Shiseido Company, Limited

FY2025 Q1 Financial Results (January-March)

May 12, 2025

Event Summary

[Company Name]	Shiseido Company, Limited
[Company ID]	4911-QCODE
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[Event Name]	2025 Q1 Financial Results (January-March)
[Date]	May 12, 2025
[Time]	17:30 – 18:41 (Total: 71 minutes, Presentation: 28 minutes, Q&A: 43 minutes)

[Number of Speakers]	3	
	Kentaro Fujiwara	Director, Representative Corporate Executive Officer, President and CEO
	Ayako Hirofuji	Representative Corporate Executive Officer, Chief Financial Officer, Chief DE&I Officer
	Yuki Oshima	Vice President, Investor Relations Department

Presentation

Q1 2025 Key Highlights

Core operating profit remained broadly in line with target;
Steady progress on structural reforms while ensuring profitability;
Reiterate full-year forecast while monitoring the tariff situation with risk mitigation actions

- **Net Sales: ¥228.2 bn (LfL*: −9%) : slightly behind 1H target of −low single%**
  - Japan: Consumer Purchases maintained strong momentum despite sales decline due to temporally inventory adjustments by retailers
  - China & Travel Retail: sequential sales decline but within expectations
  - Americas: sharp sales decline continued with *Drunk Elephant*, striving for a swift turnaround
  - EMEA: Consumer Purchases in Fragrances remained solid despite sales decline due to a rebound from a higher sales in Q1 last year driven by advanced shipment
- **Core Operating Profit: ¥8.3 bn (YoY: −¥3.1 bn)**
  - Delivered tangible results from structural reforms notably in Japan, achieved profit largely in line with expectations bolstered by disciplined cost management global-wide
- **Tariff impact**
  - Identified as potential downside risk; in addition to revisiting procurement sourcing and manufacturing footprint which has been in progress already, additional countermeasures, e.g., pricing and utilizing tariff exemptions will be considered

* Like-for-like increase (decrease) in net sales excludes the impacts of foreign exchange translation and all business transfers in 2025 and 2024 as well as the services provided during the transition period, and the impact of sales prior to the acquisition of *Dr. Dennis Gross Skincare* in 2024 and its corresponding period in 2025 ("business transfers and acquisitions")

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Hirofuji: I would like to present the Q1 results for 2025. First, please refer to page 3, key highlights of the financial results.

Amid continued uncertainty in the business environment, our top priorities remain rigorous profit management and steady execution of our action plans. Although Q1 net sales fell short of expectations, we secured core operating profit of JPY8.3 billion, an equivalent level with our plan, thanks to the effects of the structural reforms and strengthened cost management. While maintaining our full-year forecast, we will continue to closely monitor the impact of tariffs and implement additional measures as necessary. Further details on this will be provided later by Fujiwara.

Net sales declined by 9% versus last year on a like-for-like basis. In our February disclosure, we had anticipated a decline in the low single digit % for H1. However, results in the Q1 were affected by high YoY comparisons in China & Travel Retail as well as the assumption that Drunk Elephant would not see a full recovery. In such circumstances, China & Travel Retail and Americas performed with challenging results, as expected. On top of that, consumer purchases maintained strong, but shipment declined in Japan and EMEA, making the year start with a slight lower to the plan.

Healthy sales growth is essential for the sustainability of our Company's business growth. We will further explain about the sales performance assessment and the future plans shortly.

Core operating profit was JPY8.3 billion, a decline YoY. However, thanks to the structural reforms, notably in Japan, and strengthened company-wide cost management, results were largely in line with expectations.

Regarding the impact of tariffs, we have already begun quantifying the downside risks. In addition to initiatives started last year, such as reviewing procurement sources and reviewing production locations, we are also exploring a range of additional measures, including changes to logistics flows and wholesale price adjustments.

Q1 2025 Executive Summary

(Billion yen)	Q1 2024	% of Net Sales	Q1 2025	% of Net Sales	YoY Change	YoY Change %	YoY FX-Neutral %	YoY LfL*1 %
Net Sales	249.5	100%	228.2	100%	−21.2	−9%	−9%	−9%
Core Operating Profit	11.3	4.5%	8.3	3.6%	−3.1	−27%		
Non-recurring Items	−20.1	−8.0%	−1.0	−0.5%	+19.0	-		
Operating Profit	−8.7	−3.5%	7.2	3.2%	−15.9	-		
Profit (Loss) before Tax	−3.8	−1.5%	7.4	3.2%	+11.2	-		
Income Tax Expense	−0.7	−0.3%	3.7	1.6%	+4.4	-		
Profit (Loss) Attributable to Owners of Parent	−3.3	−1.3%	3.7	1.6%	+7.0	-		
EBITDA*2	24.4	9.8%	21.0	9.2%	−3.5	−14%		
Free Cash Flow	−59.8	−24.0%	−12.4	−5.4%	+47.5	-		

Non-recurring items: 2025 −¥1.0 bn Limited in Q1, 2025 full-year estimate of −¥23.0 bn will be recognized mostly in 2H
Costs of structural reforms associated with the ERIP*3 in Japan primarily recognized in Q1 2024

Profit Attributable to Owners of Parent: 2025 ¥3.7 bn

Free Cash Flow: 2025 −¥12.4 bn Negative due to changes in trade payables
Negative in Q1 2024 due to payments for acquisition of *Dr. Dennis Gross Skincare* of ¥49.2 bn

*1 Excluding the impacts of foreign exchange translation, business transfers and acquisitions *2 Core Operating Profit + Depreciation and Amortization (excl. depreciation of right-of-use assets) *3 Early Retirement Incentive Plan 4

Please have a look at page 4, the P&L Executive Summary. Core operating profit was JPY8.3 billion. Non-recurring items significantly decreased from the previous year when early retirement-related expenses in Japan were reported and totaled to JPY1 billion this quarter. For the full year, we expect to incur JPY23 billion in expenses, primarily related to structural reforms outlined in our action plan which the majority will be booked in 2H.

There is no change to our overall outlook. As a result, both operating profit and net profit for Q1 significantly improved compared to the previous year, returning to profitability.

Next, regarding the negative free cash flow of JPY12.4 billion, the main factor was a decrease in operating liabilities due to changes in contractual terms with certain business partners.

Net Sales by Reportable Segment

Like-for-like*1	2024 (vs. 2023)					2025 (vs. 2024)
	Q1	Q2	Q3	Q4	FY	Q1
Japan	+20%	+7%	+5%	+7%	+10%	−2%
China & Travel Retail*2	−14%	−11%	−23%	+2%	−11%	−14%
Asia Pacific	+5%	+7%	+2%	−3%	+2%	−1%
Americas	+9%	−20%	−9%	−7%	−7%	−19%
EMEA	+17%	+6%	−7%	+16%	+8%	−9%
Total	+3%	−4%	−8%	+4%	−1%	−9%

*1 Excluding the impacts of foreign exchange translation, business transfers and acquisitions
*2 To adopt an integrated approach to Chinese consumers and to maximize value creation, the Company implemented changes to its organizational structure as of March 31, 2025, along with change to its reportable segment which have been reflected in Q1 2025 results

