

# SHIFT 2025 and Beyond Action Plan 2025-2026

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Shiseido Company, Limited

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President and COO

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The Shiseido logo, featuring a stylized red 'S' symbol followed by the word 'SHISEIDO' in a bold, red, sans-serif font.

SHISEIDO

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

# Goals of Action Plan 2025-2026

Build Resilient Business Model for Sustainable Profit Growth  
Amid Volatile Market Conditions



**ACT and DELIVER**

# Top Priorities of Action Plan 2025-2026

## Reinforce Brand Foundation

- Focus our efforts on key brands (Core 3 and Next 5)
- Maximize gross profits
- Develop cohesive operating model across brands and regions to boost brand equity

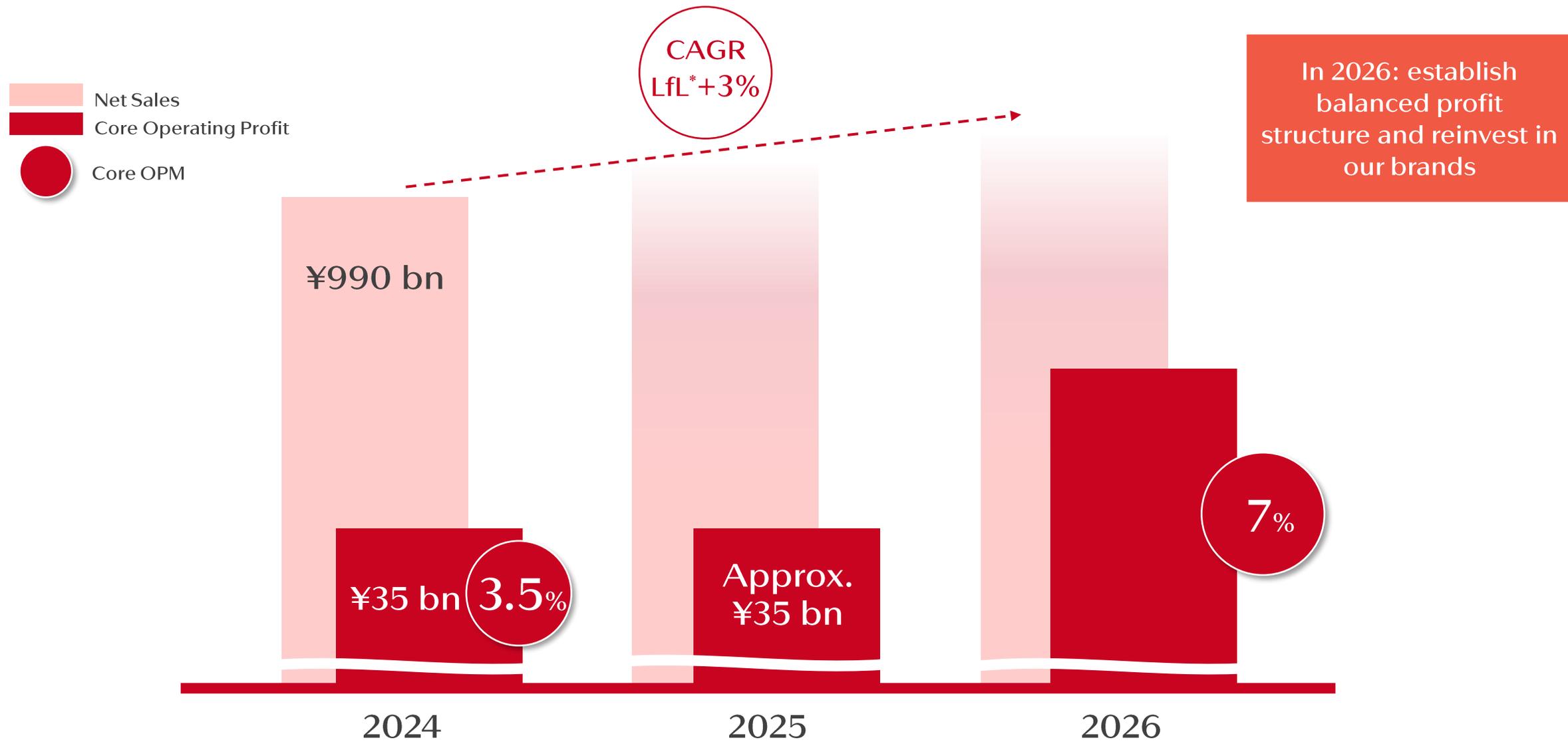
## Rebuild Profitable Foundation

- Reduce fixed costs across the organization
- Enhance profitability in Japan, Americas, EMEA, and Asia Pacific
- Rebuild sustainable business foundation in China and Travel Retail

## Enhance Operational Governance

- Accelerate asset-light initiatives
- Evolve global operational framework
- Sharpen financial governance and accountability

# Achieve 7% Core Operating Profit Margin in 2026



\* Excluding impacts from FX

# Reinforce Brand Foundation

## Establishing Strong Foundation for Sustainable Growth

### 2025-2026 Key Pillars of Brand Strategy

- Enhancing key brands - developing Core 3 and Next 5
- Rebuilding sustainable business foundation in China and Travel Retail, accelerating growth in Japan, Americas, EMEA and Asia Pacific
- Strategic investment allocation to key brands
- Converting our technology and R&D strength into our brands, maximizing brand equity and growth
- Reinforcing processes, organizations and talent

# 2025-2026 Brand Portfolio Strategy

## Accelerating Growth of Key Brands through Focused Investment Based on Growth Potential, Profitability and Competitive Advantage

