

Progress on Business Transformation and Key Highlights in 2024 First Quarter

May 10, 2024

Shiseido Company, Limited

Kentaro Fujiwara

President and COO

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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.

Key Highlights in 2024 Q1

Net Sales YoY (LfL*): +3%, Core Operating Profit: ¥11.3 bn
Solid start to 2024 amid steady market recovery; structural reforms on track
The full-year forecast remains unchanged

Q1 Results

- Delivered robust growth in Japan, Americas and EMEA, bolstered by innovations and new product launches
- Steady market recovery in China and Travel Retail in line with expectations
- Increased market share in Japan local and China prestige
- Core OP exceeded the Q1 target, off to a solid start to the year. Achieved steady improvement in profitability

Key Highlights

- Japan
 - Growth momentum continues to accelerate
 - Progress on “Mirai Shift NIPPON 2025”
- Travel Retail
 - Normalized inventory levels as planned
- China
 - Growth strategy
 - Operational reforms
- Global cost reduction and profit boosting

Japan: Growth Momentum Continues to Accelerate

Growth continues to accelerate QoQ since 2023 Q1

Expanding market share by significantly outperforming the market

Core brands driving strong growth overall by selection and concentration of brands

- Consumer Purchases*¹ (Local): Q1 +high teen%

- Core brands*² : +high 20%

- Hero products: +over 30%

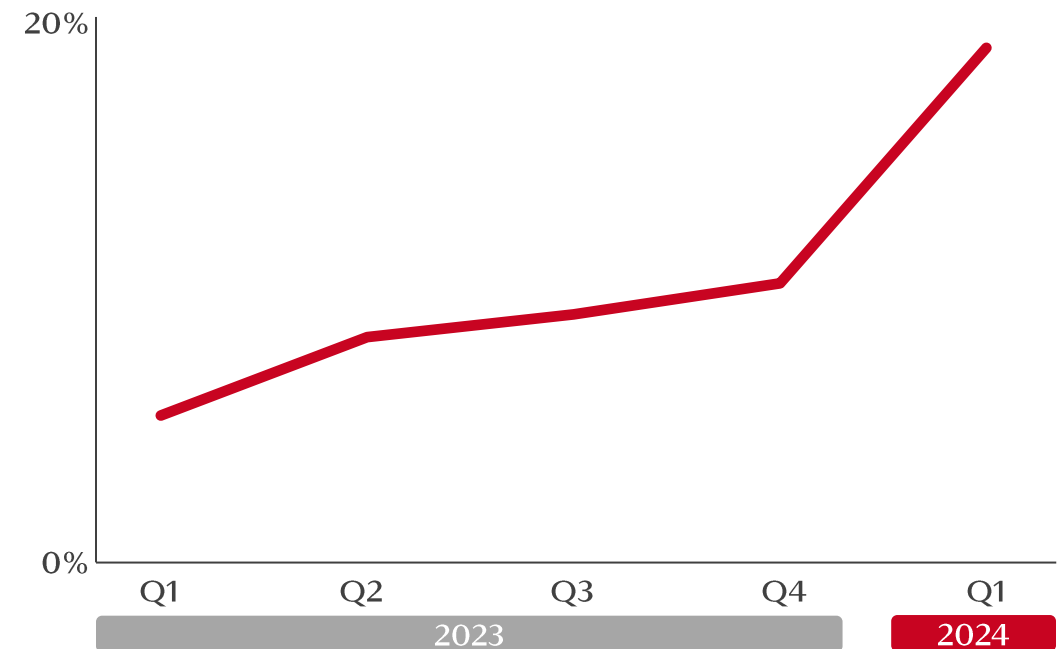
- Trends in Local Market / Our Market Share

- Market size almost recovered to pre-pandemic levels

- Q1 market share: increased sharply

- Recovery momentum accelerated in mid price range:
ELIXIR Consumer Purchases: +low 20%

YoY Growth % of Consumer Purchases*¹ (Local)



*1 Excluding business transfer impacts

*2 SHISEIDO, Clé de Peau Beauté, NARS, ELIXIR, ANESSA, d program, MAQuillAGE

Japan: Progress on “Mirai Shift NIPPON 2025”

Accelerated growth by strategic investment allocation in key focus areas
Achieved steady results in new market creation through strategic marketing

● Brand Strategy

➤ Selection and concentration of brands

- Strengthening investments in core brands
SHISEIDO and *Clé de Peau Beauté*: loyal users continued to increase
- Local brands*1 : strategic investment allocation in hero products

➤ New market creation through strategic marketing

- Foundation serum: 2 products*2 drove approx. 6% of Q1 sales growth amounts in Japan
- Sagging skin: Elixir Total V Firming Cream achieved top market share*3

➤ Strategic price increases: demand remains resilient even after implementation in April

● Touchpoint Strategy

- Drug stores: starting full scale rollout of self-selection model
- EC sales: Q1 +high 20% further investments and brand rollout plans are underway from 2H onwards



*1 Brands exclusively sold in Japan (*BENEFIQUE*, *PRIOR*, *AQUALABEL*, etc.)