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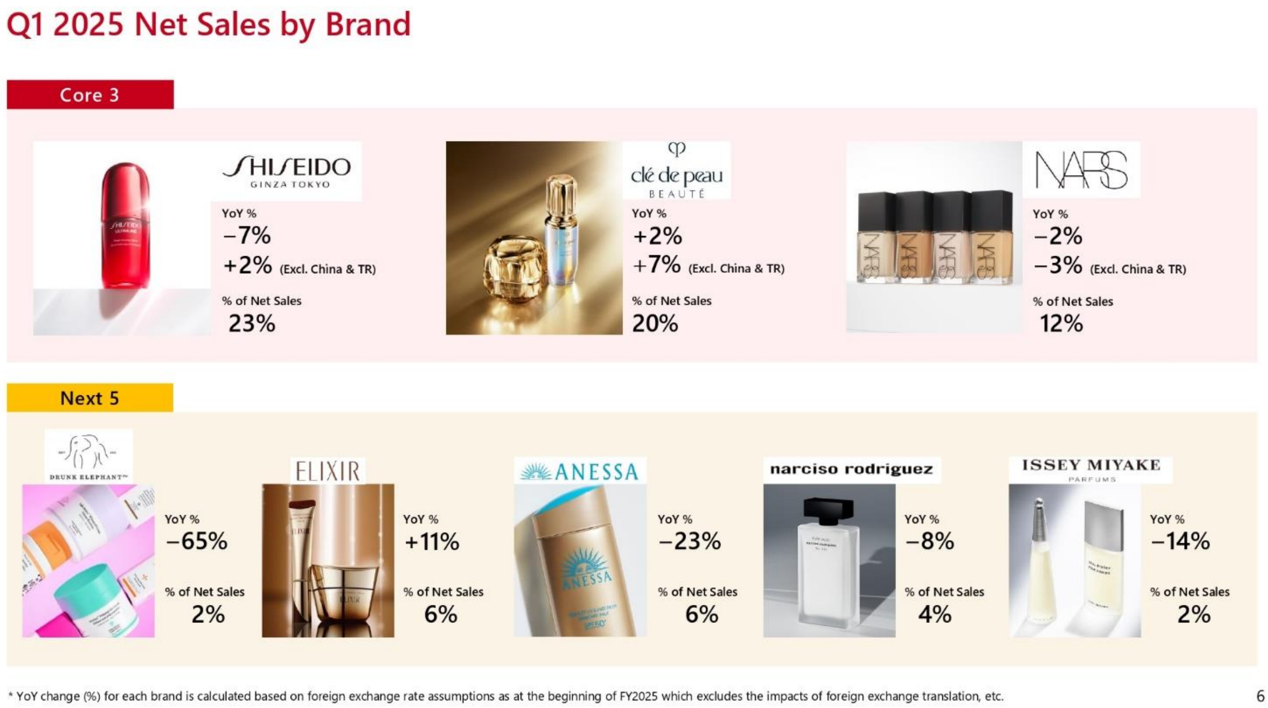
Please turn to page 5 for a breakdown of net sales by region. As announced in our March 28 release, we have adopted a new segment structure from this quarter, combining China & Travel Retail into a single reporting segment.

First, Japan and EMEA, which has shown consistent growth until now, reported declines of 2% and 9%, respectively, in Q1. However, this was due to temporary shipment adjustments and booking timing differences, while consumer demand remains strong.

We are confident in the recovery of shipments going forward. Sales in the China & Travel Retail segment declined by 14%, while the Americas saw a 19% decrease, primarily due to continued challenges faced by Drunk Elephant.



Next, please refer to page 6, net sales by brand. Both SHISEIDO and Clé de Peau Beauté were impacted by the challenging market environment in China & Travel Retail. However, excluding these segments, both brands continue to show solid growth. NARS reported a decline due to the contraction of the prestige markets in the Americas. ELIXIR continued to perform strongly. ANESSA saw a significant decline impacted by rebound from last year's full renewal in Japan, lower-than-expected bulk purchases by inbound travelers and decreased spending by Chinese tourists in both China & Travel Retail. We aim to offset this with enhancement of our popular brush-type UV protection powder in Japan, along with expanded initiatives targeting inbound tourists. Narciso Rodriguez and Issey Miyake recorded temporary declines due to shipment timing delays in EMEA. However, we expect a return to positive growth from Q2 onward and steady growth for the full year.

Core Operating Profit

(Excluding Non-recurring Items)

(Billion yen)	Q1 2024	% of Net Sales	Q1 2025	% of Net Sales	YoY Change	YoY %	Pts Difference
Net Sales	249.5	100%	228.2	100%	−21.2	−8.5%	-
COGS	61.8	24.8%	51.2	22.4%	−10.6	−17.2%	−2.3pts
Gross Profit	187.6	75.2%	177.0	77.6%	−10.6	−5.7%	+2.3pts
SG&A	176.6	70.8%	169.2	74.1%	−7.4	−4.2%	+3.3pts
Marketing investments	62.9	25.2%	63.6	27.9%	+0.7	+1.2%	+2.7pts
Brand development / R&D	9.1	3.6%	8.6	3.8%	−0.5	−5.3%	+0.1pts
Personnel expenses*	61.4	24.6%	55.3	24.2%	−6.0	−9.8%	−0.4pts
Other SG&A	43.3	17.4%	41.7	18.3%	−1.7	−3.8%	+0.9pts
Other Operating Income / Expenses	0.4	0.1%	0.4	0.2%	+0.1	+24.2%	+0.1pts
Core Operating Profit	11.3	4.5%	8.3	3.6%	−3.1	−27.2%	−0.9pts

COGS：Improved COGS ratio via brand mix improvement and decrease in allowance for excess inventory write-offs recognized
Marketing investments：Upfront investments for new product marketing, etc.
Personnel expenses*：Lowered by the benefits from structural reforms in Japan and China
Other SG&A：Lowered by the positive impact of structural reforms, agile cost management, etc.

* Including POS personnel expenses

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Next, please refer to page 7, details of the core operating profit. First, the cost of sales improved by 2.3 percentage points to 22.4% compared to last year. This improvement was mainly driven by brand mix improvement and the rebound impact from reduction in allowance for excess inventory write-offs, which were recorded last year due to a sharp decline in shipments in Travel Retail.

Marketing investments increased by JPY700 million. While we achieved efficiencies in promotional expenses, this increase is also driven by investments aimed at rebuilding Drunk Elephant and upfront investment for a major new product launch in EMEA this year.

Personnel expenses decreased by JPY6 billion, a reduction of about 10% compared to the previous year, primarily reflecting the impact of structural reforms in Japan and China.

SG&A were reduced by JPY1.7 billion thanks to structural reforms such as reductions in outsourcing costs as well as the results of agile cost management.

So as mentioned, we are steadily building a more resilient structure that allows us to secure profits even in the face of significant revenue declines.

Net Sales and Core Operating Profit by Reportable Segment[*1]

Top: Net Sales Bottom: Core OP (Billion yen)	Q1 2024	% of Net Sales/ Core OPM %[*2]	Q1 2025	% of Net Sales/ Core OPM %[*2]	YoY Change	YoY Change %	YoY FX-Neutral %	YoY LfL %[*3]
Japan	76.0	30.5%	74.2	32.5%	−1.8	−2.4%	−2.4%	−2.2%
	5.5	7.2%	11.3	15.3%	+5.9	+108.1%	-	-
China & Travel Retail	85.3	34.2%	75.0	32.8%	−10.3	−12.1%	−13.7%	−13.6%
	15.9	18.4%	13.3	17.6%	−2.6	−16.1%	-	-
Asia Pacific	17.1	6.9%	17.1	7.5%	−0.0	−0.3%	−1.0%	−0.5%
	0.2	1.4%	− 0.1	− 0.5%	−0.3	-	-	-
Americas	31.8	12.7%	27.2	11.9%	−4.6	−14.5%	−15.9%	−19.4%
	1.1	3.3%	− 1.9	− 6.5%	−2.9	-	-	-
EMEA	34.8	13.9%	31.6	13.8%	−3.2	−9.2%	−8.8%	−8.7%
	2.7	7.6%	− 0.4	−1.3%	−3.1	-	-	-
Other	+4.5	1.8%	3.3	1.4%	−1.2	−27.0%	−27.2%	+3.0%
	− 0.1	− 1.1%	0.1	2.1%	+0.1	-	-	-
Adjustments	-	-	-	-	-	-	-	-
	− 14.0	-	− 14.1	-	− 0.1	-	-	-
Total	249.5	100%	228.2	100%	−21.2	−8.5%	−9.2%	−9.1%
	11.3	4.5%	8.3	3.6%	− 3.1	− 27.2%	-	-

*1 In Q1 2025, we have implemented changes to segment reporting in order to have better grasp on profitability of each segment
For details, please refer to Appendix 1 attached hereto as well as news release published on March 28, 2025. Q1 2024 results have been restated to reflect the changes
*2 Calculated based on total sales including intersegment sales and internal transfers between segments
*3 Excludes the impacts of foreign exchange translation, business transfers and acquisitions

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Next, we will move on to a breakdown by segment from page 8, and I would like to briefly explain the change in the definition of segment profit.

To eliminate the impact of annual changes in internal transaction prices due to transfer pricing policies, we have revised the definition to clearly reflect the true profitability and progress of each segment over time. Details of this change are provided in the appendix and the 2024 results under the new definition can be found in the release from March 28. Please refer to that for more information.

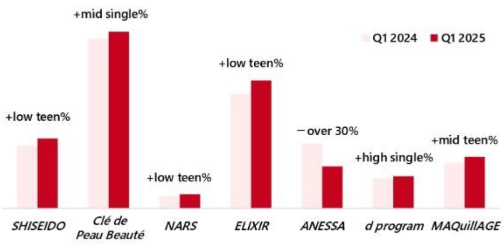
Regarding sales by region, Japan, China & Travel Retail, and other regions each account for approximately 1/3 of the total. In contrast, for core operating profit, Japan and China & Travel Retail together generated JPY24.6 billion in profits, while Asia Pacific, the Americas and EMEA all reported losses. Added headquarter expenses, which are included in the “Adjustments,” the consolidated total of JPY8.3 billion.

