



Shiseido Company, Limited

Clé de Peau Beauté Business Initiatives

July 2, 2024

Event Summary

[Company Name]	Shiseido Company, Limited	
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[Participants]	100	
[Number of Speakers]	Mizuki Hashimoto Ayako Hirofuji Yuki Oshima	Executive Officer, Chief Brand Officer Executive Officer, Chief Financial Officer, Chief DE&I Officer Vice President, Investor Relations Department

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Presentation

Hashimoto*: Hello, everyone. My name is Mizuki Hashimoto, and I'm the Chief Brand Officer of Clé de Peau Beauté.

I would like to thank you again for your interest in our brand and your participation in this session. I hope that this session will help you to further understand the brand, Clé de Peau Beauté.

MY PROFILE



1997 : Joined Shiseido

2012 : Managing Director, Shiseido Singapore Co., (Pte.) Ltd.

2015 : Director, Clé de Peau Beauté Brand Unit, Shiseido Co., Ltd.

2018 : Vice President, Clé de Peau Beauté Brand Unit, Shiseido Co., Ltd.

2022 : Chief Brand Officer, Clé de Peau Beauté Executive Officer, Shiseido Co., Ltd.
< incumbent >

Mizuki Hashimoto
Chief Brand Officer, Clé de Peau Beauté
Executive Officer, Shiseido Co., Ltd.

Before I begin the main part of this session, please allow me to briefly introduce myself.

I joined Shiseido in 1997, right after graduating from university. And for the first half of my career, about 15 years, I was involved in Shiseido's European prestige cosmetics sales business.

In 2012, I was appointed to become the Managing Director of Shiseido Singapore and stationed in Singapore for three years. And in 2015, I returned to Tokyo to work in Clé de Peau Beauté brand team as Group Manager in charge of regional execution and started my journey with the brand since then.

And so far, it has been a wonderful journey.

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 **SCRIPTS**
Asia's Meetings, Globally



1. Brand Overview
2. Strategic Priorities for Growth
3. Sustainability Commitment

Now I would like to start the main part of this presentation. Today, I would like to address three points that I'm showing you in this slide. First, in the brand overview, I will briefly touch on the genesis of the brand to date as well as the brand's achievements to date. In the second section, I will share our vision for the future growth of the brand. And lastly, I will talk about the brand's commitment to sustainability.

OUR IDEA: RADIANCE

clé de peau
BEAUTÉ

We believe in **the power of Radiance.**
 We recognize it as a **positive force.**
 The highest expression of authentic beauty.

Where there is strength, intelligence, substance, and character – there is Radiance.

Where there is joy and beauty that overflow from within – there is Radiance.

Where there is optimism, inspiration, uplifting influence, and constructive action – there is Radiance.

We **exist to help everyone connect with, and unlock the power of, their own Radiance – in their skin, in themselves, in the world.**

First, let's talk about the brand overview.

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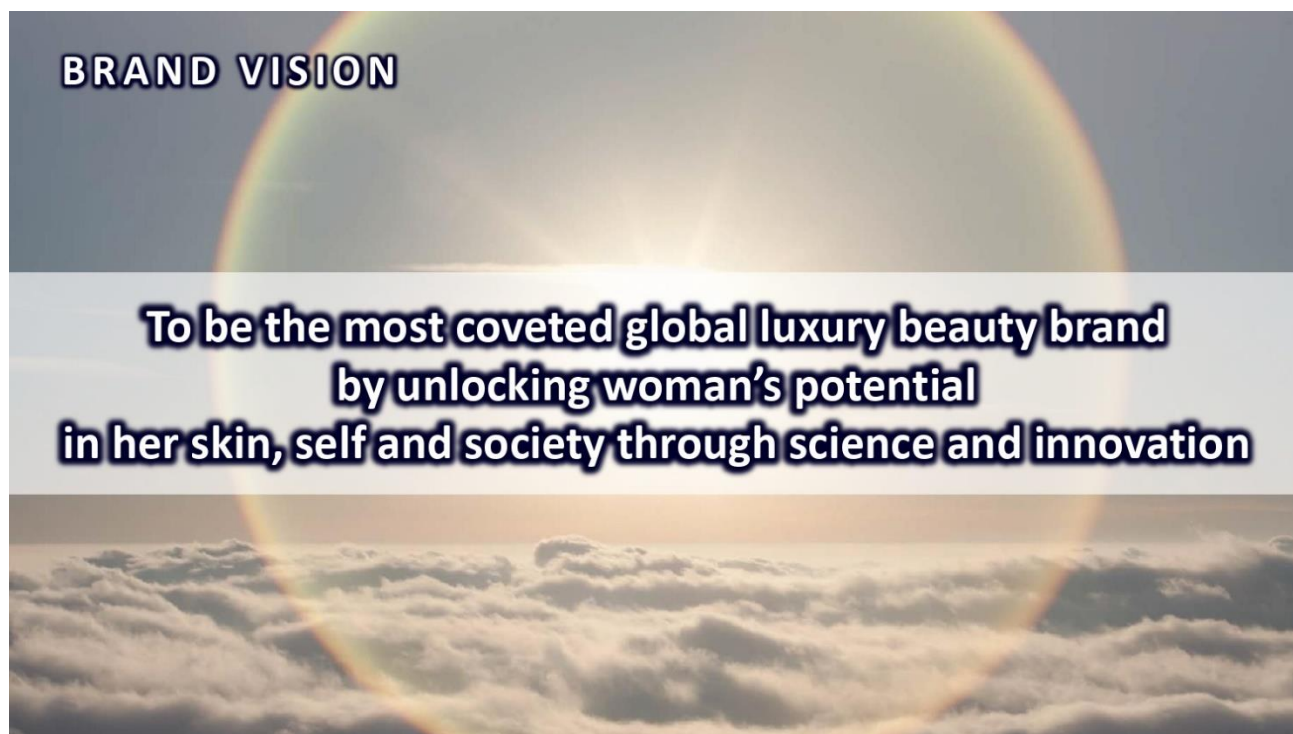
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First of all, what is the idea of our brand? What are our beliefs? Let me tell you about our brand idea and what we believe in.

