what we call our science supremacy that, of course, is proven by the number of awards in IFSCC that we received in our history compared to all the other leaders in the region.

5

## PEOPLE FOCUS



Values Diversity Talent

JH/EIDO

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And then, of course, people. People are our number one asset.

We are rich of a diverse workforce in our HQ. We have 26 nationalities. We have 79% of women and 61% of women in leadership positions. And this diversity combined with the continued wind to lead in digital, giving our top 100 leaders that to follow regular digital trainings every year.

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## SEASONED BEAUTY EXEC TEAM LEADING EMEA



**Franck Marilly**  
Chairman  
Joined in 2018  
23 years in Beauty  
Chanel, Unilever



**Alberto Noe**  
CEO  
Joined in 2013  
23 years in Beauty  
L'Oréal, LVMH,  
Chanel



**Valérie Charpentier**  
VP HR EMEA  
Joined in 2022  
25 years in Luxury  
and Finance  
Richemont, Dior Couture,  
AIG, PWC



**Geoffroy de Fontenay**  
CFO & IT  
Joined in 2019  
14 years in Food and Luxury  
LVMH, Danone



**Florian d'Hauteville**  
Chief Business Officer EMEA  
Joined in 2011  
19 years in Beauty  
LVMH



**Christophe Hadjur**  
VP EIC & EMEA Sustainability  
Joined in 2021  
24 years in R&I  
L'Oréal



**Gonta Kashio**  
Deputy VP Operations  
Joined in 2000  
24 years in Beauty  
Shiseido (Japan, UK,  
Italy, France), Mazda



**Sophie Masson**  
Chief Marketing  
Officer EMEA  
Joined in 2018  
23 years in Beauty  
Dior, Coty, L'Oréal



**Nina Moise**  
General Counsel EMEA  
Joined in 2018  
10 years in Beauty  
Coty  
SHISEIDO



**Ben Suzuki**  
VP Operations  
Joined in 2000  
24 years in Beauty  
Shiseido  
(USA, Japan, India, France)



**Yael Tuil**  
VP Global Fragrances  
Joined in 2021  
23 years in Beauty  
Coty, Puig

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And we have also what we call Seasoned Beauty Executive Committee leading the EMEA. This is my team, of which I'm really proud of it. And as you can see, the people around me are different expertise in beauty with international background. This will help us, of course, to take the right decision for development of the region in the future.

## ROLE OF EMEA WITHIN SHISEIDO

成長

### Organic

Beating Market Growth  
Regaining Scale

### Inorganic

M&A for EMEA  
Strategic Alliances

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Let me conclude to show with you which is our role within the Shiseido organization. Here, there are two *Kanji* "Seichou" that, combined, means growth in Japanese. Yes, growth is really the key driver for us. Organic growth on one side, and we know that we will solidify growth thanks to our target to grow 2x at least faster than the market, which we already did in the last three years.

And, of course, also combine this with what we call an additional booster, the inorganic growth, that might come through M&A or relevant strategic alliance in the region. So we are here to contribute and be this acceleration that the Group need really in terms of Western market.

Thanks to all.

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## Question & Answer

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**Oshima [M]:** Thank you very much, Fujiwara-san and Alberto. We will now move on with a Q&A session.

The first question is from Kuwahara-san from J.P. Morgan Securities.

**Kuwahara [Q]\*:** Hello. Good morning. First of all, congratulations for this great performance in EMEA. I would like to know what is the competitive edge of the Shiseido in the market a bit more. I suppose a lot of the beauty players exist in the EMEA and probably that competition is very tough. So would you please a little bit more elaborate that what is the strength of the Shiseido in the EMEA market compared to other global beauty major companies like L'Oréal or Estee Lauder?