Core 3			<p>Regain momentum</p>			<p>Profit Driver: Growth in skincare</p>			<p>Regain momentum</p>
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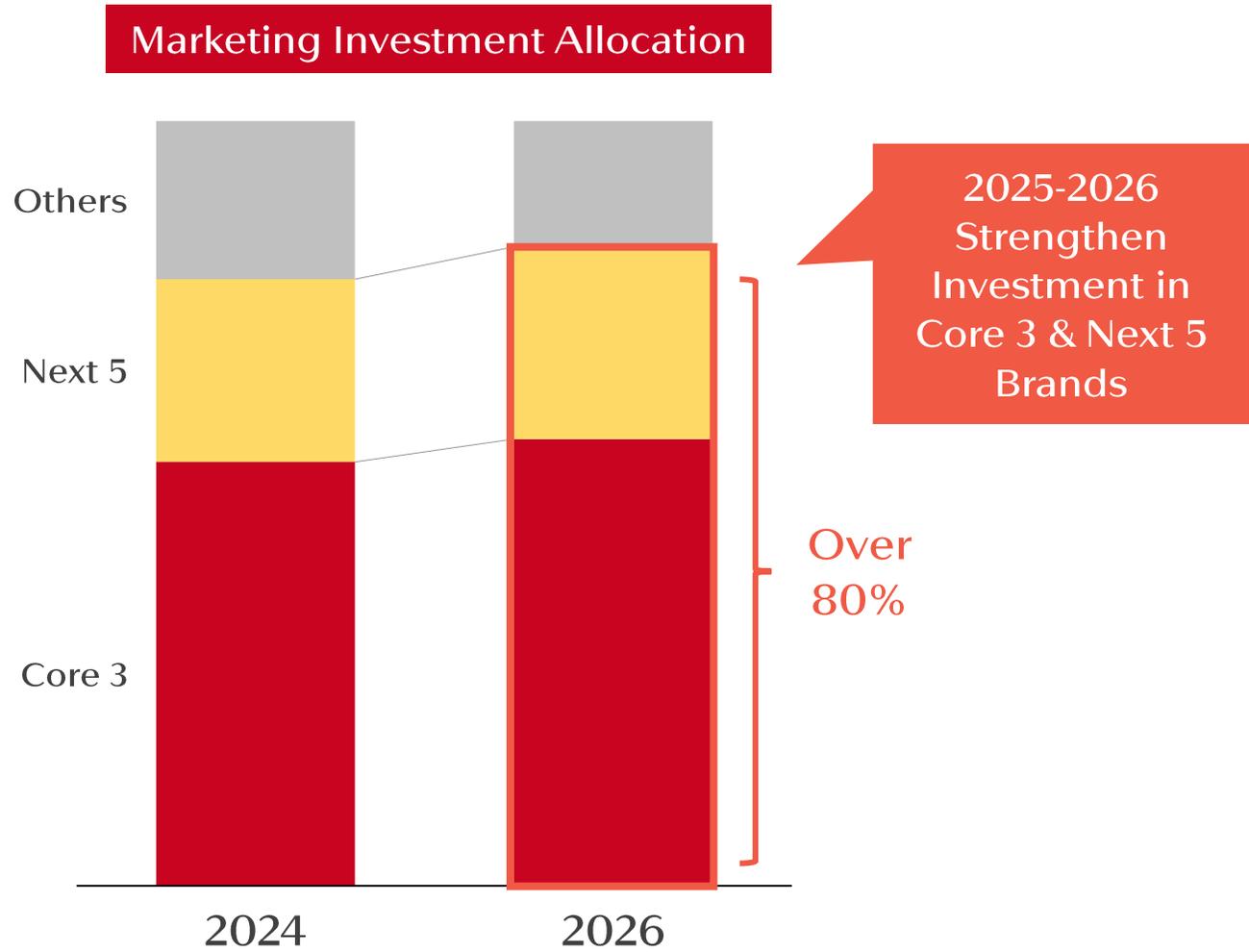
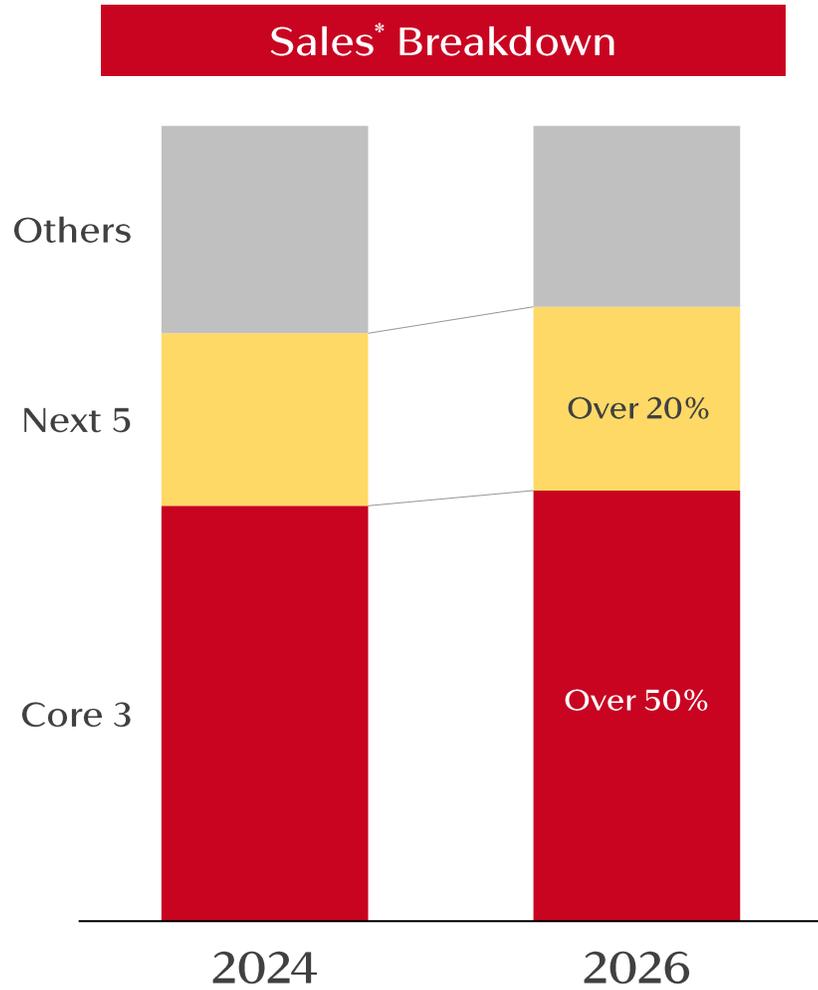
Next 5*1	<p>Sun Care</p> <p>Further growth in Asia, continue global investment</p>				
	<p>Fragrance</p> <p>Profitable and sustainable growth</p>				
			<p>Boost growth in Japan</p>		