Clé de Peau Beauté is a brand that believes in the power of radiance that is inherent in each and every one of our customers. We define radiance not as the superficial glow of the skin but as a positive force, the highest expression of authentic beauty. We exist to help everyone connect with and unlock the power of their own radiance in their skin, in themselves, in the world.

I hope you can see here that we are a brand that wishes to realize a society filled with positive power.



And this is our brand vision: to be the most coveted global luxury beauty brand by unlocking women's potential in her skin, self, and society through science and innovation.

To achieve this vision, we are working tirelessly every day.

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OUR BRAND: 2023 KEY FIGURES



1982

in JAPAN

Established

Around
170

bn JPY

Net Sales
Performance

26

Countries & Regions

Distribution
Network
Presence

Around
2,300

Point of sale

Number of
Distribution

2023 Prestige Skincare

No. 1*

Sales Rank in JAPAN

in combined
Department &
Boutique stores



* Beaute Research Retail Sales Report

Clé de Peau Beauté was founded in Japan in 1982. Current sales are around JPY170 billion, and the Company sells its product in 26 regions and territories, with a global sales network of about 2,300 stores, and we hold the number one sales position in the prestige skincare market in Japan.

OUR PRODUCT: MAJOR LINES



KEY RADIANCE CARE



* 10,000 – 25,000 JPY

SUPREME



25,000 – 40,000 JPY

LA CRÈME



60,000 – 80,000 JPY

SYNACTIF



12,000 – 130,000 JPY

COMPLEXION



10,000 – 30,000 JPY

COLOR MAKEUP



5,000 – 10,000 JPY

* Suggested Retail Price < Excl. VAT >
Range in JAPAN

Here are our main product lines and price ranges.

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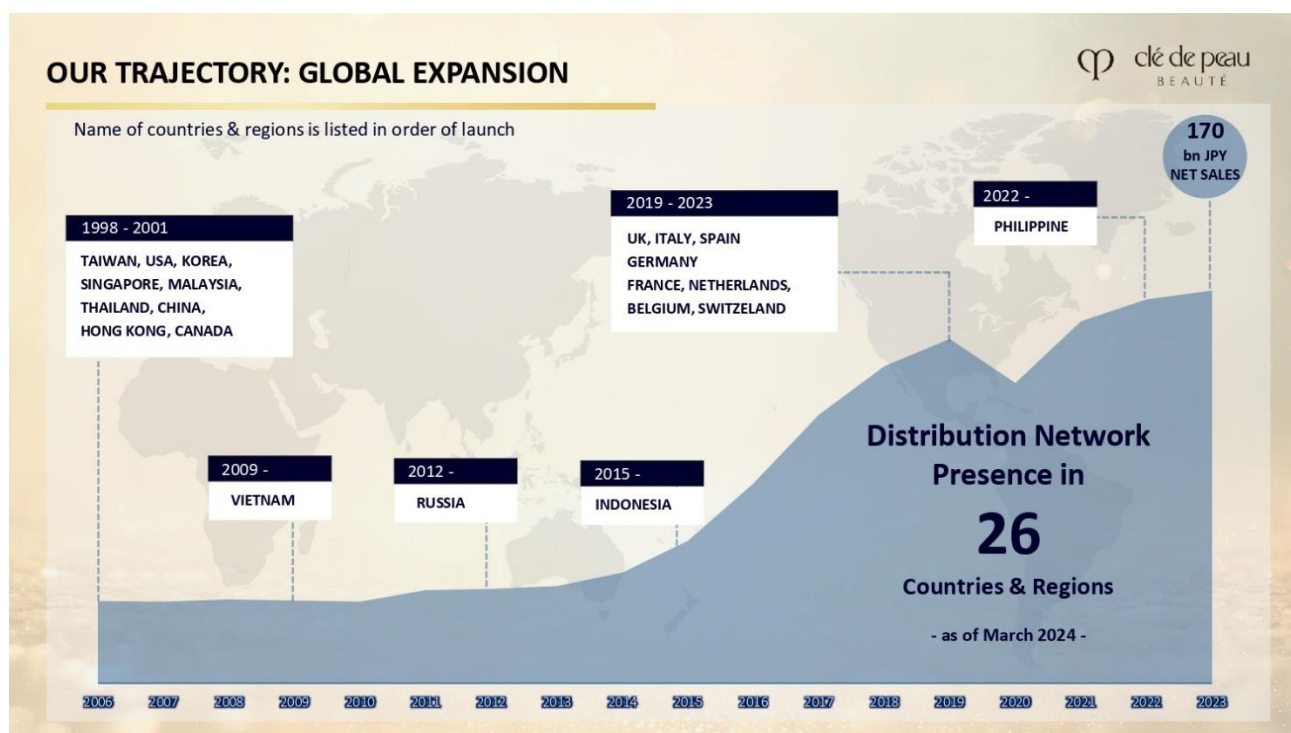
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First, in skincare, we have about four major franchises: Key Radiance Care, which is a regimen of serum, lotion, and emulsion, with a price range of about JPY10,000 to JPY25,000; Supreme, a line of products inspired by cosmetic medicine with the targeted solutions of programs related to aging in particular, with a price range of JPY25,000 to JPY40,000; La Crème, which is our iconic item and has a price range of JPY60,000 to JPY80,000; and the Synactif line, the pinnacle of Clé de Peau Beauté's skincare lineup dedicated to purification and regeneration, with a price range of JPY12,000 to JPY130,000. There are also cleansing and sun care products, which I will not touch upon today.