China & Travel Retail, which has always been high-margin business, continue to generate significant profits. Japan has also improved its profitability due to impacts from structural reforms, successfully transitioning to a more profitable structure. On the other hand, the Americas require a quick turnaround. For Asia Pacific and EMEA, we are planning double-digit growth in H2 of the year. Since there is seasonality impact of larger sales in Q4 and bigger profits in H2, we expect both regions to be profitable for the full year.

Japan: Consumer Purchases Maintained Momentum; Significant Boost to Profitability Thanks to Structural Reform

(Billion yen)	Q1 2024	Q1 2025	YoY Change	YoY %
Net Sales	76.0	74.2	−1.8	−2.2%*1
Core OP	5.5	11.3	+5.9	+108.1%
Core OPM	7.2%	15.3%	-	+8.1pts

Net Sales by Brand



Market

- Local: modest growth continued as the reopening effect has run its course
- Inbound: the number of foreign visitors to Japan hit all-time high, tourist spending continue to grow albeit at a moderate pace

Consumer Purchases

- Continued strong momentum, growing +high single% driven by core brands*2
  - Local: +mid single% EC: +high teen%
    Launch of *SHISEIDO*'s new ULTIMUNE contributed to growth
  - Inbound: +high single%
    Fortified digital marketing targeted at tourists for key products

Net Sales & Core Operating Profit

- Sales dropped on temporally inventory adjustments by retailers
- Delivered profit growth via structural reforms and productivity enhancement, benefitting from reduction in personnel expenses by the ERIP*3 and higher efficiency in marketing activities

*1 Excluding the impact of business transfers *2 *SHISEIDO, Clé de Peau Beauté, NARS, ELIXIR, ANESSA, d program, MAQuillAGE*
*3 Early Retirement Incentive Plan

SHISEIDO 9

Next, on page 9, we will discuss Japan. In the Q1, the local market saw its growth pace gradually settling down following the round of reopening measures, showing signs of stabilization. Inbound tourism reached record high levels in terms of visitor numbers, while cosmetics purchases continue to grow at a moderate rate. Despite this, our Japan Business maintained strong growth of over high single-digit % in Consumer Purchases driven by our core brands and expanded its market share. In particular, new ULTIMUNE from SHISEIDO launched in March features ingredients developed using our proprietary advanced technology and drove growth through communication initiatives focused on aging-care.

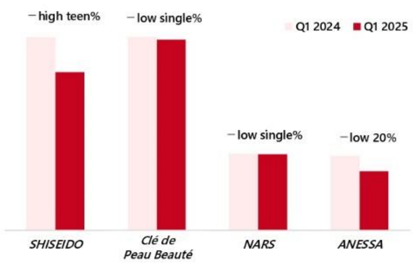
E-commerce sales maintained high growth of high-teen % supported by purchases from loyal users on our newly redesigned online site last year. Inbound sales grew by high single-digit %. We are focusing on the needs of travelers and prioritizing resources. We are also conducting effective sales activities through digital initiatives such as promotions and collaboration with foreign influencers residing in Japan. As a result, although shipment sales decreased due to temporary adjustments in store inventory, the current consumer purchasing momentum remains strong, and we are not concerned about the future sales recovery.

Regarding the P&L, core operating profit increased by JPY5.9 billion despite the revenue decrease, driven by structural reforms such as reduced personnel expenses by early retirement and improved efficiency of marketing investments, resulting in a significant improvement in margin to 15.3%.

China & Travel Retail: Maintained Profitability via Fixed Cost Reduction and Agile Cost Management amid Sharp Sales Decline

(Billion yen)	Q1 2024	Q1 2025	YoY Change	YoY %
Net Sales	85.3	75.0	−10.3	−13.6%[*1]
Core OP	15.9	13.3	−2.6	−16.1%
Core OPM	18.4%	17.6%	-	−0.8pts

Net Sales by Brand[*1]



Market: In line with expectations albeit challenging

- China: Consumer spending remains sluggish
  - Offline severely hit, EC maintained growth
- Travel Retail: saw a significant decline in Asia[*2]
  - Chinese tourist spending mired in weakness
  - South Korea saw an accelerated shift to a tourist-driven model

Consumer Purchases

- China: −high single%
  - Offline slowed to −low teen%, EC grew at +low single%
  - Delivered robust growth in International Women's Day promotion driven by core 3 brands, ranking higher in sales
  - *Clé de Peau Beauté* and *NARS* continued strong momentum *SHISEIDO* posted decline, weighed down by the weakness in offline channels
- Travel Retail: −low 20%

Net Sales & Core Operating Profit

- Sharp sales decline and deteriorated business mix due to the downturn in Travel Retail, still managed to mitigate the impact on profitability via fixed cost reduction and improved efficiency in marketing investment

*1 Excluding the impacts of foreign exchange translation and business transfers *2 Excluding Japan

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Next, on page 10, we will discuss the China & Travel Retail. Despite the significant revenue decline, we have maintained profitability.

First, regarding the market environment, overall consumption in China remained sluggish and price sensitivity continued to rise. While the offline sector continued to face challenges, e-commerce remained positive as consumers continued to prioritize promotions. In the travel retail market, consumption for Chinese travelers in Asia slowed and Korean retailers accelerated their shift towards a business model centered on travelers. However, we believe these external changes are largely within our expectations.

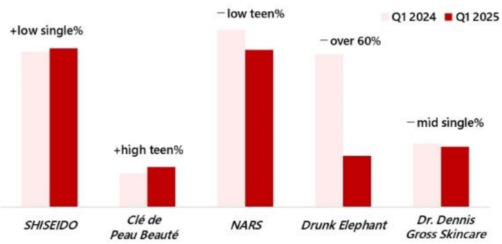
In our business environment, offline sales were challenging overall, but Clé de Peau Beauté and NARS saw a slight decline in External Sales, while Consumer Purchases remained strong on both offline and e-commerce channels. In the International Women's Day promotion, core brands saw their ranking rise on major platforms, resulting in strong growth that exceeded our plans. On the other hand, SHISEIDO continued to struggle offline and posted a decline. Travel Retail remained strong in Japan but continue to decline in Asia.

Core operating profit decreased by JPY2.6 billion despite the decline in External Sales and the deterioration of the mix due to the decrease in the ratio of high-margin Travel Retail sales. This was achieved through rigorous cost management, including fixed cost reductions and marketing investment efficiency improvements, which have been ongoing since last fiscal year. Going forward, we will further integrate the China and Travel Retail businesses to create synergies in both sales and costs.

Americas: Continue to Suffer Sharp Sales Decline with *Drunk Elephant*, Aiming for a Swift Turnaround under New Leadership

(Billion yen)	Q1 2024	Q1 2025	YoY Change	YoY %
Net Sales	31.8	27.2	−4.6	−19.4%[*2]
Core OP	1.1	−1.9	−2.9	-
Core OPM	3.3%	−6.5%	-	−9.8pts

Net Sales by Brand[*2]



Market[*1]

- Softened, hovering below expectations
  Consumer sentiment faltered amid increasing economic uncertainly

Consumer Purchases[*3]

- –low teen%
  - *Drunk Elephant* continued to struggle
  - *Dr. Dennis Gross Skincare* delivered robust growth notably in EC

Net Sales & Core Operating Profit

- Posted a drop in profit due to decline in sales and increase in marketing expenses

Dr. Dennis Gross Skincare

*1 Prestige market *2 Excluding the impacts of foreign exchange translation, business transfers and acquisitions *3 Data coverage: U.S. and Canada

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Next, on page 11, we will discuss the Americas. Amid growing uncertainty about the US economic outlook, growth in the prestige market has slowed. Consumer sentiment has weakened, and trends are below expectations. Due to the impact of this market environment, both External Sales and Consumer Purchases have declined by double digits. Dr. Dennis Gross Skincare is growing steadily, as planned, primarily through the e-commerce channel, but Drunk Elephant remains a significant challenge.

Amidst a trend towards heightened consumer price sensitivity, lower-priced similar products are gaining traction, making it difficult to reacquire customers. Core operating profit decreased due to the reduced revenue and increased marketing investments aimed at revitalizing Drunk Elephant.

As previously announced on April 16, Alberto Noe, who currently served as CEO of the EMEA region, has been appointed as CEO of the Americas region. Under his new leadership structure, we will work together as a company to achieve an early turnaround in the Americas.