**Noe [A]\*:** Thank you very much. Yes, of course, thanks for your comments. So which is our competitive edge, which is the strength of Shiseido? I can summarize in two words. One is agility because we know that to beat competition, big groups are dominant in our region, we need to be more attractive than the other. We need to react faster. And we need to adapt our organization really to capture where we see growth. And this is the way we did it here in the region because as you saw, we have few affiliates. We created hubs. We need to capture this kind of growth. And we are having a strong senior leadership team even in the country. And this is something that I want to really stress because it's a big investment for us as a region, as you can imagine. But this is giving us a competitive advantage because in our markets in the region, we have a very senior leader that's proven the capacity to beat the market in the years. And we are investing to retain them because we believe that in front of the other groups, this is really a competitive edge for us that we need to defend. And then as I was explaining in my presentation, of course, also the weight of online reaching 36% is the highest in the region mix of business online compared to the other big competitors.

**Kuwahara [M]\*:** Thank you so much.

**Oshima [M]:** Let's move on to the next one. Oliver-san from CLSA Securities.

**Matthew [Q]\*:** Thank you very much for the presentation. My name is Oliver Matthew from CLSA. Could you tell us more about the e-commerce profitability compared to your other sales channels? And maybe on the outlook this year, do you think that 36% will continue to increase as a percentage of your sales? And as so, should we expect the operating margin in Europe to continue to increase as you sell more through e-commerce? Thank you.

**Noe [A]\*:** Thank you very much. Yes, I can share with you, of course, that the e-commerce profitability is higher than the one on brick and mortar without giving clear numbers on that. But, of course, for us, it's an accelerator of profitability. Why? Because now, after years where we invested behind this channel to create the platform, we need to capture this growth. Now we are leveraging on the platform themselves. And, of course, when you go to brick and mortar, you have additional cost that you avoid on your online business sales. For instance, beauty consultants, the level of testers, the level that we need to provide in a brick and mortar environment and not in an online one. So globally, the online is more profitable than the brick and mortar, and this is why it's key.

To answer your question, if we can go even ahead of the 36%, yes, this is the target for us as a region. We have a target to increase at least one point per year, the percentage of the weight of online in the region. And in terms of Operating Profit contribution and increase, yes, of course, we have the target to increase our profitability every year. And this will come from the mix of, of course, a strict control on cost, SG&A costs, at the same time, an acceleration in top line, as I was explaining, focusing on key markets, key brands and key

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channels and so on. And the ROI, a clear focus on the investment that we are doing to increase the productivity of these events. All in all, this will bring an acceleration of profitability.

**Matthew [M]\*:** Thank you very much.

**Oshima [M]:** Next question will be from Miyasako-san, Mizuho Securities

**Miyasako [Q]:** Miyasako from Mizuho Securities. Thank you very much for this event. About the OP rate, it's 15% on the consolidated. So what is the level of OP ratio of EMEA when the consolidated OP is going to be 15%? What is your vision for that?

**Hirofuji [A]\*:** Thank you, Miyasako-san, for your question. We do not disclose the specific region targets under the 15% target that we have set out. Of course, as Alberto has explained, we intend to drive sales and profitability for this region. We see huge potential and we'll continue to deliver against the 15% target.

**Miyasako [Q]:** So apart from the target, what are the pathways towards achieving the higher profitability? I understand that you have gone through substantial restructuring already. What are the pathways to achieve the high profitability even after such a drastic restructuring already?

**Noe [A]\*:** Yes. So thanks for the question. Absolutely, as I was speaking before, of the direction, the focus and how we can reach this from the acceleration mainly because we believe that this is why we have to target this region to regain the scale that we had in the past because you saw what I projected. Before, in 2019, we were doing EUR 200 million more than what we are doing today after the divestiture of some of the brands. But we have been able to completely transform our business and to move from losing money to making money and so on.

So this is the trajectory that the recipe is the same that we are going to apply. It means that we need to scale and we need to grow faster than the market. This is clear as part of our model. So we need to inject the means to grow faster than the market, at least 2x the market. And at the same time, to freeze as much as we can our SG&A cost so the percentage will decrease to improve our footprint in terms of COG because we have a good factory and fragrances are a key driver of the growth for the future because it's a very contributive business for us.