Exit/ Downsize      Assessing exit/ downsize options based on brand growth and profitability

Additional Marketing Investment  
**¥30 bn**  
 (2025-26 cumulative\*2)

\*1 Next 5 brands: ANESSA, narciso rodriguez, ISSEY MIYAKE, ELIXIR, Drunk Elephant    \*2 (Increment for 2025 vs. 2024)×2 + (Increment for 2026 vs. 2025)

# Strategic Investment Allocation to Key Brands



\* Excluding impacts from FX

# Convert Our Technology and R&D Strength into Our Brands

## Continue R&D Investments at 3% of Sales

### Changes in consumer trends

- **Polarization of consumption behavior**
  - Shift towards ingredient-driven low-price range brands and derma brands
  - Steady demand for luxury brands
- **Sophistication and diversification of beauty needs**
  - Advanced anti-aging care amid expansion of aesthetic medicine
  - Desire for holistic aging care, including mind and body, due to increased healthy lifespan
- **Rising awareness of sustainable environments and social responsibility**
  - Increased interest in social value and environmental harmony
  - Heightened awareness of UV rays and skin damage risks

### Our strengths of core knowledge and R&D technology

- **Advanced science-based anti-aging care\* technologies**
  - Brand-specific science
  - Addressing skin concerns like sagging and wrinkles
- **Holistic science**
- **Application of skincare innovations to other categories**
- **Technology to achieve high-efficacy by harmonizing with nature**



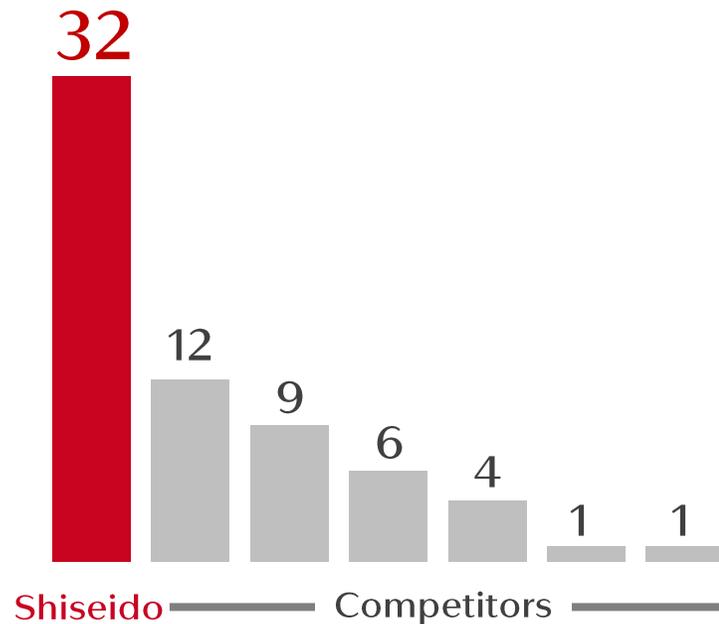
# Strengths of R&D and Innovation

## Hold the Top Record for Awards at the World's Largest Research Conference for Cosmetics Technology

Science based on Eastern approach, perceiving everything holistically and finding their connections

### IFSCC\* Awards

Shiseido vs Domestic and International Competitors



“The IFSCC\* Congress 2024 Brazil Iguazu Falls” in October 2024  
Top Award in the Podium Presentation Basic Research Category



Researcher Daigo Inoue

Melanoaging: Uncovering and resolving an age-spot specific metabolic change and cellular senescence caused by excessive melanin deposition

\* The International Federation of Societies of Cosmetic Chemists

# Refine Unique Brand Equity and Revitalize in China

## Value Drivers

- Holistic science for diverse skin needs
- Science-driven, powerful hero products



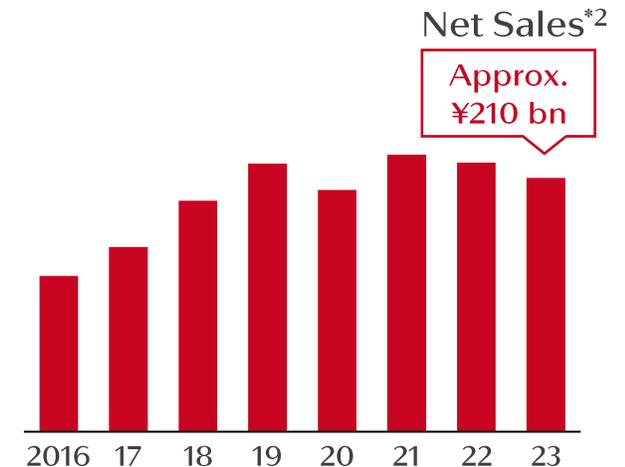
## Strategy

- Enhance our brand prestige
  - Sharpen value development by product line, addressing diverse and advanced anti-aging\*<sup>1</sup> care needs
- 
- Recovery in China and Travel Retail
  - Accelerate growth in Americas, EMEA, and Asia Pacific
  - Further growth in Japan



## Initiatives for Revitalization in China

- Regain unique brand equity
- Strengthen through dual approach of globally unified marketing and localized marketing
- Strategic investment allocation towards key products and campaigns



\*1 Age-appropriate moisturizing skincare \*2 Net sales for each fiscal year are calculated based on a constant currency basis