*2 SHISEIDO REVITALESSENCE SKIN GLOW Foundation and MAQuillAGE Dramatic Essence Liquid

*3 INTAGE SLI+ skincare market. Creams category (excluding all-in-one and wrinkle improvement items). Main series ranking (Estimated sales for October 2023 to March 2024)

Japan: Progress on “Mirai Shift NIPPON 2025”

Sustainable growth, building a profitable foundation, and human capital transformation
Early retirement incentive plan implemented in Q1 2024, accelerated business transformation

- **Human Capital Transformation & Productivity Enhancement**

- Early retirement incentive plan (ERIP): 1,477 applicants; approx. ¥18.0 bn of structural reform expenses in non-recurring items recognized in Q1
- Optimization of organizational structure and work styles: strengthen reskilling, investing in human capital, and creating consumer-centric value

- **COGS**

- Improved brand mix by focusing on core brands
- SKU rationalization
- Strategic price increase

- **Marketing and Other Expenses**

- Promote optimization of variety and quantity of marketing promotional items
- Streamline current IT systems

Travel Retail: Progress on Strategic Actions

Normalized inventory levels as planned
Shifting back towards a growth model with focus on tourists

- **Retailer Inventory Adjustments Progressed on Track**
 - South Korea: normalized in Q4 2023
 - Hainan Island: normalized in Q1 2024
- **Expand Tourist Sales Contribution**
 - 70-80% in 2025
- **Maximize Duty Free Sales in Japan, Americas and EMEA**
 - Attract Southeast Asian tourists by *SHISEIDO*, *ANESSA*, etc.
 - Expand *Drunk Elephant* at the airports in the Americas
 - Maximize fragrance sales targeting European tourists

China: Progress on Strategic Actions

Building a sustainable profit delivery business model
in a moderately growing environment to emphasize quality growth

● Growth Strategy

- Delivering steady results by strategic investments in key focus areas
 - Q1 Consumer Purchases: high-prestige brands*¹ +high single digit% NARS +low 20%
 - Market share: expanded in our prestige category
 - International Women's Day promotion (EC): delivered YoY growth overall
 - TikTok: **over 2x** overall, prestige category: **over 6x**
 - Prestige: *Clé de Peau Beauté* and *NARS* outperformed the market, *SHISEIDO* returned to growth
- Accelerate brand equity enhancement
 - *SHISEIDO* and *ANESSA* : campaigns in April, *Drunk Elephant* : launched in April
 - The impact of treated water release to be receded;
strategically appeal our technological advancement, trust and safety
- Adopt to diversified digital platforms, localize value creation

● Operational Reforms

- Structural optimization: achieve greater agility through reduction of fixed costs
- Streamlining offline bases and doors: closure of unprofitable doors; Q1 progress rate over FY plan: 15%

*1 SHISEIDO Future Solution, Clé de Peau Beauté, THE GINZA

Making Steady Progress in Global Cost Reduction and Profit Boosting

The Global Transformation Committee enhanced execution monitoring
 Accelerating initiatives to realize the effects of ¥15.0 bn+ in 2024;
 Contributing to profitability from Q1 onwards

● Q1 Key Actions

- Japan: COGS reduction by focusing on core brands and hero products; the implementation of ERIP
- China: optimization of organizational structure; COGS reduction; closure of unprofitable doors
- Global: employee productivity improvement

	(Billion yen)		
	2024	2025	Total
Japan	8.0	17.0	25.0
COGS	3.0	2.0	5.0
Marketing and Other Expenses	2.0	8.0	10.0
Human Capital Transformation & Productivity Enhancement	3.0	7.0	10.0
China	5.0	3.0	8.0
Travel Retail	1.0	1.0	2.0
Asia Pacific, Americas, EMEA, Other (Global HQ)	1.0+	4.0+	5.0+
Total	15.0+	25.0+	40.0+

2024 First Quarter Results

(January–March)

May 10, 2024

Shiseido Company, Limited

Ayako Hirofuji

Deputy Chief Financial Officer

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2024 Q1 (January–March): Executive Summary

(Billion yen)	2023	% of Net Sales	2024	% of Net Sales	YoY Change	YoY Change %	YoY FX-Neutral %	YoY LfL ^{*2} %
Net Sales	240.0	100%	249.5	100%	+9.4	+3.9%	-2.7%	+3.2%
Core Operating Profit	12.5	5.2%	11.3	4.5%	-1.2	-9.6%		
Non-recurring items	-2.0	-0.8%	-20.1	-8.0%	-18.1	-		
Operating Profit	10.5	4.4%	-8.7	-3.5%	-19.3	-		
Profit Before Tax	10.3	4.3%	-3.8	-1.5%	-14.1	-		
Income Tax Expense	1.1	0.5%	-0.7	-0.3%	-1.9	-		
Profit Attributable to Owners of Parent	8.7	3.6%	-3.3	-1.3%	-12.0	-		
EBITDA ^{*1}	24.9	10.4%	24.4	9.8%	-0.4	-1.7%		

Net Sales: Japan local delivered robust growth driven by selection and concentration of brands

Americas and EMEA continued strong momentum

Sales declined in China due to the lingered treated water impact and in Travel Retail amid ongoing retailer inventory adjustments, but the negative growth steadily narrowing

Core Operating Profit: The impact of sales decline in Travel Retail largely offset by other regions

Non-recurring items: Recognition of structural reform expenses of early retirement incentive plan