Asia Pacific: Drove Share Expansion amid Signs of Slowdown in Market
EMEA: Posted Sales Decline due to Elevated Base in the Prior Year, but Consumer Purchases Remained Solid in Fragrances

Asia Pacific

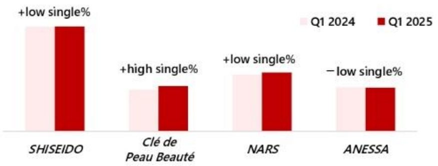
(Billion yen)	Q1 2024	Q1 2025	YoY Change	YoY %
Net Sales	17.1	17.1	−0.0	−0.5%[*1]
Core OP	0.2	−0.1	−0.3	-
Core OPM	1.4%	−0.5%	-	−1.9pts

Market[*2]
- Decelerated across the countries and regions notably in Taiwan and South Korea

Consumer Purchases[*3]
- +mid single%

Net Sales & Core Operating Profit
- Sales declined driven by the softness in Taiwan
- Profit dropped due to higher personnel expenses and lower sales

Net Sales by Brand[*1]



EMEA

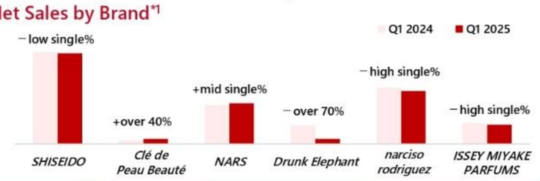
(Billion yen)	Q1 2024	Q1 2025	YoY Change	YoY %
Net Sales	34.8	31.6	−3.2	−8.7%[*1]
Core OP	2.7	−0.4	−3.1	-
Core OPM	7.6%	−1.3%	-	−8.9pts

Market[*2]
- Growth decelerated across all categories

Consumer Purchases[*4]
- −low single% in total, +high single% in Fragrances

Net Sales & Core Operating Profit
- Sales declined due to a higher shipping prior to a new system implementation in the last year, coupled with the ongoing challenge with *Drunk Elephant*
- Profit dropped in weighed down by lower sales and higher marketing investments on new product launches

Net Sales by Brand[*1]



*1 Excluding the impacts of foreign exchange translation and business transfers *2 Prestige market
*3 Data coverage: 10 countries and regions in the Asia and Oceania regions including Taiwan, South Korea and Thailand *4 Data coverage: France, UK, Germany, Italy and Spain

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Next, on page 12, we will discuss Asia Pacific and Europe. In Asia Pacific, market growth has slowed in Taiwan and South Korea, resulting in a slight decrease in our External Sales. However, Consumer Purchases maintained growth of approximately mid-teen %. Southeast Asia, centered on Thailand, achieved strong growth and overall market shares has expanded.

Core operating profit decreased due to increased labor costs related to inflation and reduced sales.

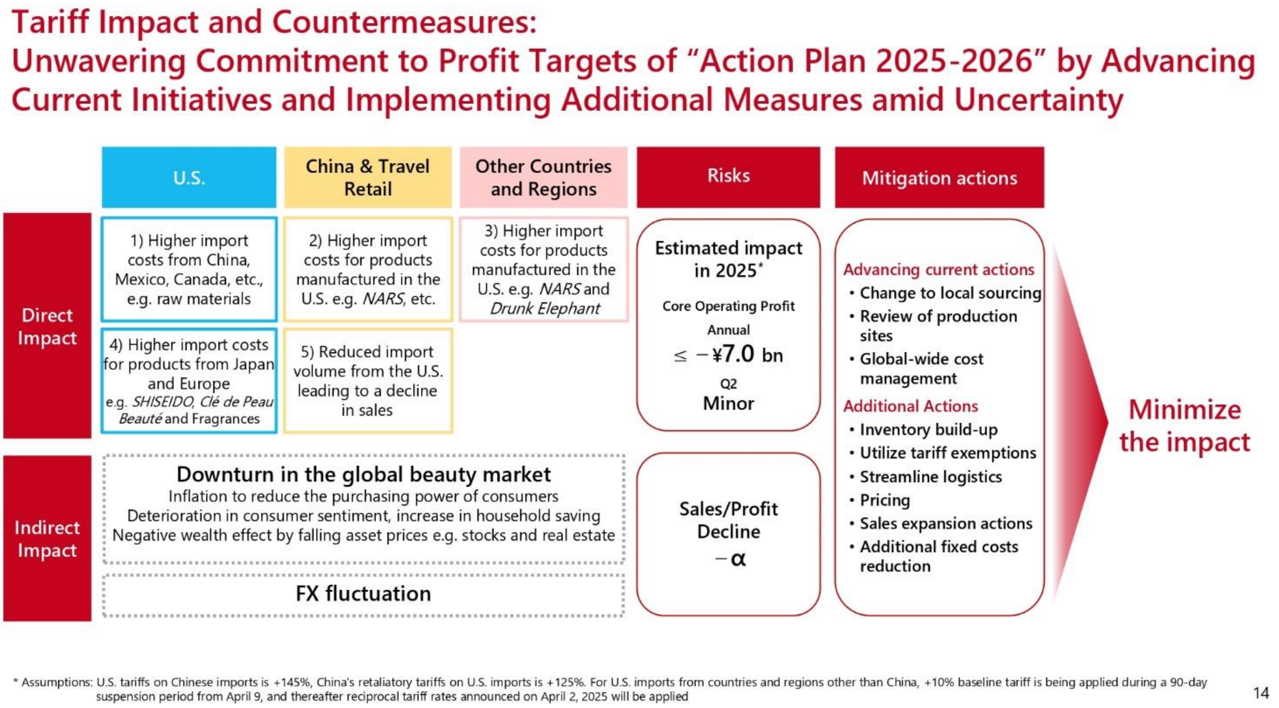
The European market maintained growth, but growth momentum slowed across all categories. Our Consumer Purchases declined by a low single-digit % due to the poor performance of Drunk Elephant.

However, excluding Drunk Elephant, we achieved positive growth and outperformed the market. In addition, Fragrance consumer purchases were up by high single % driven by the launch of new product from Zadig&Voltaire, our focus brand for this year, significantly outperforming the market. And shipment sales decreased by 9% compared to the previous year, primarily due to the higher shipment prior to the FOCUS system implementation in the previous year and the decline in Drunk Elephant. However, excluding these factors, shipment sales remained positive and other brands maintained steady growth. Core operating profit decreased due to reduced revenue and upfront marketing investments related to new product launches.

This concludes my presentation.

Business Outlook

Fujuwara: I would like to share with you about the following three topics, tariff impact, path to achieve this year's targets and countermeasures for challenging brands, and the turnaround of the Americas business.



First, on page 14, the impact of the tariff. Currently, we have 11 manufacturing sites globally. We have five sites in Japan and other production sites located in areas such as Americas, EMEA, and China. The three brands, NARS, Drunk Elephant, and Dr. Dennis Gross Skincare, which together account for approximately 15% of global sales, are mainly manufactured in the Americas. Fragrance brands, which account for just under 10%, are mainly produced in EMEA. In China, production is primarily for locally targeted products, while more than half of total sales, including brands such as SHISEIDO and Clé de Peau Beauté, come from products manufactured in Japan.

Sales from the Americas account for just over 10% of total consolidated sales. Within the Americas, approximately 60% of the sales come from the combined brands, NARS, Drunk Elephant, and Dr. Dennis Gross Skincare, around 30% from SHISEIDO and Clé de Peau Beauté, and the remaining 10% from fragrances.

Although negotiations between countries regarding tariffs are still ongoing and the outlook remains uncertain, we have estimated the potential impact based on what has been announced as of 3:30 p.m. today, the US tariff policies and retaliatory tariffs imposed by countries such as China, Mexico, and Canada using certain assumptions. The assumptions are mentioned at the bottom of this slide. The US tariffs on Chinese imports is +145%. China's tariffs on US imports is +125%.

The estimation is based on five main factors: first, the cost of importing raw materials into the US from countries such as China, Mexico, and Canada; secondly, the cost of importing products such as NARS into China & Travel Retail markets; thirdly, the cost of importing NARS and Drunk Elephant products into countries and regions outside of China & Travel Retail; fourthly, the import of SHISEIDO, Clé de Peau Beauté, and fragrance products from Japan and EMEA; fifth, the risk of restricted imports of US manufactured brands into China & Travel Retail markets.

The estimate does not include indirect impacts such as potential decline in the overall cosmetics market due to the rising tariffs. At this stage, we estimate that the net impact on the core operating profit for 2025, calculated as the direct impact amount offset by the effects of countermeasures already deemed certain, will be up to a maximum of JPY7 billion for the full year with only a minor impact expected in Q2. Among the estimated impact items, Item 1) is expected to have the greatest impact, followed by Item 2) on the slide. We have already been working on shifting to local sourcing of raw materials in the US and reviewing production locations, and we expect these measures to offset a certain portion of the impact. Moving forward, we will accelerate these initiatives to further minimize risks.