# Continue to Strengthen as a High-Added-Value Skincare Brand to Boost Profitability

## Value Drivers

- Luxury and skin science  
Development of ingredients based on skin knowledge



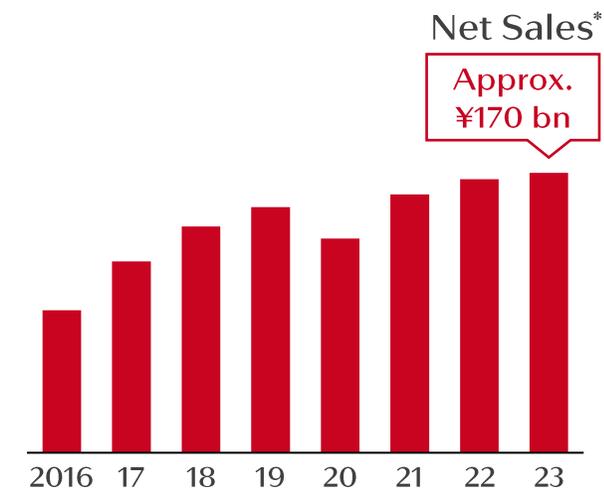
- Leading base makeup category



## Strategy

- Further strengthen “Skin Intelligence” science
- Maximize customer LTV by enhancing consumer experience

- 
- Further growth in Japan, China, and Asia Pacific
  - Brand development in Americas and EMEA



\* Net sales for each fiscal year are calculated based on a constant currency basis

## Value Drivers

- Bold messaging, high artistry, and innovation by founder François Nars
- Products with combined makeup and skincare benefits



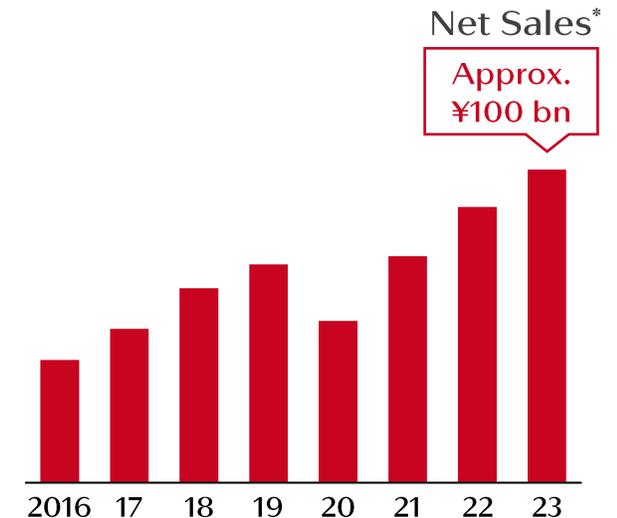
- Offline and digital storytelling and unique experiences



## Strategy

- Growth acceleration through skin beauty innovations and a focus on hero products
- Leverage artist collaboration to boost brand equity
- Build stronger ties with retailers

- 
- Accelerate growth in all regions, especially Americas and China
  - Recovery in Travel Retail
  - Strengthen global expansion in the Middle East, India and other markets



\* Net sales for each fiscal year are calculated based on a constant currency basis

# Sun Care: Drive Above-market Growth with ANESSA and SHISEIDO

## Value Drivers

- Technology to achieve high-efficacy by harmonizing with nature
  - Sun Dual Care technology  
Technology that blocks UV rays and converts sunlight into light that is beneficial to the skin
  - Auto Booster technology  
The UV-blocking film technology boosted by sweat, water, heat and moisture in the air
- Asia No.1\*1 sun care brand and extensive hybrid product lineup



ANESSA



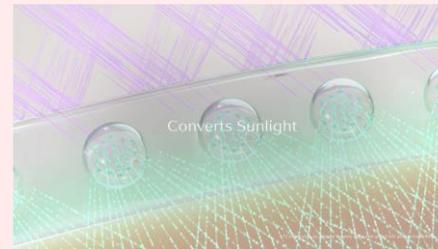
SHISEIDO



Hybrid products  
(Skin care UV, primer, etc.)

## Strategy

- Strengthen technological edge to boost brand value



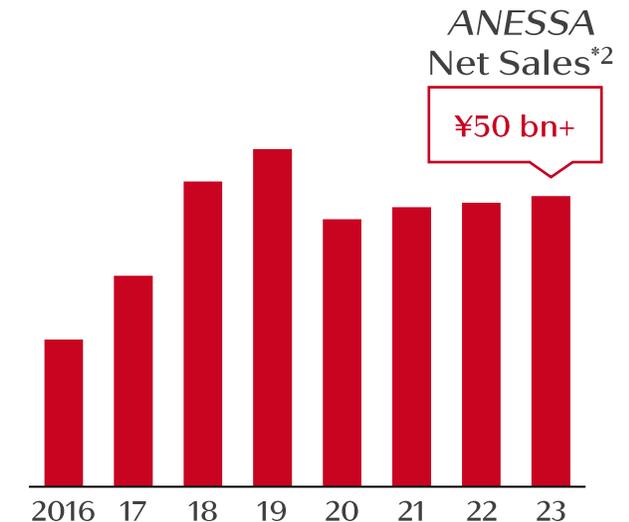
- Accelerate growth in hybrid products

- ANESSA : further growth in Japan, China, and Asia Pacific

- SHISEIDO : global growth



SHISEIDO  
GINZA TOKYO



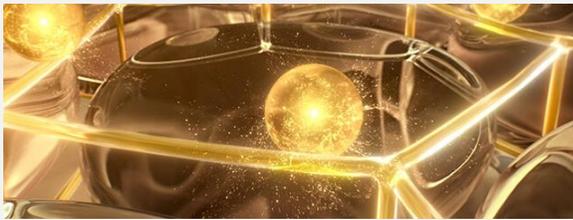
\*1 ANESSA (Source: Euromonitor International Limited, Beauty and Personal Care 2024 edition, retail value sales, 2023 data, all retail channels. Asia as per Euromonitor's Asia Pacific definition)

\*2 Net sales for each fiscal year are calculated based on a constant currency basis

# ELIXIR Accelerate Growth in Japan and Asia Pacific with Hero Products

## Value Drivers

- Anti-aging care\*<sup>1</sup> based on advanced collagen science



- Strong positioning in Japan with high growth driven by hero products and 17 consecutive years as the No.1\*<sup>2</sup> in sales