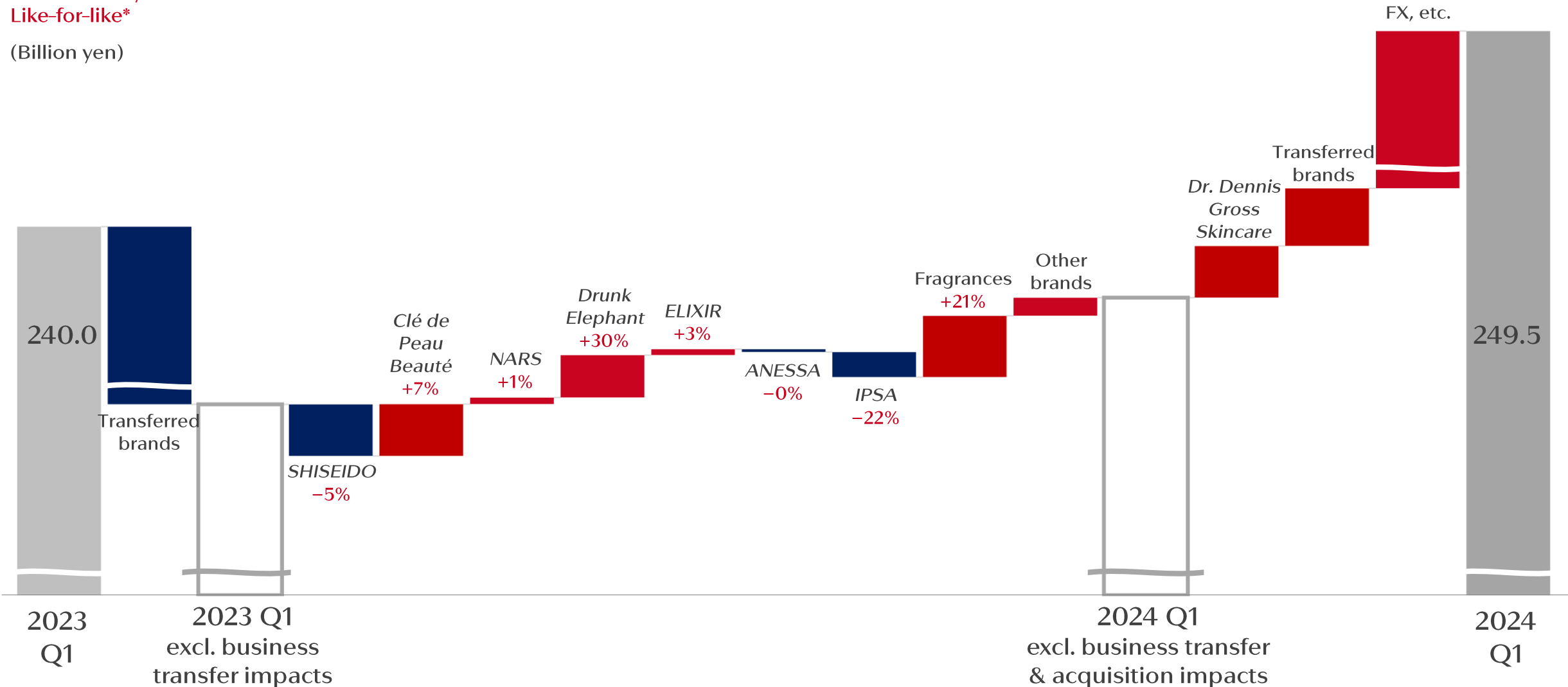
EBITDA: EBITDA margin 9.8%

*1 Core Operating Profit+Depreciation and Amortization (excl. depreciation of right-of-use assets) *2 Excluding the impacts of FX, business transfer and the acquisition of *Dr. Dennis Gross Skincare*

Clé de Peau Beauté, Drunk Elephant and Fragrances Delivered Robust Growth

Net sales by brand
Like-for-like*

(Billion yen)



* 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

Japan: Delivered Robust Growth Led by Core Brands

China and Travel Retail: Negative Growth Steadily Narrowing

Americas and EMEA: Continued Strong Momentum

Like-for-like*	2023 (vs. 2022)					2024 (vs. 2023)
	Q1	Q2	Q3	Q4	FY	Q1
Japan	+8%	+9%	+6%	+17%	+10%	+20%
China	-3%	+20%	-9%	-21%	-5%	-3%
Asia Pacific	+16%	+12%	+15%	+8%	+13%	+5%
Americas	+30%	+18%	+10%	+9%	+15%	+9%
EMEA	+22%	+11%	+15%	+26%	+19%	+17%
Travel Retail	-4%	-4%	-25%	-43%	-20%	-31%
Total	+7%	+10%	-2%	-6%	+2%	+3%

* Excluding the impacts of FX, business transfer and the acquisition of *Dr. Dennis Gross Skincare*

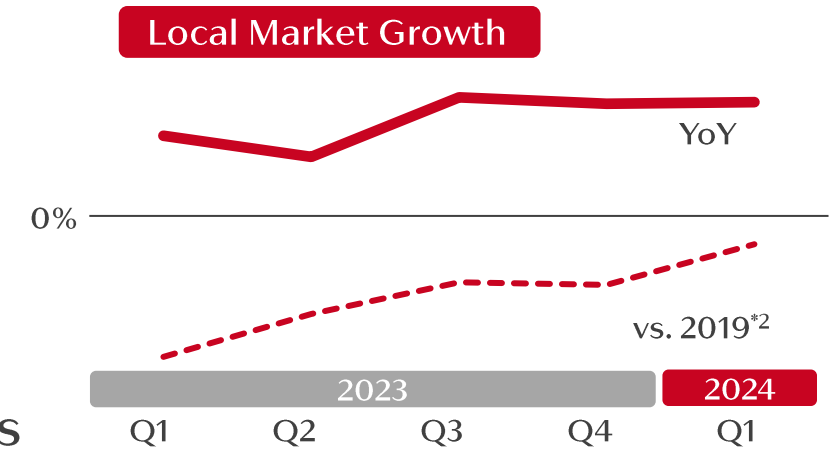
Japan: Delivered Robust Growth by Strategic Marketing Focused on New Market Creation, Driving Share Gains Fueled by Core Brands