In addition, we will advance the company-wide cost management measures announced last year ahead of schedule. As further countermeasures, we will implement additional actions such as increasing inventory levels, utilizing preferential tariff schemes, modifying logistics flow, raising wholesale prices, expanding sales initiatives and further reducing fixed costs to minimize the overall impact. As a company, while we are taking proactive measures to address the most significant risks in order to achieve the JPY36.5 billion target, we recognize that the situation remains fluid and have, therefore, decided to maintain our current outlook. As all of these actions will be completed within the year, we believe that, even if reciprocal tariffs remain in place in 2026, the impact of tariffs on raw materials will be small and achieving a core operating profit margin of 7% is sufficiently achievable.

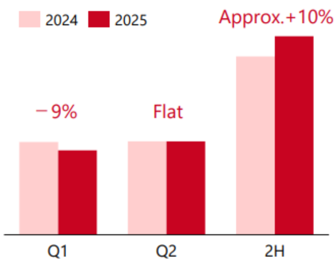
2025 Full-year Forecast Remain Unchanged

Maximize sales while executing disciplined cost management across all regions; pursue further benefits on global cost structure transformation initiatives; Strive to achieve core operating profit of ¥36.5bn

Net Sales LfL YoY%*1	Q1 Results	Full-year Forecast*2	
Japan	−2%	+high single%	• Local: steady momentum in Consumer Purchases in Q1 expected to continue. While External Sales have been affected by temporary inventory adjustments by retailers, strong growth underway from Q2 onwards, driven by core brands • Inbound: reinforce marketing investments targeted at tourist
China & Travel Retail	−14%	−mid single%	• Sales outpaced forecast in Q1 notably in Travel Retail • Aiming to achieve growth ahead of the initial target over the course of 2025
Asia Pacific	−1%	+low teen%	• Share expansion by higher marketing investments focused on Core 3 brands
Americas	−19%	+low teen%	• Reflecting a rebound from sharp sales drop in Q2 and 2H 2024 • Stage a recovery in *Drunk Elephant* and *NARS*
EMEA	−9%	+high single%	• Q1 results reflect a rebound from increase in advanced shipment in Q1 2024 prior to a new system implementation • In addition to growth in *Drunk Elephant* and *NARS*, new product launches in Fragrances such as *Zadig&Voltaire* and key brands will contribute to growth
Global	−9%	+4%	Core Operating Profit: Monitor market conditions and plan progress; secure profit by advancing effective cost management including marketing investment

Net Sales LfL YoY%*1

Accelerate sales in 2H by major new products in *SHISEIDO* and *Clé de Peau Beauté*



February 2025 Announcement
1H: −low single%
2H: +high single%

*1 Excluding the impacts of foreign exchange translation, business transfers and acquisitions *2 Announced in February 2025. The impact of tariffs and market downturn, etc. are not factored into these estimates

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Next is page 15. We are maintaining our full-year outlook for both net sales and profit. With regard to net sales, we will continue to drive initiatives in each region to achieve the targeted positive 4% YoY growth on a consolidated basis. While there is some downside risk in the Americas, we expect to offset this at the overall level, taking into account factors such as better-than-expected performance in China & Travel Retail in Q1.

In Q1, sales declined by 9%, and we expect Q2 to be roughly flat YoY. As such, H1 is planned as a period of sales decline, while we are targeting double-digit sales growth in H2.

Our sales tend to be weighted towards H2 due to seasonal factors such as China's Double 11 and the holiday season in Europe and the US.

In 2023, the treated water issue in H2 and the slowdown in the China and Travel Retail Businesses in H2 last year, along with the decline in sales in Americas, this disrupted the seasonal pattern of H1 and H2 to be reversed. This year's initial plan assumes no extreme market fluctuations. And given the rebound from last year, the H2 growth rate inevitably appears higher.

By region, Japan, where Consumer Purchases are growing in line with plan, in China & Travel Retail, which are performing better than initially expected, are supporting overall performance. And our global growth is being driven by major new product launches from our core 3 brands, SHISEIDO and Clé de Peau Beauté. Meanwhile, accelerating growth of NARS and recovering Drunk Elephant are seen as key priorities, and we are focusing our efforts accordingly.

In April, on a flash report basis, Japan achieved double-digit growth, led by the strong performance of ANESSA. In EMEA, fragrances have driven a turnaround to positive growth. With global Q2 sales expected to be flat YoY, we are off to a solid start.

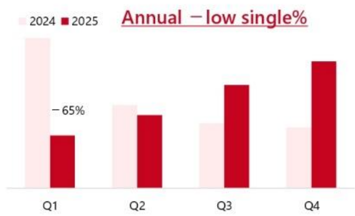
On the profit side, while we continue working towards achieving our initial sales target, we recognize the need to prepare for risks such as uncertain market conditions and potential sales shortfalls. To that end, we are thoroughly managing costs, including marketing investments and implementing additional global cost reduction and structural reform measures through the Global Transformation Committee. The entire company is committed to achieving the JPY36.5 billion target and firmly delivering the committed profit.

Next, on page 16, NARS was unable to generate excitements or achieve dramatic growth in Q2 of last year due to temporary production shortages. However, production has recovered this year, and we will work to strengthen our brand foundation throughout the year by expanding our content and brand communications and reinforcing our strength in foundation and concealer products. Additionally, we will advance efforts to acquire new loyal customers through the launch of strategic limited edition products tailored to regional needs and aiming to achieve sustainable global growth.

Drunk Elephant: Drive Recovery through Diversified Consumer Engagement Strategy

- **Rebuilding brand engagement**
  - Drive offline consumer engagement by educating beauty advisors at retail touchpoints
  - Leverage new messaging to drive awareness on clinical and high-performance skincare
  - Evolve in-store merchandising to improve productivity
- **Selection and concentration**
  - Optimize strategic investment to drive new customer acquisition
  - Differentiated marketing programs for key retailers in the U.S.
- **New product launch**
  - Q2：Recruit through entry price point
  - Q3：Launch new multi-benefit products
  - Q4：Amplify holiday collection

Net Sales Forecast (2025)



% Sales by Region (2024)

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Next, on page 17, Drunk Elephant also struggled last year due to temporary production declines in Q2, which led to product shortages and intensifying competition. Throughout the year, we will rebuild brand engagement through online and offline initiatives, including training for beauty advisors at retailers and strengthening skin care communication to build a strong brand foundation.

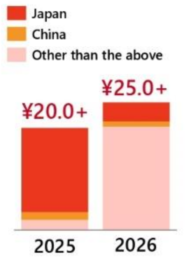
In addition, we will select and concentrate investments on high ROI storefronts and media as well as campaigns by major retailers and achieve growth this year with the launch of new products as production recovers. Last year, sales fell sharply in Q2 and beyond, and we expect a rebound this year, but we believe that the recovery will take some time with Q1 as the bottom and the full recovery expected next year.

Progress on Global Cost Structure Transformation

Achieved ¥7.0 bn cost reduction benefit in Q1 on track with the plan;
Steadily execute all actions to accomplish cost reduction target by 2026
Deploy incremental actions against a highly volatile external environment

(Billion yen)

			2025	2026
		1Q Actual		
COGS	• Selection and concentration of brands and SKUs, strategic price increases • Optimize factory production line efficiency, etc.	1.0	3.0	7.0
Marketing investments	• Optimize promotional costs, increase marketing ROI • Expand local production and operational efficiency of samples	1.0	2.0	1.0
Personnel expenses	• Optimize organization structure, improve productivity • Streamline corporate functions to enhance operational efficiency, etc.	4.5	10.0	10.0
Other SG&A	• Reduce outsourcing cost • Reduce depreciation: system optimization and integration, selective new investments • Other cost savings: logistics optimization, efficient office management, etc.	0.5	5.0	7.0
Total		7.0	20.0+	25.0+