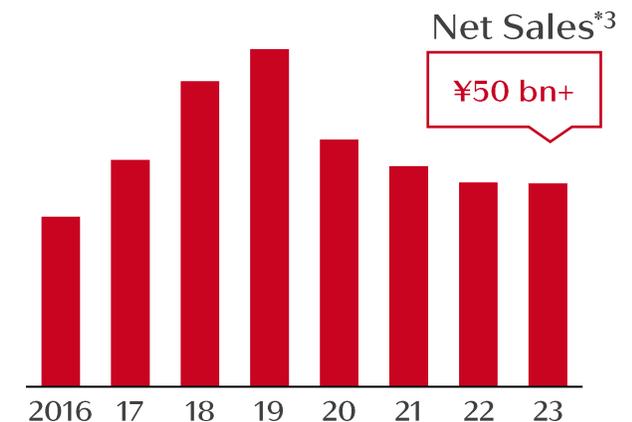


## Strategy

- Ongoing enhancement of collagen science



- Accelerate growth in Japan
- Enhance profitability-focused expansion overseas
- Recovery in China



# Recovery in Americas and EMEA with the Urgent Need to Expand the Loyal User Base

## Value Drivers

- An ingredient-elimination philosophy for a total skin reset; a serious skincare brand that doesn't take itself too seriously

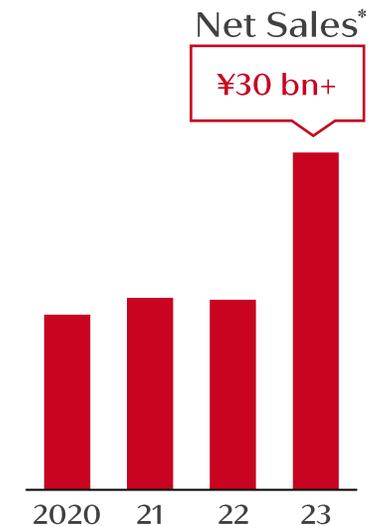


- Unique consumer experiences and cultivate community to build brand love



## Strategy

- Strengthen investment in target segments and expand loyal user communities
  - Revitalize loyal user base through retail animation and media investment in hero products and philosophy
  - Build stronger ties with retailers
- 
- Recovery and further growth in Americas and EMEA
  - Brand development and strengthening in China and Asia Pacific



# 2025-26 Market Assumptions: Ongoing Challenges in China and Travel Retail, Steady Momentum in Japan, Americas, and EMEA Strong Growth Expected in Fragrances Globally

Japan	Rapid growth post-pandemic has moderated, while market remains stable Inflation and rising real wages deliver certain positive impact Number of foreign visitors to recover, yet cosmetics consumption stays below pre-pandemic levels
China	Continued weak consumer appetite and high uncertainty China: price sensitivity continues, prestige remains soft
Travel Retail	Travel Retail Asia: gradual recovery, still expect YoY decline in 2025 and 2026 Travel Retail Japan, Americas and EMEA: remain solid
Americas	The pace of growth to slow down slightly, but maintain momentum to lead global beauty market
EMEA	All categories remain strong
Asia Pacific	Mature markets grow slowly, Southeast Asia shows strong growth

# China and Travel Retail: Offering Long-Term Opportunities for Growth, Transforming Business Model Towards Sustainable Profit Growth

Develop portfolio to capture diverse consumer needs

High Prestige

Sun Care

Fragrances

Medical Derma

- Stable purchasing power of the affluent
- Increasing senior and mature population
- Increasing middle-income population in tier 3-5 cities
- Rising penetration of sun care product usage
- Diversification of lifestyles
- Growing penetration of medical skincare

Enhance organization capability to promptly adapt to consumer and market changes

<Brand Holder Satellite>  
Enhance localization of branding, product development and communication



<Local Marketing Team>  
Social marketing and sales capabilities to adopt to diversified E-commerce channels