● Q1 market:

➤ Local:

- Recovery overall, approaching to pre-pandemic levels
- Recovery accelerated in middle-price range
- Makeup category drove growth overall

➤ Inbound: Recovery trend continued amid rebound in travelers



● Shiseido Consumer Purchases*1: Q1 +low 20%

➤ Local : +high teen%

- SHISEIDO : +over 40%
- Clé de Peau Beauté : +over 30%
- ELIXIR : +low 20%
- ANESSA : +high single digit%
- EC : +high 20%

➤ Inbound : +over 40%



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ELIXIR

China: Strengthening Strategic Investments in Growth Opportunities, *Clé de Peau Beauté* and *NARS* Contributed to Share Gains in Prestige

● Q1 Market:

- Negative growth for two consecutive quarters
- International Women's Day promotion: strong growth led by TikTok
- Impact by treated water release at the beginning of the year, but gradually receded

● Shiseido Consumer Purchases*

Business total : Q1 –high single digit%

- Offline : –mid single digit%
- EC : –high single digit%

➤ **Mainland China: –high single digit%**

- *SHISEIDO* : –high teen%
- *Clé de Peau Beauté* : +low teen%
- *NARS* : +mid 20%

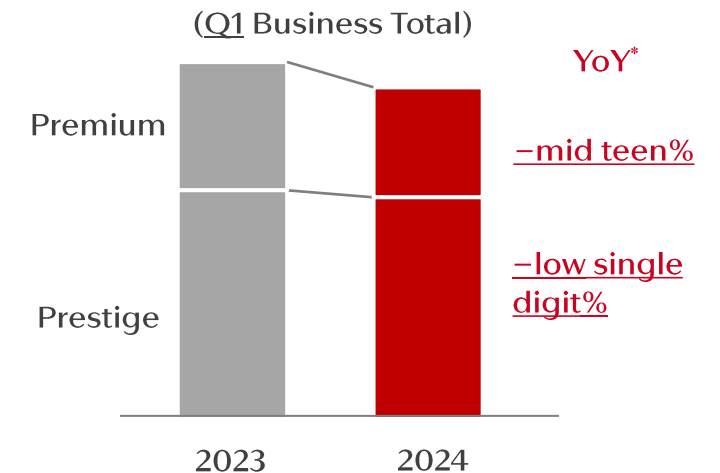


Clé de Peau Beauté



NARS

Consumer Purchases by Category



* Excluding FX and business transfer impacts

Destocking on Track in TR, Continued Strong Momentum in Americas, EMEA

Q1 Market

Americas

Double-digit growth for *SHISEIDO* and *Drunk Elephant*

Growth in all categories, steady market expansion

- Shiseido External Sales*1: Q1 +9%
incl. *Dr. Dennis Gross Skincare*: +22%
 - *SHISEIDO*: +high teen%
 - *Drunk Elephant*: +high teen%
 - EC: -low teen%

EMEA

Double-digit growth for five consecutive quarters

Growth in all categories, steady market expansion

- Shiseido External Sales*1: Q1 +17%
 - *SHISEIDO*, *Drunk Elephant*, *narciso rodriguez*: grew strongly
 - EC: +high single digit%

Travel Retail

Inventory levels normalized, poised for a recovery in 2H

New regulations implemented in South Korea in February, shift to healthy growth centered on tourists

- Shiseido Consumer Purchases*1: Q1 -mid teen%
 - **Asia**: -low 20%
 - South Korea: -high 20%
 - Hainan Island: -over 40%
 - EC (Asia): -high 20%