So in Europe, it's super important in terms of weight we saw, and we are winning in fragrances. Last year, we grew more than 20%. And this year, we are still growing faster on that. So all in all, the growth ambition, the continue of the cost and the focus on the brands that are going to increase our profitability are the way we are really applying to improve the profitability for the region.

**Miyasako [M]:** Thank you very much.

**Oshima [M]:** Thank you very much. The next question is coming from Kawamoto-san from Jefferies Securities, please.

**Kawamoto [Q]\*:** Thank you for the opportunity today. My name is Kawamoto from Jefferies. So one question for fragrance, I would like to know that the breakdown of price and volume for your past record over the growth of the fragrance, double-digit. And also what is your strategy for the deodorant because I know that Europe, the deodorant market is growing big because the temperature is going up. And there is some chance, if you could give us some of your thoughts and what kind of business opportunity are you thinking about. So the fragrance is a very strong growth category for you. So please could you explain? Thank you.

**Noe [A]\*:** Okay. Yeah. Thank you very much. Yes, so in terms of growth in the last two years, how the, let's say, the inflation and the prices impacted the growth versus the volume evolution. We can say that it's

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happened because, of course, we as a group, we increased our prices in line with the market average. So of course, we are keeping the same level of competitiveness in the market. And the global expect in terms of growth, of course, comes half from a volume real increase and half from a price real increase, which will be the same in terms of approach for the future because we expect, of course, that we have, for the years to come, as I was explaining, the double of the speed of the growth versus the market means we expect the market around plus 5% growth for this year and the next year. And we are targeting at least to grow 10% in the region as the minimum growth. So it means that we will once again use the effect of prices, but also we will let our contribution in terms of volume to reach this double growth versus the market.

About the deodorant-specific question. No, at the moment, we are not specific and particular project to develop deodorant and so on. For us, focus is really the main topic that we want to develop and stick on it on our strategy because thanks to the focus we put in the last year, we have been able to transform the region. So we know very well that if we want to deliver the same level of growth and increase our profitability for the years to come, we need to stay focused on what is core, and our core brands and core categories into each single brand and fragrances in the case of deodorant. So no specific brands for deodorant in the coming months.

**Kawamoto [M]\*:** Thank you.

**Oshima [M]:** Next question is from Miyazaki-san from Goldman Sachs.

**Miyazaki [Q]\*:** Hi, this is Miyazaki from Goldman Sachs. Thanks for today's presentation. I would like to know the situation of operating profit margin. Why did you achieve a very strong revenue momentum last year? You also showed the profitability volatility QoQ basis last year. Then this Q1 OP margin was very strong, 12% higher than before. Can we believe this Q1 operating profit margin will continue or we need to see some volatility this year as well?

**Hirofuji [A]\*:** Before I pass on to Alberto, just to remind everybody, QoQ, in a region basis and also, which reflect into a global basis, we do have fluctuations. Some timing shifts just like previous year campaigns, some fluctuations from previous year events, et cetera. And of course, we do have some volatility overall in our profitability level. The key is to be able to make sustainable steady operating profit improvement throughout the year to meet our global target. So that is the effort that we are making. I'll pass on to Alberto for region-specific fluctuations.

**Noe [A]\*:** Absolutely. Thank you, Miyazaki-san, for the question. As Ayako-san was saying, of course, there is a fluctuation of our profitability all around our quarters because we know very well that in the region, for instance, the last quarter is quite heavy in terms of spending because it's the Christmas period and most of the strong investments are heavy in Q4. So this is why we know that we need to build our global profitability day by day to be sure to arrive with the proper level of profitability then to invest and capture the potential of the last period in the region. The sales in the last period, they are super important in our region. So we need to be sure that we keep it to compete with those the key moments of the year.

**Miyazaki [M]\*:** Okay. Thank you.

**Oshima [Q]:** We have several questions in the chat box. The first is from Tom from Alma Capital. Let me read it here.

Please can you give your vision for how the market will evolve over the next three years in EMEA? In terms of product mix, brand mix, channel mix, intra-region mix as well as price mix, such as premium versus lower price range, what kind of market growth rate do you expect going forward?