The complexion category consists of items such as primer, foundation, concealer, face founder with a price range from JPY10,000 to JPY30,000. And the color makeup category consists of lipstick, eyeshadow, blush, color, et cetera, with a price range of JPY5,000 to JPY10,000, which is priced at a relatively affordable price range within our product portfolio.



Clé de Peau Beauté's globalization began in the late 1990s, primarily through its expansion into Asia, China, and US. Then, after expanding into Russia in the early 2010s, in 2019, we began introducing our brand into Europe.

We are entering into a phase where we will further strengthen our business fundamentals in Asia, while enhancing our presence in Europe and the United States.

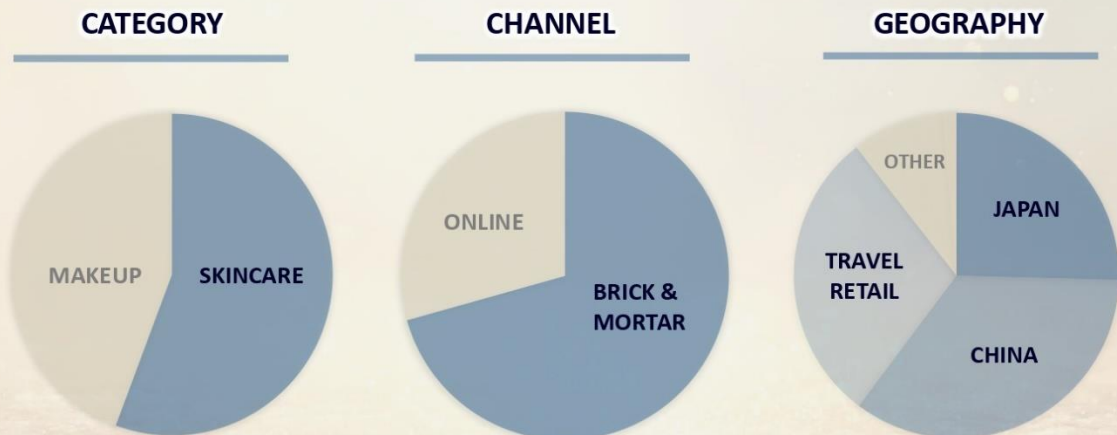
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OUR MIX OF BUSINESS: 2023 PERFORMANCE



Let me break down our business a little bit.

First of all, when we look at the sales by beauty category, skincare accounts for about 60% of the total sales and makeup accounts for about 40%. In the past, it was 70% skincare, 30% makeup, but the percentage of makeup sales has increased slightly due to the strong sales of recently released makeup items and the sales growth of primers, which have been very successful as best-selling products.

In terms of sales composition by channel, brick-and-mortar accounts for about 2/3 and online 1/3. And online business is having a faster growth in recent years compared to brick-and-mortar.

In terms of geography, sales in Japan, China, and Travel Retail are high, accounting for 90% of total sales, with the remaining regions accounting for about 10%.

As you can see, Clé de Peau Beauté is a brand whose main market is Asia, but we believe this means that there is plenty of room for growth in other markets in the future.

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OUR GROWTH: STRATEGIC PRIORITIES

01

**High Quality &
Innovative
Products**



02

**Exquisite
Brand
Experience**



03

**Pursuit of
Operational
Excellence**



Now let's talk about strategic priorities for our future growth as a brand.

Our strategy for the future growth of the brand has three main pillars.

First, our most important strength, namely our products, we will continue to produce high-quality and innovative products.

Secondly, to create an exquisite brand experience, we will strengthen our communication content and further enhance our in-store environment and in-store services, aiming to both strengthen our brand equity and increase our customer satisfaction.

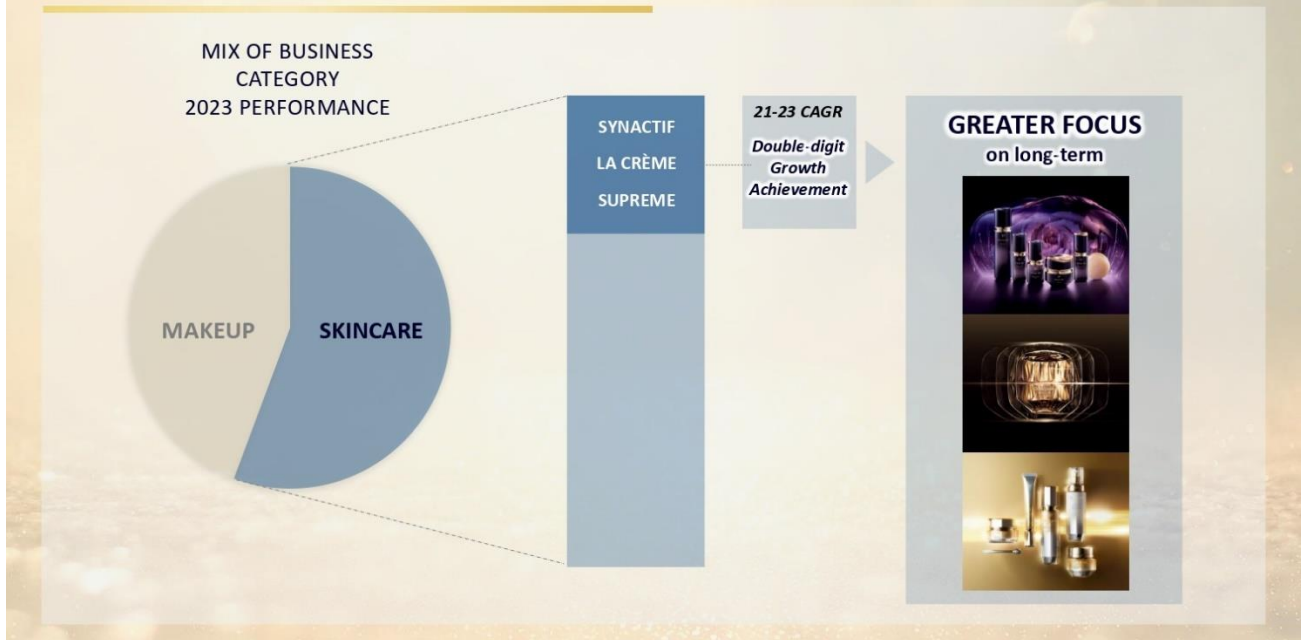
And third, we will accelerate the growth of the brand and strengthen the brand presence by pursuing operational excellence through a variety of brand solutions tailored to characteristics of each region.