Asia Pacific

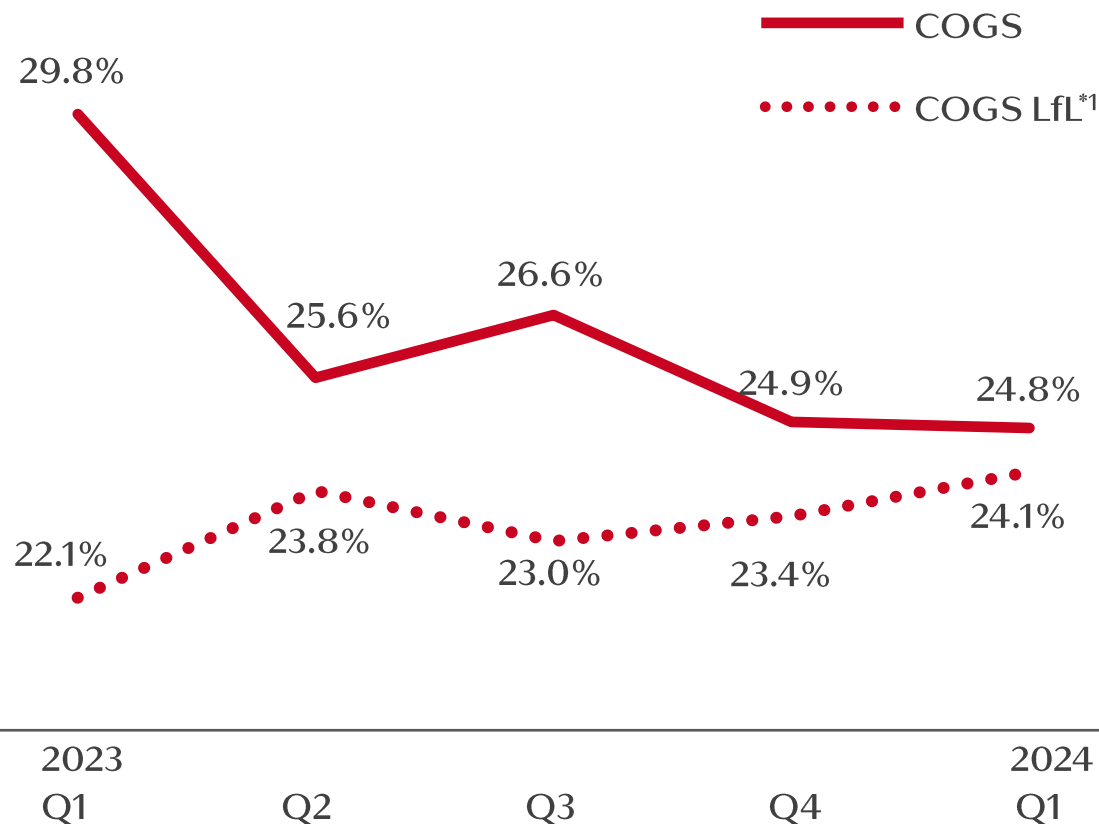
Southeast Asia drove growth

Growth achieved across key countries and regions

- Shiseido External Sales*1: Q1 +5%
 - *ANESSA*: +mid 20%
 - EC*2: -mid single digit%

COGS LfL Ratio: Increased Due to Higher Inventory Write-offs; Expect to Improve from Q2 Onwards with Recovery in China and TR

	2023 Q1	2023 Full Year	2024 Q1
COGS	29.8%	26.7%	24.8%
COGS LfL*1	22.1%	23.1%	24.1%



Q1 YoY COGS analysis

- (+) Decline of the impact from MSA*2 for business transfers (2023 5.9pts -> 2024 0.7pts)
- (+) Impairment losses and structural reform expenses on transfer of Kuki Factory in 2023
- (-) Higher allowance for excess inventory write-offs
- (-) Unfavorable brand mix

*1 Excluding the impacts of business transfer impacts and impairment losses, etc. *2 Manufacturing Service Agreement

Impact of Sales Decline in Travel Retail Largely Offset by Higher Profit Achieved in Japan and Other Regions

Japan: Profit increased by higher gross profit from sales growth

China: Lower gross profit from sales decline offset by strategic investment and cost management reflecting market dynamics

Asia Pacific: Profit increased by higher gross profit from sales growth

Americas / EMEA: Profit increased by higher gross profit from sales growth

Travel Retail: Profit decreased due to lower gross profit from sales decline

Other: Declined by lower gross profit driven by the decline in intersegment sales to Travel Retail and China

Core Operating Profit (Core OPM)	2023 Q1		2024 Q1		(Billion yen)
					YoY
Japan	-1.7	(-2.7%)	6.7	(9.0%)	+8.3
China	-2.1	(-4.0%)	0.1	(0.2%)	+2.3
Asia Pacific	0.4	(2.3%)	1.0	(5.5%)	+0.6
Americas	1.5	(5.5%)	3.6	(10.8%)	+2.1
EMEA	2.6	(8.8%)	4.2	(11.3%)	+1.6
Travel Retail	7.5	(19.4%)	3.0	(10.1%)	-4.5
Other	3.6	(4.5%)	-7.3	(-11.7%)	-10.9
Adjustments	0.8	-	0.0	-	-0.8
Total	12.5	(5.2%)	11.3	(4.5%)	-1.2

2024 Forecast

The full-year forecast remains unchanged
Stay committed to maximizing profit and minimizing risks

- ⊕ Continued growth momentum of core brands in Japan
- ⊕ Maximize sales from inbound tourists
- ⊕ Growth acceleration in Americas, EMEA and Asia Pacific
- ⊕ Positive FX impact due to the weaker yen
- ⊖ Changes in Chinese consumer sentiment and purchasing behavior
 - China
 - Travel Retail Asia
 - Japan inbound