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**Noe [A]\*:** Thank you very much. I start from product mix to then go to brand channel and price, one by one. So of course, what we see in terms of products and category, that all the categories are contributing to the growth, which is, I would say, in a healthy situation because sometimes in the past, we saw years where we had category really driving the growth than other categories. If you remember very well, the recent years in makeup, for instance. Now it's not the case because makeup is growing at the same pace as fragrance and skincare.

So in terms of product mix, we expect the product mix that will go in the direction to increase the skincare weight globally in the region, and this is why we are keeping our strategy with a strong skincare portfolio. This is clear, but it will be gradual. So it's not going to happen in one year. It will be gradual because, of course, it's a matter of capture around the beauty routine for the European consumers globally, so it will take time, but it's already happening.

In terms of brand mix, it's clear that today in the brand mix we see new players completely because if you look at the top 10 brands by country, by region, and so on, we see that the one really performing, driving the growth are what we call the ceiling brands, the indie brands, the new brands, the social brands, if you want to give a definition on that, brands born thanks to the TikTok trend and so on. So we see clearly that they are growing faster than the market. And this is the way we approach the market.

Our portfolio has been to cut towards this growth. We have Drunk Elephant, we have Dr. Dennis Gross Skincare now, we have Gallinée, Ulé, and so on. But at the same time, we have to build always on our core brand, our legacy brand SHISEIDO. And this is why today, we are focusing on SHISEIDO and beating the market and the legacy brand in Shiseido because we are sure that in any case, even if we see trends rising and so on, consumers in the future that will stay focused on values and values that are related to brand with history with proven performances in the years and proven technology behind. So this is why we see a brand mix change, but of course, with some key values remaining strong in the future.

In terms of channels, of course, we can say that we can back on the acceleration of the online even if the acceleration of the online that we saw in terms of channels in the last year is growing at the same level of the growth of the brick and mortar. So it means that there is also a trend of consumers to go back to the physical experience. So what we need to be cautious is that when we develop a brand, a product and so on, the omni-channel approach is key, because it's not only a matter of one single channel, we need always to think to an omni-channel approach.

And in terms of price mix, yes, price mix is driven by premium brands today mainly. We see also some entry-level brands part of the business today, some brands that are positioned between the EUR 20 and EUR 40 of price and so on that are, of course, growing. But if you look at the strong growth in terms of percentage, the highest one is coming from the premium brand.

We know about the fact that in the future, in terms of aging, our region will go in the direction to be a more aged population. So of course, we need to be sure to also adapt our offer in terms of products to the change of the mix of the population that we see in our region. And we are already on it and we already developed, for instance, in SHISEIDO, some new franchise into the Vital Perfection line that are really targeting this kind of target.

**Oshima [M]:** Thank you very much for that holistic answer. We have a couple more region format questions. This is a deep dive question into the e-commerce that you just answered. Cici Chen from Wellington, thank you for your question.

Thank you very much for the presentation. It is impressive to see such a strong performance in EC. What are the things you do differently from peers? What is the current breakdown of buying platform such as your own

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website versus other key EC channels? Can you also talk about the future growth driver for the EC channel in EMEA?

**Noe [A]\*:** Yes. Thank you very much. So I will articulate my answer starting from the different EC channels to give a little bit of sense from where the growth is mainly coming and why we have been able to create a positive contributor in terms of profitability into the EC channel globally for our regions. So the global online business, we speak between three big, I would say, groups. The first one is our D2C channel, so we own the platforms. So the platforms that we manage and own directly. Then what we call the e-retailing platform. So to give you an example, the platform of Sephora.com, Douglas.com and this kind of platform. And then what we define pure players platform. So platforms of specialized beauty player having a presence only online and not a brick and mortar presence in our region.