18

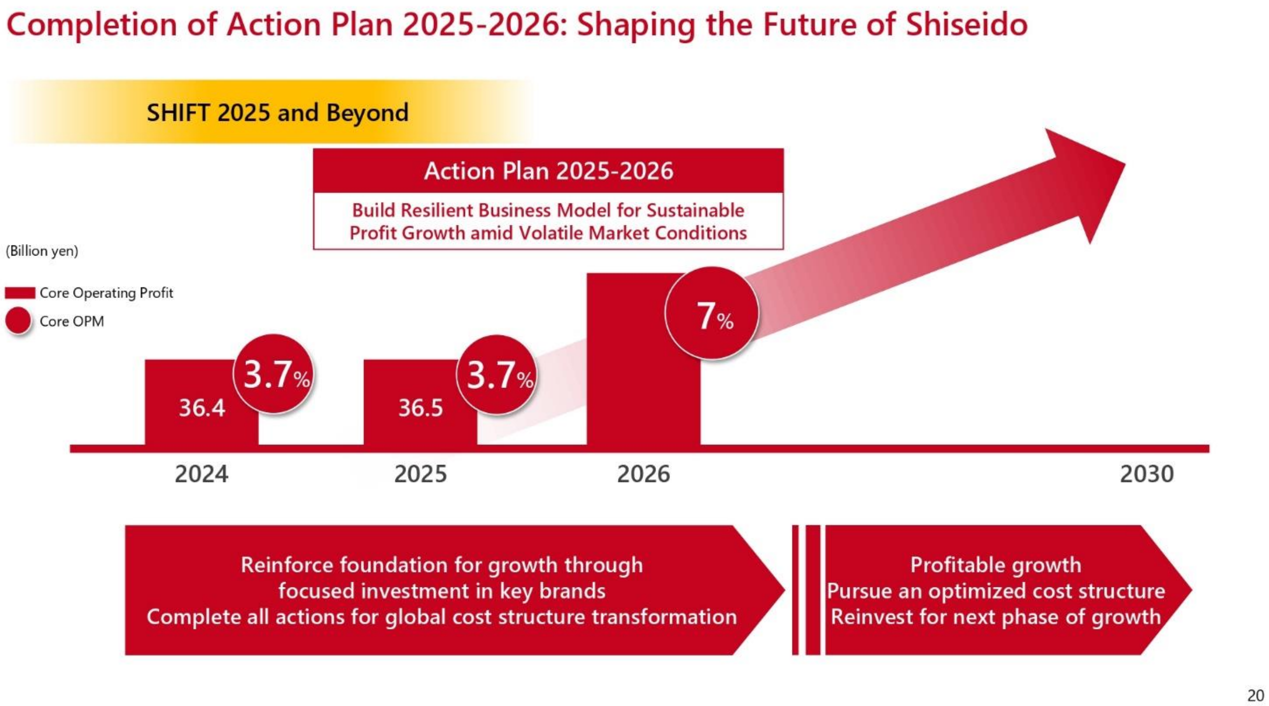
Next, please turn to page 18. Amid increasing uncertainty, including the direct and indirect effects of tariffs, we will accelerate our efforts to reduce costs that we can control and focus on cost structure reforms that will enable us to generate the committed profits this year. We are making steady progress towards our goal of generating more than JPY20 billion in effect by 2025. We will also bring forward actions originally scheduled to take effect in 2026 so that they will contribute to securing profits in 2025. We will also steadily implement measures to achieve the 2026 target of over JPY25 billion.

As previously announced, we have been implementing measures at a level that takes into account a certain amount of yield decline, and we will maximize this to ensure that we exceed the JPY25 billion target.

Please turn to page 19. We have also begun efforts to fundamentally improve profitability in the Americas. Alberto Noe, CEO of the EMEA Region, will serve as CEO of the Americas, leading structural reforms to strengthen brands and build a foundation for sustainable growth. We view the improvement of the Americas Business as a company-wide management issue that requires immediate action.

Accordingly, we will assign the three global personnel, in addition to Alberto, to drive efforts in the areas of brand-holder expenses, corporate functions and factory productivity improvement, which are particularly challenging.

We will keep you updated on progress as it develops.



On page 20, the environment is changing rapidly, but our mission remains unchanged. The original goal of the Action Plan was to create a resilient business structure that can achieve sustainable profit growth even in a rapidly changing market. This is precisely the reform necessary to become a strong company that can overcome the current uncertain situation. Guided by the firm belief that the successful implementation of the Action Plan is what will shape Shiseido's future, we will continue to advance reforms without pause with our sights set on the future revenue growth driven by growth.

That is all from me. Thank you.

Question & Answer

Kuwahara [Q]: This is Kuwahara from JPMorgan. Thank you very much for the presentation today. The environment is, again, quite uncertain especially for the Americas. So, what I would like to ask you is about Drunk Elephant as we do not see much recovery in the brand although you have been working on different initiatives. I do understand that there is a market situation behind that to some extent, but the brand is struggling to recover. Now, in that situation, what are you trying to do differently from the past or what are you trying to accomplish in the future?

The reason I am asking you such a question is because I think what we should be afraid of in terms of the tariff impact is the risk of stagnation in the market sentiment. If that is the case, it will be important to take measures to drive recovery in sales of Drunk Elephant, but if you do not accelerate cost-cutting given the SG&A to sales ratio was 74% in this Q1, so I think it will be quite difficult to be confident and resilient.

Since this issue is coming from the U.S., could you tell us a little more about Drunk Elephant and structural reforms. What have you been done so far and how are you planning to increase these efforts? If you can elaborate a little bit on that, that would be very helpful.

Fujiwara [A]: As you have mentioned, it is taking a little bit of time for the recovery of Drunk Elephant, and we believe that it is not going to be that easy. One of the big initiatives that we are looking into is that the brand has its own concept inherited within, and we need to bring a transformation in order to communicate the concept to consumers and there is no other option than to ensure such process is steadily implemented. The brand has been growing significantly, partly due to the benefits of new products, but that alone will inevitably result in a brand that is quite volatile, therefore we will work on it steadily.

This year, we started to educate our store employees about the brand. We are trying to educate them so they can convey messages that make consumers re-understand the concept of the brand or to communicate the brand story of Drunk Elephant.

Also, the other thing we have been working a little further on is, for example, moving the positioning of Drunk Elephant at the retail stores closer to more authentic skincare lines. Since we have firmly established a fairly unique position with this brand in our skincare portfolio, we intend to make steady efforts and take a long-term approach to fostering it further going forward.

On the other hand, we also need to grow as much as possible in the short term, so we are currently pursuing selection and concentration in investment to a great extent. We will make strategic investments to acquire new consumers and will make investments by selection and concentration focusing on areas of opportunities provided through negotiations with retailers. For other areas, however, our policy for this year is to control investments to a considerable degree.

Furthermore, as production has returned firmly, the second quarter is still underway, but as mentioned on page 17, from Q3 and onwards, some new, strong products will be coming up, and we will capture new consumers with a line of new products to solidify our fundamentals while accelerating growth.

Hirofuji [A]: I would like to talk about the structural reforms. Just as you have pointed out, by looking at the segment P&L for Q1, it is clear that improving the profitability in the Americas is a crucial challenge for us, and this is where we need to be tackling on. Regarding the Global Transformation Committee (GTC – global cost structure transformation) initiatives that we announced last year, there is no change in our expectations to see a big profit recovery from now on, particularly in the Americas. We have announced a structural change in management under the new leadership. We are taking this opportunity to accelerate GTC initiatives even further and I am confident that we have been able to extend the depth of each initiative. I am convinced that this is exactly what you mentioned at the beginning of your question, which leads to a P&L recovery of Drunk Elephant.

Unfortunately, at this point, we are unable to disclose specific details about the structural reforms. However, we are working to restore profitability of the Company with a strong focus and priority on the Americas Business.

From a GTC perspective, we believe that headquarters expenses will be a key to achieving a significant improvement in profitability. In this regard, GTC has already been steadily accumulating costs in various areas by setting the reduction targets while also accumulating tasks for exceeding the figures disclosed in Q1, so as to ensure that we achieve each amount towards improvement. We are pursuing these initiatives.

Kuwahara [Q]: Thank you very much. Let me just confirm one thing. As the environment has been and will continue changing, if you are to achieve additional benefits from the structural reforms, are you prepared to run up extra costs on reforms depending on the situation?

Fujiwara [A]: Yes, we are currently united in our company-wide efforts to pursue growth towards the future, and determined that we are unable to move forward without completing structural reforms. Unless we transform the cost structure into the one that generates higher earnings through growth, profits will always be volatile depending on the environment. As Hirofuji mentioned earlier, as uncertainty is increasing more than ever, we are strongly determined to do whatever it takes to realize cost structure transformation by accumulating all actions and take additional costs as needed.

Kuwahara [Q]: Understood, thank you.