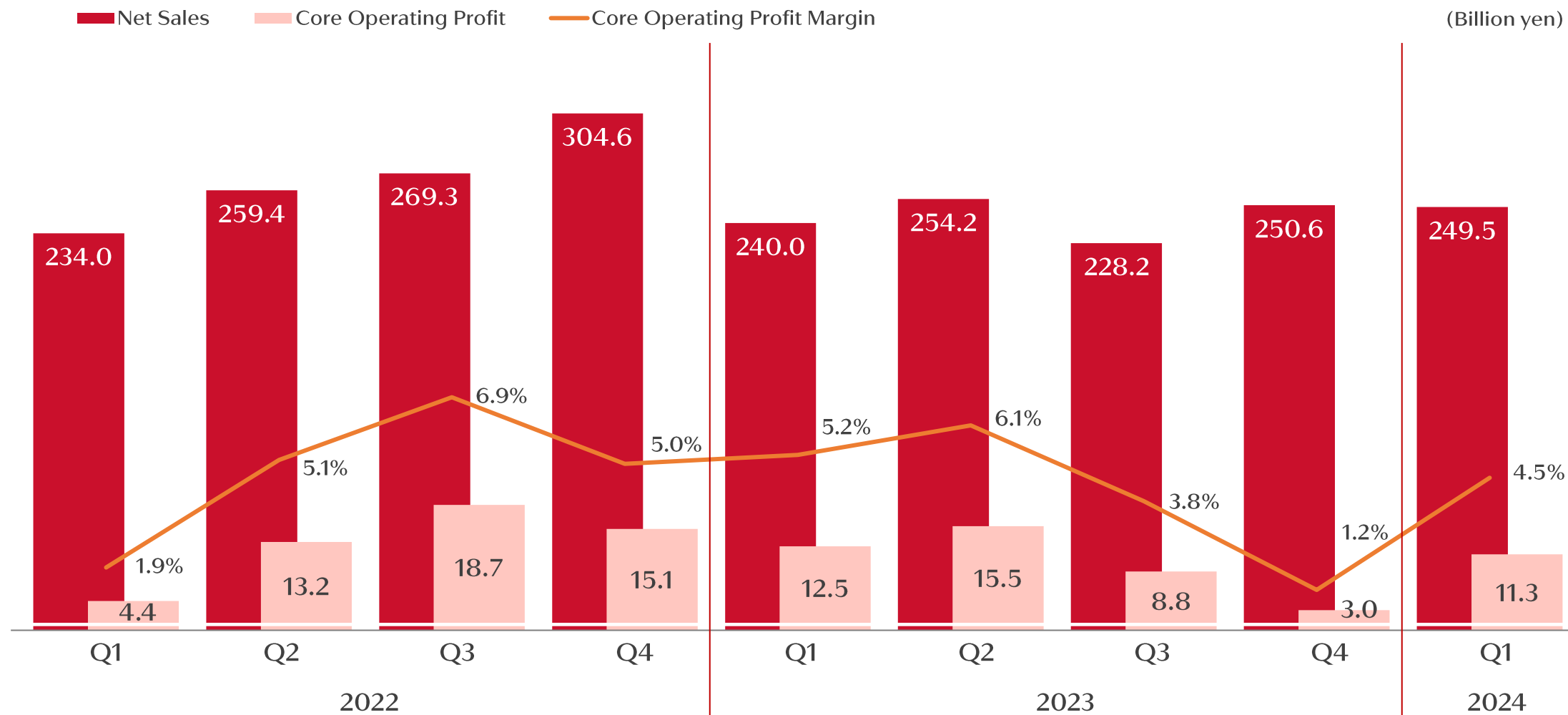


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Be a Global Winner
with Our Heritage

Supplemental Data 1

KPI Trends



Supplemental Data 2

Q1 Net Sales and Core Operating Profit by Reportable Segment

Top: Net Sales Bottom: Core OP (Billion yen)	2023	% of Net Sales / Core OPM % ^{*1}	2024	% of Net Sales / Core OPM % ^{*1}	YoY Change	YoY Change %	YoY FX-Neutral %	YoY LfL % ^{*2}
Japan	61.7	25.7%	73.6	29.5%	+11.9	+19.3%	+19.3%	+19.6%
	-1.7	-2.7%	6.7	9.0%	+8.3	-	-	-
China	53.2	22.2%	55.5	22.2%	+2.2	+4.2%	-3.2%	-2.6%
	-2.1	-4.0%	0.1	0.2%	+2.3	-	-	-
Asia Pacific	15.4	6.4%	17.1	6.9%	+1.7	+11.2%	+2.4%	+5.2%
	0.4	2.3%	1.0	5.5%	+0.6	+176.6%	-	-
Americas	26.0	10.8%	31.8	12.7%	+5.8	+22.4%	+8.9%	+9.4%
	1.5	5.5%	3.6	10.8%	+2.1	+140.7%	-	-
EMEA	27.8	11.6%	34.8	13.9%	+7.0	+25.2%	+10.4%	+16.7%
	2.6	8.8%	4.2	11.3%	+1.6	+61.7%	-	-
Travel Retail	38.6	16.1%	29.8	12.0%	-8.8	-22.7%	-30.4%	-30.5%
	7.5	19.4%	3.0	10.1%	-4.5	-59.7%	-	-
Other ^{*3}	17.4	7.2%	6.9	2.8%	-10.4	-60.2%	-60.9%	+20.8%
	3.6	4.5%	-7.3	-11.7%	-10.9	-	-	-
Subtotal	240.0	100%	249.5	100%	+9.4	+3.9%	-2.7%	+3.2%
	11.7	3.8%	11.3	3.6%	-0.4	-3.5%	-	-
Adjustment	-	-	-	-	-	-	-	-
	0.8	-	0.0	-	-0.8	-	-	-
Total	240.0	100%	249.5	100%	+9.4	+3.9%	-2.7%	+3.2%
	12.5	5.2%	11.3	4.5%	-1.2	-9.6%	-	-

*1 Core OPM is calculated using total sales including intersegment sales and internal transfers between segments

*2 Excluding the impacts of FX, business transfer and the acquisition of *Dr. Dennis Gross Skincare*