Maximize brand equity

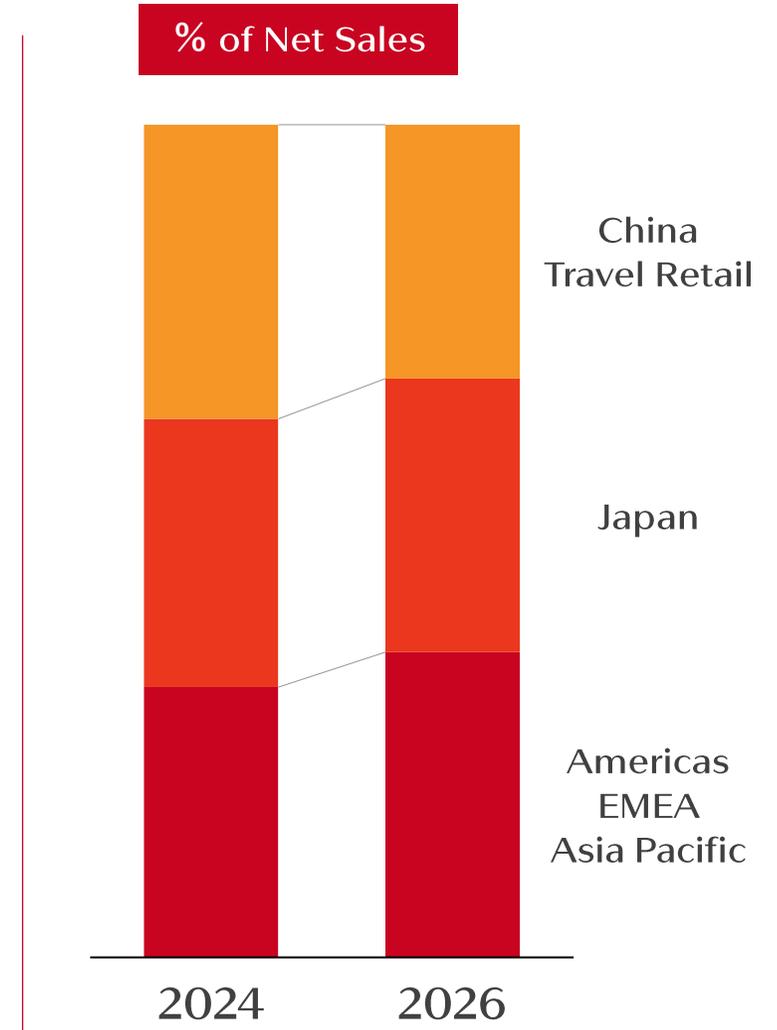
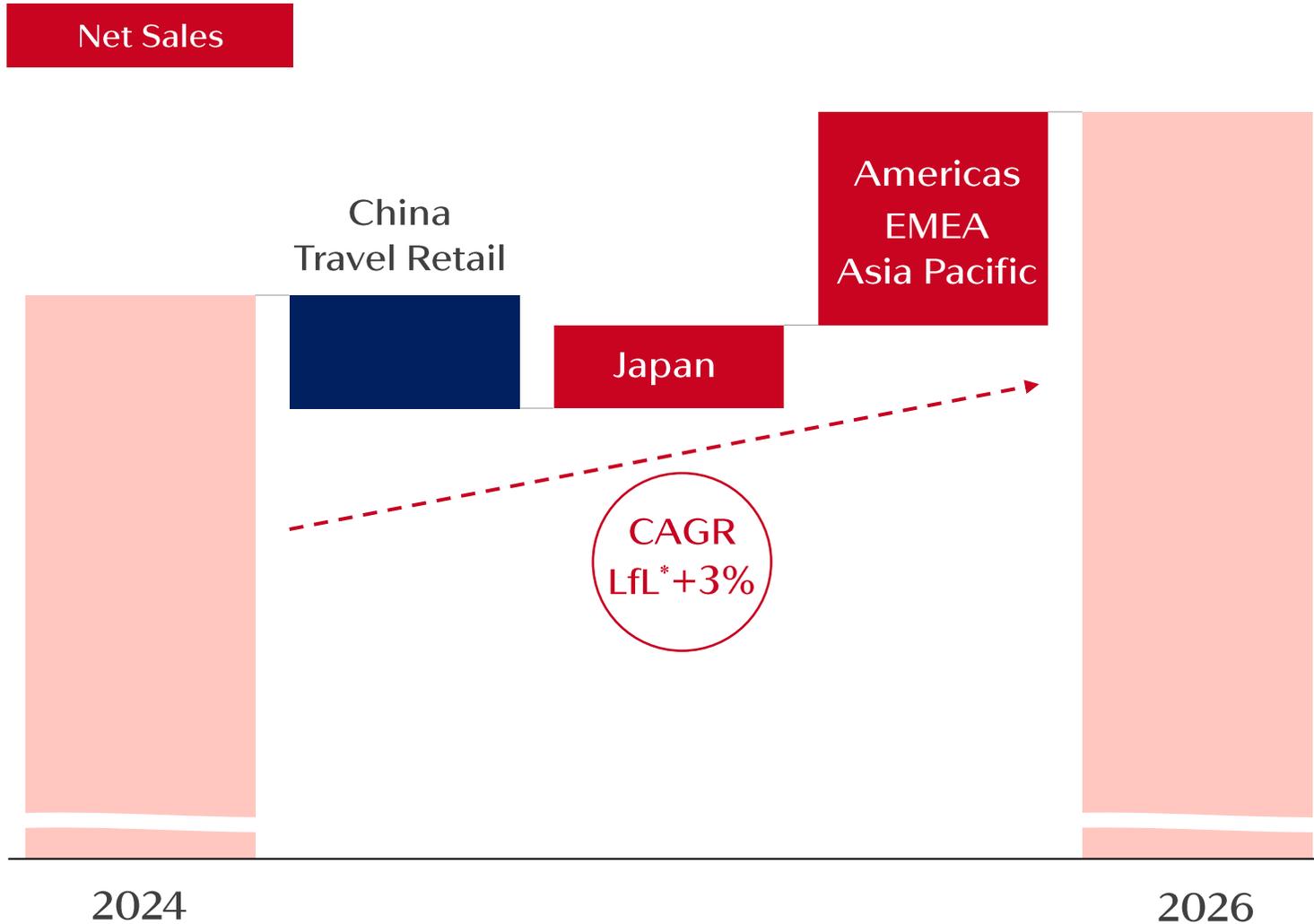
Further accelerate the integrated operation of China and Travel Retail



Overall marketing optimization

- Consistent brand equity proposition for Chinese consumers
- Cross-regional optimization: promotion timing, product rollout, strategic pricing and investment allocation