Sato [Q]: This is Sato speaking. In terms of the Company's sales, first of all, sales have declined due to temporary inventory adjustments by retailers in Japan as well as changes in contractual terms with certain business partners in the U.S. However, we look at your balance sheet, I noticed that the turnover ratio of accounts receivable has fallen dramatically. Normally, when sales fall short of the plan and the number of turnover of accounts receivable is also falling, it does not happen when sales are recovering strongly. On your balance sheet, the turnover ratio is declining while the number of bills payable is declining. In other words, it does not seem like a sign of strong sales recovery from now as the volume of goods purchased has also been declining.

In such a situation, the terms and conditions of the transaction have changed, and other changes have occurred in the Americas in terms of sales as you have mentioned. Also, you were trying to explain that in Japan, the business has been affected by retailer inventory adjustments or in other words, an increase in return due to the elevated volume of shipments, but could you provide more details around that? At least based on what you have just explained, it does not make sense that sales are poised for a strong recovery in the next quarter.

Fujiwara [A]: I would like to explain about the Japan situation first. In Japan, Consumer Purchases are maintaining momentum, growing in the high single-digit %. At the end of March, we went through inventory adjustments by retailers, particularly at drugstores, but that was really temporary. As for April, purchase for inventory is coming back after rebound. Since we are seeing more than double-digit growth and increase in retailer purchases, we are not so worried about that. As for Japan, I would like you to understand that there is a timing difference in terms of booking during the period , or rather, there has been a little bit of the adjustments which have been reflected over the two quarters.

Sato [Q]: So the return and shipment have been straddled across the periods, similar to replacement by drug stores that occur every year.

Fujiwara [A]: That is right. That and we also had retailer inventory adjustments. Those two factors just caused the booking to straddle across the quarters, so we are not so worried about that.

Hirofuji [A]: Regarding the changes in the terms and conditions of transactions, we are talking about Japan, not the Americas. On top of that, the decrease in trade receivables was due to the shortening of the electronic bill site, and the payment site has been shortened due to the revision of the Subcontracting Act.

Therefore, in this first quarter, the number of payments between January and March were 3 times prior to the change, but we had the payment of four times during this last quarter due to change to the payment site. Therefore, just as a side note, the increase in cash outflows due to that had an impact on free cash flow.

Sato [Q]: Understood. So it is not the case that there has been a decline in the accounts receivable which had been comparatively high. So is there any technical factors behind the decrease in accounts receivable turnover and payments than usual?

Hirofuji [A]: Yes, technically, the change in the payment site due to revision of the Subcontracting Act resulted in a large cash outflow this time.

Sato [Q]: I understand. Last year, you had a quite a bit of last minute demand, driving fairly strong sales from January to March, but the momentum unexpectedly decelerated from April. With price increases and launch of new ULTIMUNE, do you think the momentum will continue in April although expectations were missed last year, do you think it would be different this time?

Fujiwara [A]: Last year, certainly for the first quarter, the growth rate was 20%. This is a place where the year-on-year comparison was naturally low. Furthermore, the first price hike in recent years for the first time in a really long time for last-minute demand is considered to have resulted in a considerable rush in demand. So last year, I did not think that +20% would naturally continue for us annually, and of course I thought that there would be a backlash.

As for this year, such a trend has run its course and we have increased prices in this April, but we did not see any strong last-minute demand prior to that like last year. On the other hand, Consumer Purchases are performing well, so the situation is that retailer inventories are decreasing, and the purchases are being placed in April to build up inventories. I hope you understand the situation as such.

Sato [Q]: Understood, thank you.

Miyazaki [Q]: This is Miyazaki from Goldman Sachs. My question is about the impact of the US reciprocal tariffs. Thank you very much for explaining in detail on page 14. So, I understand that the estimated impact on core operating profit of JPY7 billion at maximum in 2025 on a temporarily basis after being offset by your initiatives. What kind of initiatives do you have in place to suppress the impact? In other words, based on the calculation on a temporary basis, what is the scale of impact assumed for such initiatives which has been reflected in your estimate?

Also, since the impact will be limited in Q2, is it correct to understand that this is for about 6 months? If it continues for 12 months, we might be looking at around JPY14 billion? Could you tell us what the amount of the impact, combined with your initiatives, is being estimated assuming that it will last over the course of the year.

Fujiwara [A]: Yes. First of all, regarding the tariffs, the assumption here is, as mentioned, the US tariffs on Chinese import is plus 145% and China's US imports is plus 125%. As a result, we have estimated the maximum impact for the year, and we are currently working on the ongoing initiatives as mentioned on page 14. After subtracting the effects of these efforts, we believe that the net negative impact for the year is currently around JPY7 billion.

As to how this negative impact of JPY7 billion will be changed next year, we have already been continuously working on the current initiatives since last year. In particular, if we move forward with the review of local suppliers and production sites ahead of the schedule, the estimated impact of JPY7 billion will decrease, and then we believe that we will be able to bring the situation to the point where the impact will almost disappear in the next year. Therefore, we are committed to reduce the negative impact of JPY7 billion by implementing additional measures on top of the current actions, including those described in the slide.

Miyazaki [Q]: Thank you. If, for example, NARS and Drunk Elephant that are produced in the U.S. and exported to China and Europe, are you saying that it will be possible to change them by countermeasures such as manufacturing them in China or something like that?

Fujiwara [A]: Yes, That's right. While it is not all, currently, most of the products of brands for example, NARS are produced in the U.S., but of course, things are bit different for certain products as for instance, the best sellers in Asia are not exactly what sells in the Americas. In that sense, these actions are effective not only in terms of tariffs but also for other areas of business as we will be reviewing our manufacturing footprint, making products at locations closer to the markets and shipping them there. Until now, apart from tariffs, as brand management, we have been thinking about what the optimal footprint would be. This has been an ongoing initiative since last year. And now suddenly, we have this tariff challenge. As a result of that, we want to accelerate all the initiatives that we are working on so that we can try to reduce the negative impact of JPY7 billion as much as possible.

Hirofuji [A]: If I may add on just a little bit here, at around 4:30 p.m., there's separate news that the U.S. and China have mutually agreed to reduce the tariffs down about 115%. And our estimated impact is not based on this. So yes, the reduction in tariffs is definitely a great news, but the current situation is still very fluid. We will continue to closely monitor the situation and continue to take these counteractions accordingly so that we can adapt quickly.

Miyazaki [Q]: Yes, it is very clear, thank you.

Hirozumi [Q]: Hirozumi from Daiwa speaking. I would like to see you explain about the trend of the demand among consumers in the U.S.

When we analyze the financial results of other companies, they are quite bad for the U.S. I am worried that consumers in the U.S. are no longer using cosmetics so much and of course. Of course, there might have been the tariff impact as well. What is your idea about the consumption and demand trends in the U.S. cosmetics market from April or 2H and onwards?

Fujiwara [A]: At the moment, in Q1, the consumption trend is the same level as this period last year. It is flat. When we look at the trend, you can see that consumer sentiment is declining. Associated with that, how much impact there will be due to the tariff situation is something that is not reflected in our view at the moment. However, there will be some impact. If there is a major shift in the sentiment, what actions to be taken is something that we have already built up with ideas. Basically, we are going to pursue the marketing plan we have and building the growth foundation.

Hirozumi [Q]: In comparison to the January-to-March month, is it correct to understand that the situation will worsen between April and June.

Fujiwara [A]: I think it may be too soon to make any assumption for April to June. Last year, there were a lot of ups and downs between quarters, and so last year's result will not be a good reference point. However, we do not see any numbers indicating that there is a major decline in April.

Hirozumi [Q]: On page 17, there's a bar chart. In comparison to Q4 last year, I think Q1 this year is slightly down, and it is going to go up from Q2. How certain are you that this will happen?

Fujiwara [A]: As for the second quarter, we have formulated a plan in this way, and we had a quite high comparison base in 2024. However, we are seeing the second quarter as a slightly negative plan although we are currently moving forward with a plan to recover from the significant decline from the Q3 last year.

Hirozumi [Q]: So the reason behind that is you are expecting some entry price point products coming up as mentioned on the slide?

Fujiwara [A]: Yes. That is right. Of course, entry price point products or a new products will have a positive impact, but since there was a considerable decline in the fundamentals last year and that is going to improve. So this figure is structured by combining these factors.

Hirozumi [M]: I am looking forward to the good results. Thank you.

Ohana [Q]: This is Ohana from Nomura. I would also like to ask about the tariff impact and your full-year target for core operating profit. Did you leave your full-year forecast unchanged since this estimated tariff impact of JPY7 billion is basically absorbable by countermeasures described on page 14? Also, as you mentioned earlier, there was talk about a reduction of 115% between the U.S. and China for 90 days, so if this situation continues, is there any possibility that the actual results will exceed the targets since you have these countermeasures offsetting the impact?