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OUR GROWTH: STRATEGIC PRIORITIES 01



First, regarding products, the sales composition is currently 60% skincare and 40% makeup, as I said. And we have observed high growth, especially in high-priced skincare products in recent years.

Even during the pandemic, skincare sales were steady, and the trend was favorable for high-priced skincare products in general. This is proven by the fact that many luxury fashion houses have entered in the luxury cosmetics category in recent years. In addition, a number of high-priced Indie brands have emerged, further intensifying competition in this luxury cosmetics category.

Clé de Peau Beauté is one of Shiseido's brands that should compete in this high-end market, and we will further accelerate product development in this area in the future.

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SKINCARE FOCUS



COMPLEXION MASTER



CREATE EXCITEMENT



Now to dive in deeper into our product strategy.

As I mentioned earlier, first of all, we will continue to focus on skincare, the core business of the brand, as we have in the past to accelerate growth. In terms of areas, we believe it is essential to focus on the antiaging category and moisturizer, which are high-growth sales areas.

Secondly, although we are a luxury skincare brand, we will continue to strengthen the complexion category, which is our unique strength that other luxury skincare brands do not have. It is effectively functioning as a new point of entry with customers that is not limited to skincare, and we will continue to strengthen it as an important category for the brand.

Finally, we will also strategically place our holiday collection and color makeup within our pipeline to help generate buzz and maintain the vibrancy of the brand.

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ASPIRATIONAL CONTENTS

FOR
BRAND EQUITY



ELEVATED EXPERIENCE

FOR
CUSTOMER LOYALTY



Let's talk about the second pillar, exquisite brand experience.

This has two axes: aspirational brand contents and elevated brand experience. With luxury and science at the core, we will continuously communicate our brand values to increase brand equity and improve the customer experience at all customer touch points, which will lead to increased customer loyalty.

ASPIRATIONAL CONTENTS

LUXURY × SCIENCE

HERITAGE

CRAFTSMANSHIP

SUSTAINABILITY

SKIN BENEFITS

TECHNOLOGY

INGREDIENT



Let me elaborate each of the axis in detail. First axis, as for aspirational contents, which focuses on luxury and science, it's designed to communicate the value of the brand in an easy-to-understand and appealing way to

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customers. We will strive to tell the stories of our heritage, our passion for brand creation, our craftsmanship, our commitment to sustainability, the efficacy of our products, the technology behind the products, and the fascinating ingredients that make them work in an engaging way through outstanding creative.

Rather than just telling you in words, I would like to show you some of our communication materials so that you can get a sense of the brand world view we are trying to convey.

As a first example, I would like to show you a video of our iconic product, La Crème. The video talks about the history of La Crème, its ingredients, its exquisite texture, and how it works in a luxurious tone for our customers.

The second example is a video that talks about skin intelligence, which is at the heart of our skin research to convey our cutting-edge science and deep understanding of skin.



Hashimoto*: And here is our hero launch of the year, The Serum, to be launched in H2. Please look forward to it.

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ELEVATED EXPERIENCE

LUXURY × HUMAN TOUCH

RETAIL INNOVATION



UNPARALLELED EXPERIENCE



Let me move on to the second axis as for the brand-elevated experience. As a luxury group brand, we recognize that the real-life brand experience of our customers is extremely important, and we are committed to enhancing the brand experience as our top priority, thereby increasing the engagement with our customers by providing a one-of-a-kind experience that exceeds their expectations.

First, through retail innovation, we will renew the retail experience, drawing customers into the world of our brand from the moment they enter our counters at the point of sale.

Second, by enhancing the hospitality skills of our in-store staff, we will not only offer unique brand services, but we'll also provide customers with an unparalleled beauty experience with treatment services. As a luxury brand, we will create and provide unique experiences based on our core values to build genuine relationships with customers, increase loyalty to the brand, and maximize our customer lifetime value.

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MAJOR STRATEGIC DIRECTIONS



Now that I have covered our brand strategy, I would like to talk about the major strategic direction of our brand operations in each region, which is essential to maximize our brand strategy.

First, in Japan, our mother market, we will drive our business by creating new customer touch points and further strengthening our existing customer touch points.