*3 The business results previously included in the Japan Business, are included in the Other from Q1 2024. The result in Q1 2023 has been restated to reflect the reclassification

Supplemental Data 3

Q1 Net Sales by Category

(Billion yen)

Japan

	2023	% of Net Sales	2024	% of Net Sales	YoY Change	YoY Change % / YoY FX-Neutral % ^{*1}	YoY LfL % ^{*2}
Prestige	18.1	29.3%	26.3	35.8%	+8.3	+45.8%	
Premium	36.7	59.4%	38.8	52.8%	+2.1	+5.9%	
Others	6.9	11.3%	8.4	11.4%	+1.5	+21.3%	
Total	61.7	100%	73.6	100%	+11.9	+19.3%	+19.6%

China

Prestige	36.7	68.8%	38.5	69.4%	+1.9	-2.5%	
Premium	15.8	29.7%	16.3	29.3%	+0.5	-3.8%	
Others	0.8	1.5%	0.7	1.3%	-0.1	-19.8%	
Total	53.2	100%	55.5	100%	+2.2	-3.2%	-2.6%

Asia Pacific

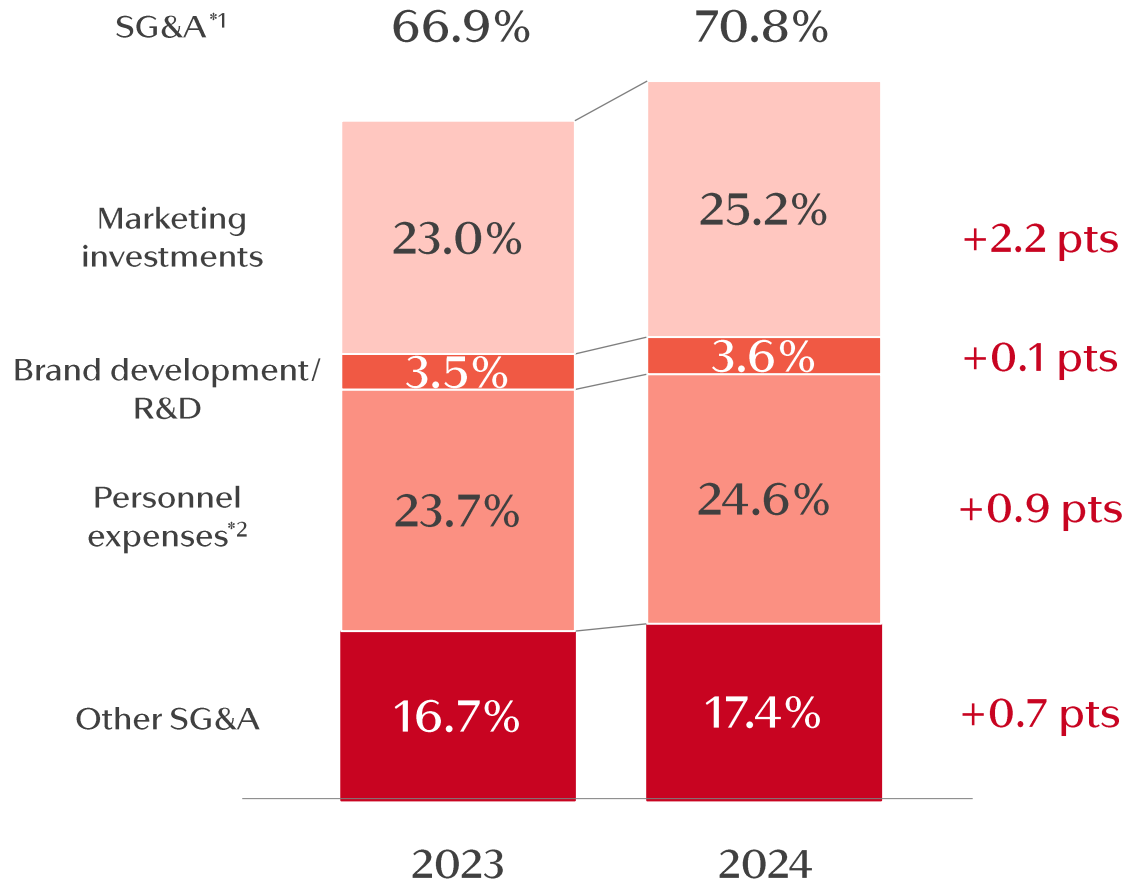
Prestige	10.3	66.9%	11.3	66.1%	+1.0	+1.5%	
Premium	3.3	21.7%	3.9	22.9%	+0.6	+8.5%	
Others	1.7	11.4%	1.9	11.0%	+0.1	-3.8%	
Total	15.4	100%	17.1	100%	+1.7	+2.4%	+5.2%

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

Supplemental Data 4

Q1 Cost Structure

(% of Net Sales based on Core Operating Profit)



- Marketing investments

- Strengthened investments for brand equity improvement
- Agile cost management

- Personnel expenses

- Inflation impact
- Optimization by structural reforms, etc.