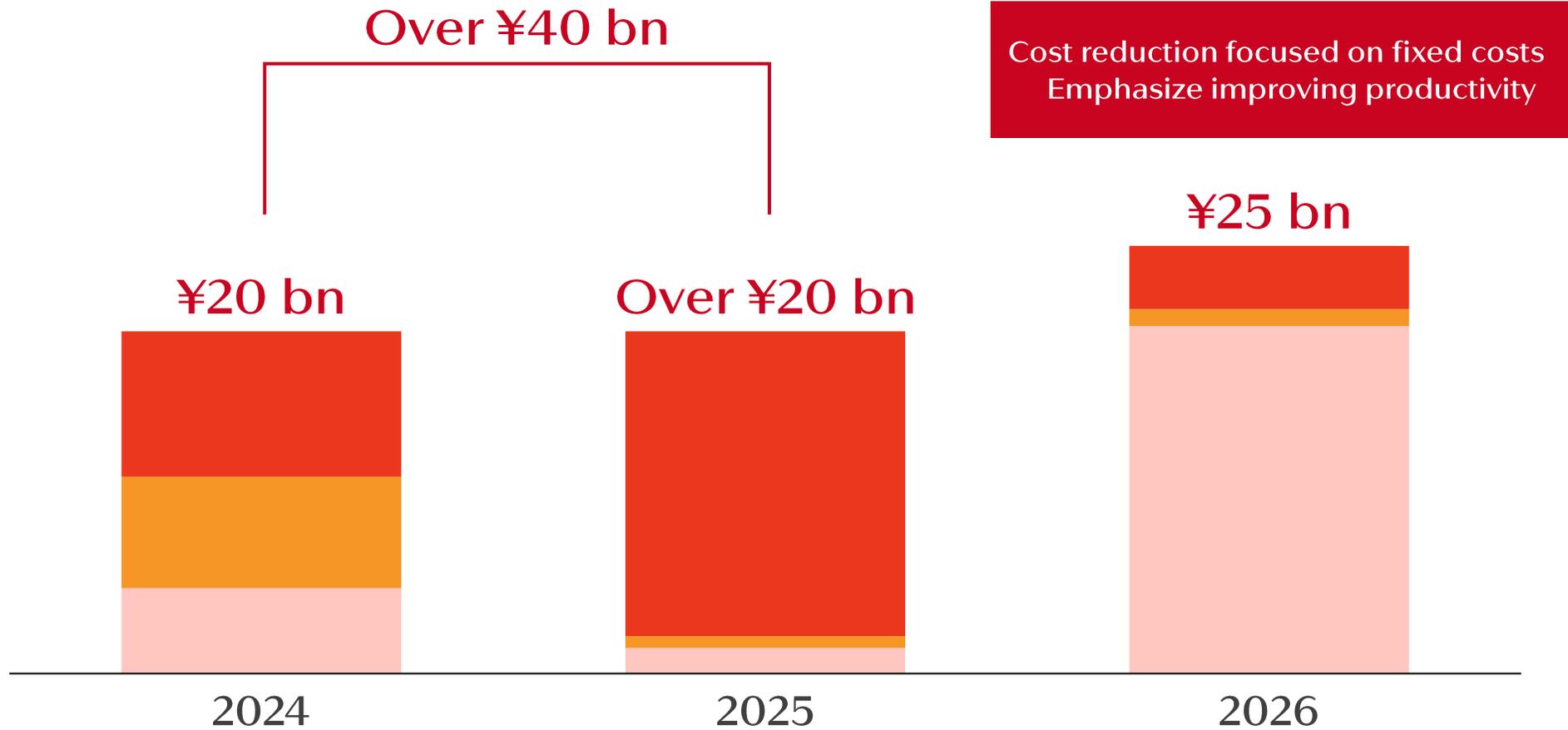
# Rebuilding Business Foundation for Sustainable Growth in China and TR Outperform Market in Japan, Americas, EMEA, and Asia Pacific