In China, we will accelerate growth by concentrating on high-priced items in our skincare lineup.

In Travel Retail, we will not only accelerate our growth but also maintain a consistent brand image by synchronizing its activities with those of the Mainland China market, while developing campaigns tailored to travel retail's unique environment.

APAC is a mix of markets with different levels of maturity, but we will expand the customer experience and drive new customer acquisition in skincare.

In the US, it has been a long time since we entered this market, but there is still room for growth. We will drive our business by improving customer experience through the introduction of new counters and by improving customer service tailored to the US market.

In Europe, we have just started to gradually introduce the brand since 2019, but we will continue to manage the brand in the short to medium term, with a focus on productivity per store while establishing the brand's luxury presence through an exclusive sales network.

From here, I would like to show you some specific examples of how each of these regions is implementing the plan.

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OUR GROWTH: STRATEGIC PRIORITIES 03

JAPAN



SKIN INTELLIGENCE EVENT



THE SERUM POPUP STORE



TOKYO - ISETAN SHINJUKU

In Japan, we renewed our existing Isetan Shinjuku store, one of our top counters, with a new counter design last year and significantly refreshed our brand image. In addition, we have created numerous opportunities to meet new customers by opening the digital art installation created for skin intelligence global events to the Japanese public to create a buzz around the brand and to entice customers to visit our stores and by holding a pop-up event in Omotesando, Tokyo.

OUR GROWTH: STRATEGIC PRIORITIES 03

CHINA



SS24 HEIGHT OF RADIANCE CAMPAIGN

TRAVEL RETAIL



SS24 LA CRÈME CAMPAIGN

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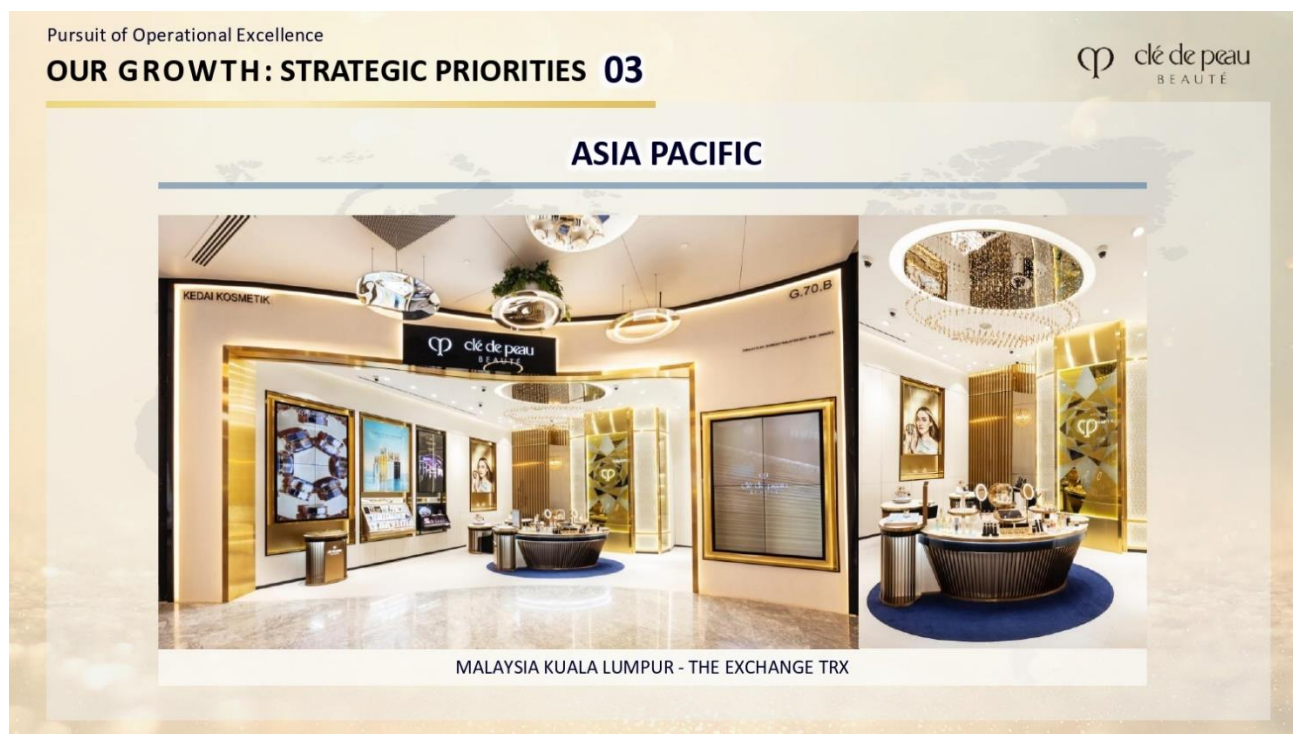
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In China and Travel Retail, we launched La Crème campaign in Q1 of this year, featuring Zhang Ziyi, our global brand ambassador in China.

In Travel Retail, La Crème campaign was based on the theme of travel, Radiance Transports You, while in Mainland China, under the theme of Height of Radiance, La Crème and other leading products of the brand were promoted along with Zhang Ziyi's aspirational image.

While using the same ambassador, the luxury image was holistically communicated to Chinese consumers, and we have been able to drive business growth as well.



In APAC, we are enhancing the brand experience by strengthening our presence in freestanding stores in key malls as seen in this latest example in Malaysia.

Through these activities, we are steadily improving brand presence and equity.