- Other SG&A

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

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

*2 Including POS personnel expenses

Supplemental Data 5

Q1 SG&A

(Billion yen)	2023	% of Net Sales	2024	% of Net Sales	YoY Change	YoY Change %	YoY Change FX-Neutral %
Marketing investments ^{*1}	79.2	33.0%	87.4	35.0%	+8.1	+10.3%	+3.6%
Brand development / R&D	8.4	3.5%	9.1	3.6%	+0.7	+8.0%	+4.4%
Personnel expenses	32.9	13.7%	36.9	14.8%	+3.9	+11.9%	+5.1%
Other SG&A	40.0	16.7%	43.3	17.4%	+3.3	+8.3%	+3.6%
SG&A ^{*2} (Core OP-based)	160.6	66.9%	176.6	70.8%	+16.0	+10.0%	+3.9%
Non-recurring items ^{*3}	1.0	-	19.9	-	+18.9	-	-
SG&A	161.6	67.3%	196.5	78.8%	+34.9	+21.6%	+15.6%

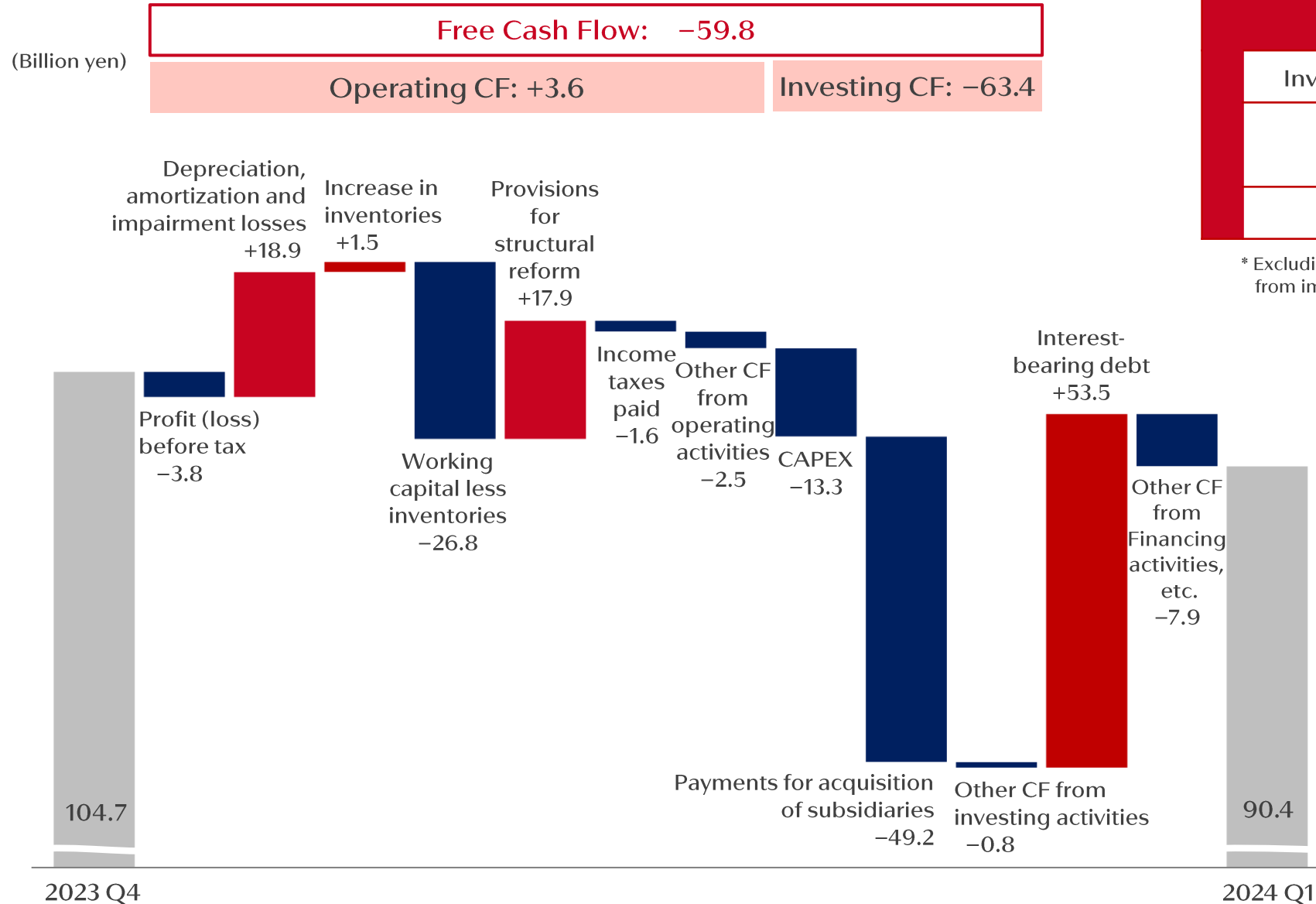
*1 Including POS personnel expenses

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

*3 Non-recurring items attributable to SG&A

Supplemental Data 6

Cash Flow Management



KPIs	2023 Q4	2024 Q1
Inventories (Billion yen)	149.6	157.2
DSI (Days)	197 (235)*	213 (235)*
Net D/E ratio	0.06	0.17

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

Supplemental Data 7

Q1 Non-recurring Items

(Billion yen)	2023	2024
	Q1	Q1
Core Operating Profit	12.5	11.3
Gain / Loss on Sale of Business	0.9	-
Gain / Loss on Sale of Non-current Assets	2.4	-
Structural Reform Expenses	-3.4	-20.0
Impairment Losses	-1.8	-0.1
Government Grant Income on COVID-19	0.0	-
Other	-	-0.0
Non-recurring items	-2.0	-20.1
Operating Profit	10.5	-8.7

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