\* Excluding impacts from FX

# Cost Structure Transformation with “No Sacred Cow”

- Japan
- China
- Other than above

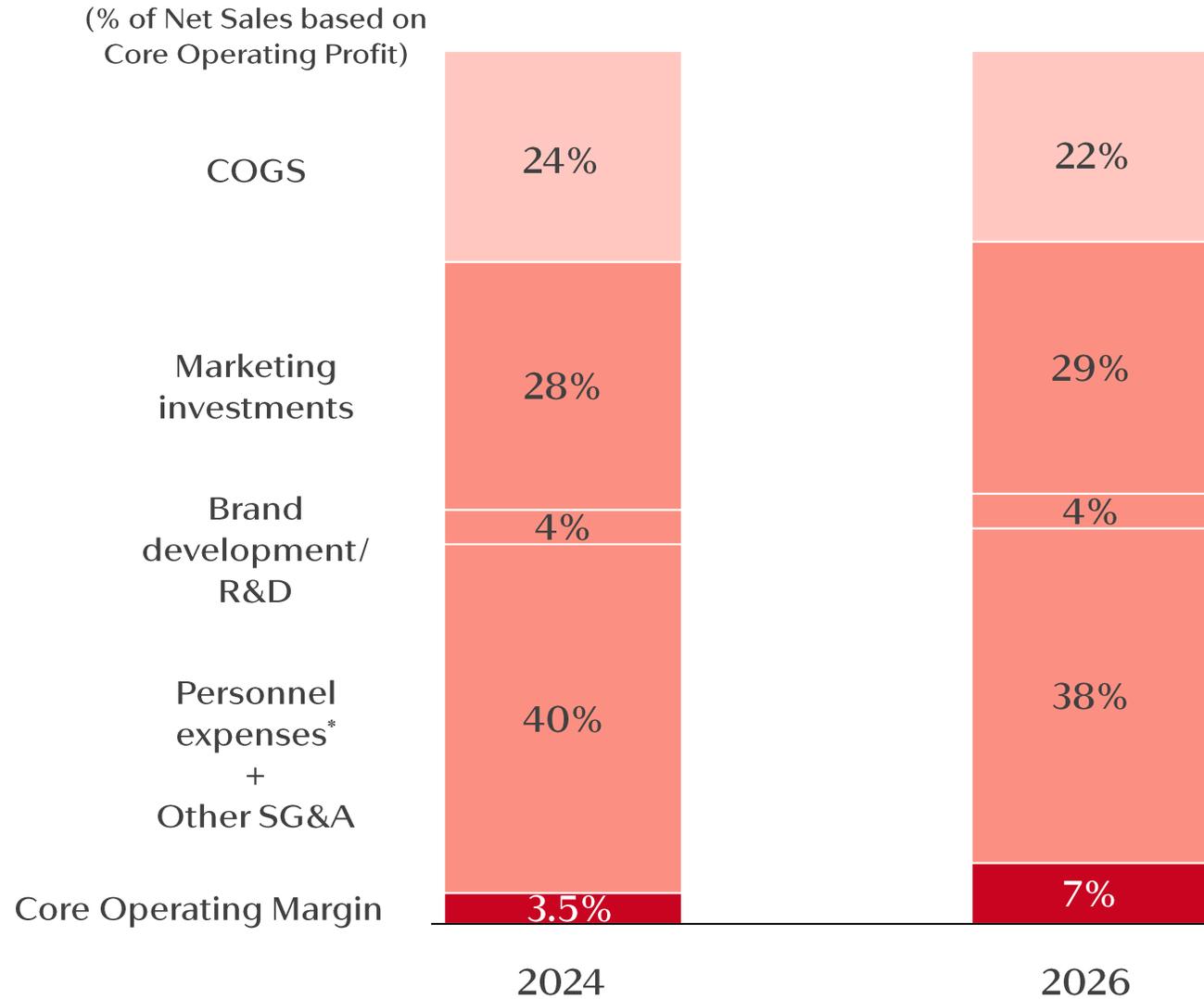


# Target of ¥25 bn in 2026

## Accumulate Initiatives to Reduce Breakeven Point and Improve Contribution Margin

COGS	<ul style="list-style-type: none"><li>•Reduction in raw material costs (optimization of products, sample materials and packaging)</li><li>•Reduction in excessive &amp; obsolete inventory (forecast accuracy improvement with FOCUS go-live, reduced lead times, brand and SKU selection and concentration)</li><li>•Automation of factory production lines, etc.</li></ul>
Marketing investments	<ul style="list-style-type: none"><li>•Enhancement of global procurement functions for indirect materials</li><li>•Global centralization of in-store materials production</li><li>•Expansion of local sample production and operational efficiency (China, Japan)</li></ul>
Personnel expenses	<ul style="list-style-type: none"><li>•Streamline of organization</li><li>•Streamline corporate functions to enhance operational efficiency, etc.</li></ul>
Other SG&A	<ul style="list-style-type: none"><li>•Reduction of outsourcing cost</li><li>•Reduction of depreciation: system optimization and integration, selective new investments</li><li>•Other cost savings: efficient office management, etc.</li></ul>

# Building Sustainable Growth Foundation



\*Including POS personnel expenses

# Global Operational Framework

## Establish Global One-team for Sustainable Brand Development

### Brand development leveraging our diverse talent base

- Form a committee responsible for global brand strategy
  - Enhance integration of real consumer insights into strategy
  - Strategic resource allocation
  - Ensure strategic alignment across markets
- China and Travel Retail: cohesive approach to maximize Chinese consumer demand



### Lean organization through operational excellence

- Realize full benefit of FOCUS go-live
  - Improve data visibility
  - Standardize and raise transparency in business processes
- Standardize operations globally
  - Integrate and coordinate operations across regions
  - Streamline back-office operations

# Financial Strategy

# Strategic Pillars: Strengthen Shiseido Financially

Establish businesses with strong profitability and competitiveness

- Support key brands growth with focused investments
- Prioritize return-oriented investments aligned with growth strategy

Strong balance sheet and maintaining A-rating

- Accelerate asset-light initiatives
- Maintain A-rating to enable agile and competitive financing

Growing sustainable cash flows and maximizing corporate value

- Enhance performance management based on ROIC tree
- Sharpen financial governance and accountability
- Cultivate cash culture

Lowering WACC

- Enhance disclosure
- Boost transparency and predictability
- Elevate ESG management

# Maximize ROIC through Consistent Execution of Action Plan 2025-2026



Promote a High-performance Culture: Clarify Key Metrics for Each Department and Function to Ensure Performance-based Management

# Investment Governance to Maximize Value Creation

## Proactive investment in focus areas

Additional marketing  
investment ¥30 bn  
(2025-2026 cumulative\*)

## Disciplined investment decision-making

Redefine investment and exit  
decision criteria by type

- e.g., ensuring returns  
exceed costs of capital

## Disciplined monitoring processes

Enhance post-investment  
monitoring and manage KPIs,  
enforcing structured exit  
decisions based on clear  
criteria

# Promote maximization of return on investment

# Achieve 7% Core Operating Profit Margin in 2026

	2024	2026
Sales Growth*1	-1% (2023-2024)	CAGR +3% (2024-2026)
Core Operating Profit Margin	3.5%	7%
ROIC*2	0.4% (3% in previous definition)	5% (6% in previous definition)
ROE	1.0%	7%

\*1 2023-2024 growth: Excluding impacts from FX, business transfer and acquisition, 2024-2026 CAGR: Excluding impacts from FX

\*2 Change of ROIC definition : Shift from Core Operating Profit to Operating Profit to manage investment efficiency across the group, including extraordinary losses.

Calculate interest-bearing debt, including lease obligations, and strengthen management by addressing the trade-off between asset acquisition and leasing

New definition:  $\frac{\text{Operating Profit} \times (1 - \text{Tax rate})}{(\text{interest-bearing debt (including lease liabilities)} + \text{Total equity})}$

Previous definition:  $\frac{\text{Core Operating Profit} \times (1 - \text{Tax rate})}{(\text{interest-bearing debt (excluding lease liabilities)} + \text{Total equity})}$

# Enhance Cash Generation Capability with Profitability Improvement as Main Driver

		2024	2026
Improve cash generation capability	EBITDA*	¥86.5 bn	¥130.0 bn
	Free Cash Flow	-¥19.0 bn	¥50.0 bn
Sound financial position	Net D/EBITDA	1.4×	1.3× or less
Improve capital turnover rate	Inventory turnover rate	6.3	7
	Fixed asset turnover rate	1.8	2

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

# Establish a Growth Foundation through Strategic Cash Allocation

## Reinforce Brand Foundation

- **Brands**  
Additional marketing investment  
**¥30 bn** (2025-2026 cumulative\*)
- **Innovations**  
Continued R&D investment  
at approx. 3% of sales
- **People**  
Capability enhancement

## Establish High-profit Structure

Temporary costs with structural reform



Operating  
Cash Flows  
**¥190 bn**

(2025-26 total)



### ① CAPEX

- Continue investments in maintaining and improving productivity of IT and factory infrastructure as foundation for growth

### ② Shareholder returns

### ③ Proper financial leverage

- Active utilization of low-cost debt  
Maintain A-rating

Accelerate growth  
and maximize  
corporate value



\* (Increment for 2025 vs. 2024) × 2 + (Increment for 2026 vs. 2025)



SHISEIDO

Be a Global Winner  
with Our Heritage