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AMERICAS



NEW YORK - BERGDORF GOODMAN

TEXAS DALLAS - NEIMAN MARCUS NORTH PARK

Next is US. In the US, brand personalization is difficult in many department stores, but in places where brand personalization is allowed, such as Bergdorf in New York, the latest brand counters have been introduced to disseminate the brand image. In addition, in the US, we are actively developing exclusive in-store events for VIP customers in existing department stores to drive business and build brand love. The image you see here is of an in-store event utilizing our color makeup Director, Benjamin Puckey.

EMEA



UK LONDON - HARRODS

FRANCE PARIS - LA SAMARITAINE

GERMANY BERLIN - KADEWE

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Lastly, Europe. As I have already mentioned, Europe is still in the early stages of our entry into the market, but we are working to establish a solid brand management foundation by building a strong brand presence at flagship stores in each market and conducting operation that prioritize productivity per store to reflect their sales network.



Finally, I would like to touch on the sustainability activities of Clé de Peau Beauté.

As I mentioned at the beginning of this presentation, we are not only supporting the skin and our own radiance, but we are also supporting our customers to shine and achieve self-fulfillment within the community of society. In addition, we are actively promoting initiatives to realize a decarbonized society and to solve environmental issues.

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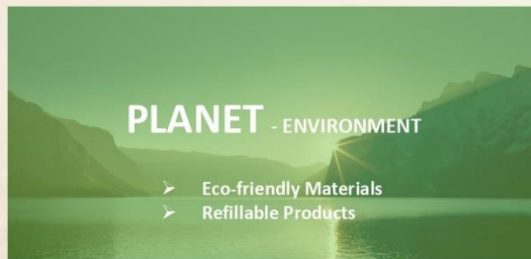
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OVERARCHING SUSTAINABILITY VISION

INTELLIGENT SUSTAINABILITY

to inspire a more radiant future for our planet and our society

Intelligence to be driven in our
production eco-system



Intelligence to be passed for girls
in the future generation



We are committed to contributing to society through sustainability action through our products and the empowerment of women. With regard to product sustainability, we will achieve our company-wide commitment by 2025 and make further progress by 2030.

In a philanthropic activity, we believe that education is the key to unlock women's radiance. Clé de Peau Beauté is committed to promote gender equality by providing more opportunity for women to receive education, especially in the field of STEM, where the representation of female students is marginalized due to traditional gender serotypes.

We have key two pillar activities. One is Power of Radiance Award and second is the partnership with UNICEF.

In the Power of Radiance Award, we support women who have contributed to the field of women and growth education, focusing on STEM, by granting them an award and a brand to further their course in gender equality and empowerment of world women and girls.

And as for our partnership with UNICEF, we have committed to three years collaboration by contributing USD8.7 million donation to support UNICEF's General Equality Program in which we will support girls through education, employment, and empowerment to unlock their potential for future.

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OUR COMMITMENT: SUSTAINABILITY



ECO - FRIENDLY MATERIALS



REFILLABLE PRODUCTS

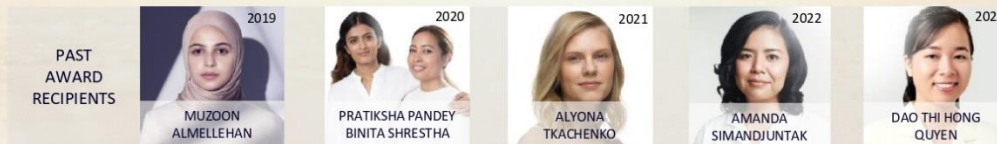


Regarding our product sustainability efforts, we will proactively adopt environmentally friendly materials in all products by 2025 and more than 80% of our products will be refillable, in line with Shiseido's sustainability policy.

OUR COMMITMENT: SUSTAINABILITY



POWER OF RADIANCE AWARDS



This year, our Radiance Award went to Reshma Saujani, who has dedicated herself to empowering girls in computer science through the founding of Girls Who Code, an international nonprofit organization working to close the gender gap in technology.

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Since its founding in 2012, Girls Who Code has built the largest pipeline of female and non-binary computer scientists in the world.

I would like to show you a video, which calculates our past awardees of this Power Radiance Award so that you can feel our commitment to this activity.

SOCIETY - PHILANTHROPY

OUR COMMITMENT: SUSTAINABILITY

clé de peau
BEAUTE

PARTNERSHIP WITH UNICEF

Providing STEM Education, Empowerment Programs to
over 6.8 million girls within 4 years of partnership



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So, we have entered in the second phase of our partnership with UNICEF and our ongoing partnership has contributed to increased front trust and engagement from customers, internal, and external stakeholders. This year, we have been able to visit one of our country program beneficiary, Bangladesh, to witness how our support has been supporting the local initiatives and what kind of results it had yielded.

Now I would like to show you a video of one of the support programs in Bangladesh, which is called Alternative Learning Program. This innovative program is providing the most vulnerable adolescent girls with training and mentorship opportunities, equipping them with the skills they need to join the workforce, earn their own income, and make their own path towards a brighter future.

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This will be the end of my presentation. I hope it helped you all to understand the beauty of our brand and its potential in the future. Thank you very much for your attention.

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Question & Answer

Kuwahara [Q]*: Thank you so much. My name is Akiko Kuwahara from JPMorgan. Mizuki-san, thank you so much for your great presentation.

How is the allocation or global exposure going to be changed within the industry over the next 3 to 5 year? What are your thoughts on global positioning and exposure? Looking towards the next 3 to 5 years for global expansion, how do you aim to achieve growth? Furthermore, how will Clé de Peau Beauté differentiate itself from other global major brands? What differentiates it from global players and main players in various markets, such as China, Tavel Retail and the United States? Or for example, considering the case of L'Oréal and Estee Lauder. Please tell us about key points of differentiation of your brand.