So between the three, we have a total different situation. Of course, the main contributor to the acceleration and growth of our online sales are the e-retailer and the pure players. Why? Because the D2C, of course, the weight of D2C is still limited in terms of global weight because for other represented around the 3% in terms of our sales at D2C. But we know very well that the way we develop D2C is super strategic for us. Why? Because in terms of sales, it's limited, yes. But in terms of knowledge of our consumer is super important. And today, we are using D2C to test some offer, some actions with our consumers, direct consumer and then seeing the results and the ROI of this kind of action, we are applying those actions on the retailer platform or the full player platform.

So it's a learning platform for us, D2C. At the same time, we decided to develop the D2C, where we see the potential, step-by-step, it means that we localize the D2C, we give the key of the management of D2C to our countries only when they reach a minimum level of business because otherwise we keep it centralized, managed here to optimize costs, and, of course, to optimize choices, and so on. So globally, the contribution, as I was explaining, is coming from a different direction with different roles played by each of the three pockets of the EC business.

**Oshima [Q]:** Thank you very much. Another question was regarding the SKU reduction. This is a question from Oliver from CLSA.

Could you please advise us how many SKUs you have had before you cut 1,000? And what has been the benefit of less SKUs?

**Noe [A]\*:** So to cut SKUs, it's not a single exercise. So I will not talk about cutting SKUs as the solution to find for profitability. Everything came from what we call a project that we kicked off in the region more than two years ago called *Akebono*. *Akebono* is a project that we went into to really analyze how to improve the profitability stream by stream. So it was about distribution. It was about SKUs. It was about POS material. It was about deeper channels and so on. So we look at the entire, I would say, picture of a region and we say, if we want to increase profitability, what we have to attack? And we developed a specific recipe for each of the stream. In the case of the SKUs, we, of course, have a look on the low rotation SKUs in the portfolio. They weren't able to create the excess and obsolete in part of our P&L. And we say, if we are able to limit the effect of those SKUs, how much we are going to gain in profitability?

And this is the exercise we did, even in slowing down the innovation on looks and so on because we did an analysis on how much we sell when we create a look in makeup and how much we return after one year in terms of SKU. We did this kind of comparison, and we clearly understand that we had to reduce the number of SKU operators to optimize the global P&L contribution of this action.

So in the case of the SKU, I can tell you, if we look at the entire brand, we cover more than 30,000 SKUs globally. But we have been focused on some of our key brands. Once again, the core brand and mainly in that

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case, we have been focused on SHISEIDO and NARS, really to deliver the choices to be able to limit the number of SKUs and to limit the effect on the sources of our SKUs in the P&L and to improve our profitability. Then, of course, as I was explaining, it's not only a matter of SKUs.

Then we also did a great job in limiting and closing the stores in Shiseido makeup because they were not profitable, and we remain focused on the doors able to have a minimum level of productivity. Also this, of course, brings us an increase in profitability growth.

**Oshima [Q]:** I have another marketing-related question coming in. This is a question from Akiko-san. It seems marketing and digital strategy is going well in Europe. Is it possible to apply this to other regions' businesses?

**Fujiwara [A]\*:** Thank you very much. Digital marketing is the key to make the future growth. And I'm very proud that the EMEA team is making a very good job, and we are much advanced on the competitors. So especially they are working closely to the key retailers and they utilize on the data. This is a very good exercise for us. So therefore, we work with the EMEA teams to implement to the other regions such best practices. But for the other region also compete to be advanced. So that's a good competition internally and still sharing best practices. So in that kind of event, we also hold once a year a global digital session to each digital team in the region to share the best practices and to duplicate that into the regions.

**Noe [M]\*:** Thank you very much. And let me thank all of the attendants to this presentation for your attention, for the time you dedicated to us to our region, to our Group, and so on. My message is really that trust us. You can count on us really to increase the weight of the Western business into the global portfolio of the Group and that we will play our role to accelerate the growth of the Group and also on the improvement of the profitability. The team here is, as I said before, is a very strong team with a strong expertise, so we are sure that we can compete in this difficult market, but win and deliver the expectation of the Group and of the investors worldwide. Thanks a lot again for your attention, and thanks to Tokyo HQ for the chance to give this presentation to all. Thank you.

**Fujiwara [M]\*:** Thank you very much.

[END]

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