Fujiwara [A]: First, in terms of the actions taken and the effectiveness of the countermeasures, we intend to fully mitigate the negative impact of JPY7 billion yen with the actions that are already in place, as well as the additional actions. In the context of the current situation, the movement of tariffs is quite uncertain, so in that sense too, I hope that you understand that we have maintained our full-year outlook.

With respect to the ongoing efforts on current actions, these initiatives are mainly targeted at tariff. So, it should be understood that any tariff changes will not contribute to additional profits but rather, will only mitigate the risks of tariff impacts.

The only part of these initiatives that will have positive impacts on profit is cost reduction measures. Regardless of the tariff situation, we are implementing additional actions for cost reduction in order to secure profit of JPY36.5 billion this year, and now we are building up risk mitigation actions for tariffs on top of that. So, if these actions are properly implemented, we believe that it will have a positive impact on profit as well.

Ohana [Q]: In case of NARS for example, they are exported to China and Hainan Island where different tariff rates are being applied. So, will there be any cases of a price gap occurring within the same country? Would you make any adjustment to pricing?

Fujiwara [A]: If the wholesale prices are increased due to higher tariffs, there will be such differences in prices. However, we are not thinking of raising current wholesale prices just in China, but instead, we are currently considering about raising wholesale prices while striking the right balance between countries and regions on a global basis. Therefore, we do not currently think that the price policy through tariff measures will widen the price gap between countries.

Ohana [M]: Thank you, understood.

Miyasako [Q]: Miyasako from Mizuho Securities. First of all, NARS has a high proportion in sales but its net sales declined substantially in Q1. I think that this cannot be just explained by the market alone, and I would like you to explain the situation with NARS and how you intend to lead a turnaround.

If we look at your situation it in a bigger picture, I would like to know how the management is done in the Americas. I am asking this question because there have been some issues since last year with inventory and Drunk Elephant, and perhaps NARS is now losing some of its shares in the market. This time, the CEO has been changed, and I think an interim CEO has taken over the position, what is your view in terms of how are things going to change and what issues have emerged in the Region? Also, regarding those three executives introduced on page 19, what are the roles for each of them?

Fujiwara [A]: With respect to NARS, last year in particular, we were out of stock and the other issue was that we could not drive enough excitement because the products were not properly delivered to stores. In the U.S. in particular, we are receiving lower scores in terms of how much of the buzz created online.

NARS already has a fairly strong brand equity, so we are not very concerned about the growth there. We have been preparing quite a wide range of initiatives since last year so that we can grow firmly this year. These measures, as outlined on page 16, will also strengthen communication while reinforcing the brand equity, thereby firmly creating consumer fundamentals.

The strengths of NARS are listed on page 16, the first and second point: “Amplify Brand Communication,” “Accelerate growth in foundations and concealers with re-promotion.” Foundation and concealer categories both have fairly high market share with established brand recognition among consumers, so we will rebuild a solid foundation by reinforcing them again. Last year, it was difficult to create an excitement but as shown as the third point, we have prepared an array of products and limited collections this time.

We have been preparing products and collections tailored to every single one of needs in each region, and we are creating quite a bit of excitement across the regions, and I believe that we will be able to recover firmly in terms of growth in that area.

As for NARS, in that sense, the operational structure will be changed. Even after the change, however, the top leadership has not changed in NARS, so I believe that she will take a solid lead here.

With regard to this management change in the Americas Business, I would also like to take a fresh look at what we need once again when we review the Americas from a fresh point of view, looking at the future of the Region.

In fact, Alberto has a proven record of successfully implementing a number of structural reforms in EMEA, and we aim to implement reforms with fresh eyes. Starting from Italy, he achieved considerable cost structure reforms in UK and then in EMEA. The reason SHISEIDO has ranked higher in the second place in Europe right now is the result of his leadership. I recognized his accomplishments. With his understanding of Shiseido through his long tenure, he can look at the Americas with fresh eyes and that is the reason that I assigned him to create a new Americas. However, it will not be easy to do that by just him alone. One of the characteristics of the Americas is that it entails the range of different functions within itself; not simply the commercial organization of the Americas region, but also brand holder functions including NARS, Drunk Elephant, and Dr.Dennis Gross Skincare which we acquired, and the production site.

This means that we need to establish a structure to support Alberto. So we have Ms. Hashimoto to oversee brand and marketing as well as brand holder functions, and Mr. Kashio will support the reforms of the cost structure of the RHQ back-offices, while Antonios will support the supply network. Behind that, we have a system in place to support across the entire company, including myself, so we will complete various reforms by the end of this year. We will do our utmost to provide support company-wide.

After he took over, I received a report from him, and many things have been progressing at a very fast pace. There are some details that are a little sensitive, so I don't have much to share with you today, but I have a lot of confidence in that, and I have a feeling and expectation that Americas will change in the future.

Miyasako [Q]: Just a one question. Regarding the CEO change in Americas, is it the Company's decision or a personal decision of the previous CEO to leave the company?

Fujiwara [A]: It was due to his personal reasons.

Miyasako [M]: Thank you very much.

Kawamoto [Q]: My name is Kawamoto of Jefferies Securities. I would like to ask you about China. For Travel Retail, compared to Q4 last year, sales decelerated from -9% to -20% or more, so is there anything new with the situation? The foreign competitors including Estee Lauder are all seem to have tough outlook for April to June, so I would like to hear your thoughts on that. For instance, are there any changes to the way products are sold or policies among distributors? As you mentioned before, I would like to know to what extent the inventory issue of daigou / unauthorized agents have been resolved.

Fujiwara [A]: First, for China, the growth rate for Q1 was due to a fairly high hurdle in the prior year, making it looks lower as a result. It was in 2H of last year that we saw sharp declines in both China and Travel Retail. In that sense, the growth rate for this Q1 still reflect the elevated comparison base in the same period last year.

On the other hand, looking at the situations in the market, there is no major change in consumption patterns, but looking at the situation by channel, offline is suffering, while online is covering it. It is not a trend only for us but also for the market overall. Therefore, for the situations in offline in particular, we are proceeding with the reforms while looking at conditions individually, such as growth rate and the profit and loss.

Finally, regarding the daigou, for Travel Retail in particular, it posted negative growth in Q1 but I think the situation has improved significantly. First, in-store inventories and then our on-hand inventories are drastically decreasing. In particular, the turnover rate of inventories has been improving considerably. The other is the sales ratio of daigou and regular tourists. We have also set targets, and our teams on retail front are working toward this goal. We are confident that the business structure has become fairly healthy, as this has improved significantly above our expectations.

Kawamoto [Q]: Looking at the tariff impact that we talked about earlier, I thought that they would be covered by sales. Could you tell us how much it would be covered by sales this year? For example, would you be launching in a very strong new e-commerce platform, or is there any special initiatives like that in China?

Fujiwara [A]: For China, we will continue to do what we have been doing with the cost structure reforms. One thing that we will be doing is, first of all, China & Travel Retail have been combined together as a segment, so we will continue to improve the efficiency of marketing costs and optimize our organizational structure this year. Also, within the offline that I talked about earlier, we will streamline unprofitable stores to improve their profitability and efficiency.

However, as for the tariff impact, this is not just something that we can offset by only China. The tariff impact is something that we need to mitigate through company-wide risk mitigation efforts.

Kawamoto [M]: I understand. Thank you very much.

Matthew [Q]: Could you tell us about the new products you mentioned on page 15 you are launching in H2? It looks like that is the key action. How confident are you that you will see the sales increase from these new products?

Fujiwara [A]: For SHISEIDO, we launched new ULTIMUNE, which is the biggest launch for the brand SHISDEIDO this year. Starting from Asia, Japan and Europe and Americas are also starting to push those products, which really is the key for the success of the brand SHISEIDO. In the case of Clé de Peau Beauté, we are preparing for the new launch in H2, but it is a little bit sensitive to disclose everything from a marketing point of view, but we are very confident it will make for big success for Clé de Peau Beauté as well.

Matthew [Q]: Okay. Then could I just clarify? You said Travel Retail was better than you expected for Q1. Do you know why that was? What was the difference?

Fujiwara [A]: It is not such a big difference. It is within our expectations, so there is not a surprise for us.

Hirofuji [A]: However, I just wanted to add that, the Travel Retail, of course, we should be expecting a deep negativity from the high base coming from last year. This negativity was not as deep as we had initially expected, so that is somewhat good news. We do expect that China & Travel Retail combined should be in line per planned, so there would be no further big surprises, so to speak, in terms of our P&L management going forward in 2025. That was our intention.

Matthew [M]: Got it. Thank you very much.

[END]

Document Notes

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