Hashimoto [A]*: Basically, I think three to five years, actually, it seems like a lot of time, but actually, it's actually not that much of time. As you can see, I think China and Travel Retail aggregated, our sales composition is actually 50% to 60%. I think it will be very difficult to change this landscape in a very short period of time. Three years will not suffice. But I think in the long term, what we plan to do is to really increase the sales volume in the Asia Pacific and some of the key countries such as probably Thailand and some other countries, which we are still lagging behind the major competitors. And hopefully, turn around the situation a little bit to increase our presence. But it's very difficult for me to give you the exact percentage or how we will allocate right now. But it's very difficult for me to give you the exact percentage right now. Hopefully, gradually, we can change the trend. I think that's as far as I can go, if it is 3 to 5 years term.

As for the second point of your question, differentiation from major competitors, our competitive set when it comes to in the cosmetic industry, we take luxury skincare brands such as La Mer and La Prairie. We do sometimes see the high price range from Estée Lauder and Christian Dior as well, that is purely for price reference and also product architecture point of view.

When we compare ourselves with those luxury skincare brands, I think I have also mentioned in our presentation, one of our biggest strengths is that we do have a strong complexion category, which they do not possess. And also, we are quite successful as sort of a three-axes brand, which has color category, which is relatively successful compared to those brands. I would like to further build on the strength so that we can differentiate ourselves from competitors.

Matthew [Q]*: Thank you for your presentation. My name is Oliver from CLSA.

I have a question about China. Could you just comment a little bit more how you plan to differentiate the brand in China from those other high-end brands? It seems that consumers like the brand and they think it's high quality, but maybe they're not seeing it yet as very unique. Could you talk a little bit more about your plans in China?

Hashimoto [A]*: When you say when it's not considered unique, what is the point of reference that you were taking? I think one of the differences that we do have from other competitive brands, such as La Mer and La Prairie, we are a Japanese brand. I consider that is one of the competitive edges. We do have research and development that really goes behind our products, which is a differentiator from those brands as well.

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Matthew [Q]*: Maybe this Hero product strategy, do you think that will make a further difference in China?

Hashimoto [A]*: What we see as a trend in China and also in the luxury skincare segment is especially the high-end products, especially focusing on anti-aging properties are becoming even more and more requested by the consumers. Our strategy in the coming years, especially targeting China, is to really focus our product strategy within those fields, which is in the coming two to three years, product pipeline which I'm not able to divulge today, but obviously, that's our plan.

Hirofuji [A]*: Let me just jump in a little bit to give some more context on Q1's sort of results as well. I think we've talked about how volatile the China market overall is developing. And within that, the prestige seems to be somewhat facing some challenges that before, we had not been facing. However, despite all of that macro situation, what we did see as very encouraging is the Clé de Peau Beauté performance, very much differentiated from the other brands. In Q1, we were able to post double-digit growth despite the various Fukushima water release impacts that we had struggled last year through. And hence, we feel that the communication is very much solid so far and to be continuing on with those science focus, technological advantage, and the prestige positioning overall is going to be our continued focus and strategy within the China market.

Koguchi [Q]: From Mitsui Sumitomo Trust Asset Management, Koguchi. Thank you very much for your presentation.

I want to ask about sustainability, particularly the Power of Radiance Awards and partnership with UNICEF. I have a question regarding those activities which I think are wonderful initiatives. What is the meaning of you working on these activities through your high-end brand? And also, I think these kinds of activities must be linked with brand value enhancement while ensuring that they are conveyed properly to consumers to increase their touch point and experience. I would like to hear your thoughts on this point.

Hashimoto [A]: With respect to the meaning of working on these activities through our high-end brand, we are aware that numerous brands have already been involved in various sustainability efforts. In addition, there are studies that Gen Z or the younger generation no longer resonate with brands that do not participate in these kinds of sustainability initiatives. Therefore, I think that these activities are probably considered table stakes for us or any brand, especially luxury brands.

And because we are a cosmetic company, and also from the perspective of being female based on the beliefs of our brand to unlock the power of radiance within as I have mentioned at the beginning of the presentation, we are determined to engage in social activities with a focus on education. That's where we started to take part in these activities.

And with respect to how much of these initiatives are linked with our brand value, which I didn't speak too much about it in my presentation, we engage in cause-related marketing concerning UNICEF's activities, linking our hero product, Le Serum, in May every year. By purchasing Le Serum, customers are able to indirectly contribute to social activities empowering women, a point we communicate to them. As a result, customers highly appreciate being informed about such activities undertaken by our brand.

And of course, we are delighted to hear that. But on top of that, we are even happier to hear that our Personal Beauty Specialists, our beauty consultants who sell our products at the counters or at the stores, are more proud to sell our products and to be affiliated with a brand that partakes in these kinds of social activities. We are very proud of the fact that our activities are highly valuable not just for external stakeholders, but even the internal stakeholders.

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Koguchi [Q]: Thank you. Now, it hasn't been that long since you started engaging in the STEM education, but in the future, it would be great to see some people working at Shiseido in the future.

Hashimoto [A]: Yes, if that happens, that would be wonderful. Thank you very much.

Sato [Q]: Sato from Morgan Stanley. You have been working in Clé de Peau Beauté for a long period of time, and in the meantime the Chairman Mr. Uotani joined Shiseido. Considering that he is a professional in marketing and also has professional career in business management, could you share your insights with respect to what would be the most valuable impact that he brought to Clé de Peau Beauté or organization, especially the clear difference which he has made after his arrival if there is any. Also, what are the challenges for the brand?

Hashimoto [A]: I believe that he has made tremendous efforts on globalization of the brand team. I have been involved in this brand for almost nine years now, and I believe that the team has assembled a pool of global talent to a significant extent. In this sense, I do feel that the changes over the past few years have been quite substantial.

Regarding the challenges for Clé de Peau Beauté, they are indeed related to the first two questions. The brand is still relatively focused on the Asian market. Therefore, I recognize that expanding our footprint in EMEA and Americas is a challenge that needs to be addressed.

Sato [Q]: What about the percentage of non-Japanese personnel within Clé de Peau Beauté? Are there any quantitative numbers?

Hashimoto [A]: When we I say global talent, I am not referring to ethnicity. Rather, it includes Japanese persons who possess qualifications or backgrounds required in the field of global business. As such, we are not talking in terms of the proportion of ethnicity or other similar categories.

Sato [Q]: Ok, so, the China and Japan accounted for about 90% of the total weight, and while there has been a change in composition, there is still room for improvement which is expected to be achieved in the future, is that correct?

Hashimoto [A]: Yes, I think the rapid growth in China has been one of the reasons for the diversification in the composition of our personnel.

Sato [Q]: So, you can say the same thing about the other brands, with an increase in pool of global talents overall?

Hashimoto [A]: Yes, although it is not possible to generalize everything across all brands as we have different brands in different sizes, but at least for the brands with certain scale such as SHISEIDO and Clé de Peau Beauté, we are indeed following that trend.

Yamanaka [Q]: This is Yamanaka from SMBC Nikko Securities. Thank you very much for your presentation with valuable inputs.

As mentioned in the presentation material, sales of the brand have almost quadrupled in nine years since you joined with China, Travel Retail, being the main drivers of growth. Regarding future perspectives, I hear that there is an initiative to raise prices in Japan. It is often said that luxury goods have a high price elasticity, and

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with inflation being a concern in the current environment, I would like to learn about your mid- to long-term pricing strategy. On the other hand, it is said that sales of luxury brands in Japan have not dropped significantly even with price increases, and luxury goods have been growing continuously in the past which makes me feel that the price elasticity appears to be low in reality. I would appreciate it if you could explain what kind of environment could negatively affect the demand for luxury brands, or specifically for your brand, Clé de Peau Beauté. Thank you.

Hashimoto [A]: Let me start about the pricing first. We believe that the pricing will remain as highly important selective lever for us going forward. Therefore, we are willing to consider price increases within a reasonable range in the future. As we are a Japanese brand, the prices in Japan becomes a reference value. However, given that the current exchange rate against foreign currencies is moving unfavorably for Japan, raising prices in Japan could lead to a reversal of prices when trends change, so we need to make careful decisions. Still, we think we can increase prices at a reasonable pace each year.

As for your second question, it is rather difficult to think of any other factor than pricing that could negatively affect the demand.

Yamanaka [Q]: It is said that consumers are becoming wary of spending due to inflation, but is my understanding correct that you do not believe that is not substantially reducing demand for luxury items?

Hashimoto [A]: Not at the moment. I think you are specifically talking about Japan. But since last year, we have been asked by consumers when are we going to raise the price. So I feel like we kind of we had the base to be able to raise price. Therefore, from April, we did raise the price. We had some last-minute demand before that but have not observed any significant fluctuations in demand after that. So, we feel that we have not been negatively impacted due to the price hike. This is our observation as of now.

Hyogo [Q]: I'm Hyogo from Mitsubishi UFJ Trust Bank. Thank you very much for your valuable presentation. In the end of presentation, you explained about sustainability commitment and I wondered what would be the key characteristics or uniqueness of Shiseido in terms of sustainability efforts when compared to other companies and what Shiseido can do in its own unique way in the field of sustainability.

As you are in the position to manage exceptionally remarkable brand like Clé de Peau Beauté, I would like you to clarify my understanding of sustainability goals of your company. This is because I have this impression that cosmetics company tend to be a bit vague about their sustainability target particularly in addressing social issues unlike other manufacturing companies in general. This makes it rather difficult for me to identify any clear scenario of cosmetics companies in terms of how they can contribute to tackling social issues. So, since you are at the forefront of the business, could you elaborate on some pathways or examples of your activities for Shiseido to contribute to resolving the societal issues? If you could give me a clue, that would be very much appreciated.

Hashimoto [A]: I will answer to your question by focusing mainly on our products. With respect to sustainability of our products, I think the main topic will be about how we use environmentally friendly materials and refillable solutions, so on and so forth in the primary packaging and the secondary packaging. The extent of our commitment in that area depends on how much effort we can make with our business partners and it is my understanding that how much contribution we can make to the society or the environment is all about communicating our willingness to be environmentally friendly.

However, it is also worth noting that in Japan, we have this "*mottainai* spirit," a sense of regret over waste and I think the idea of refill has deeply permeated into customer mindset. However, when you look outside

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of Japan, despite our efforts in offering refillable products, they are not fully penetrated in the mindset of the customers. It might be an overstatement to say that refillable products are not accepted despite our effort, but in some regions, the concept is still not widely accepted and has not influenced purchasing behavior of consumers. That is why we need to be patient and persistent to convey the right message to customers so that they will adopt to these practices. I think that is one of the ways for us to contribute to resolving societal issues.

Hyogo [M]: I look forward to seeing Shiseido taking the lead in such initiatives as a leading company and hope that will be reflected in the pricing in the future. Thank you for your explanation.

Oshima [M]*: Today's session will now be concluded. Once again, thank you very much for your participation today.

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