



## **Shiseido Company, Limited**

2025 Q3 Financial Results and New Medium-Term Strategy Briefing

November 10, 2025

## Event Summary

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<b>[Company Name]</b>	Shiseido Company, Limited	
<b>[Company ID]</b>	4911-QCODE	
<b>[Event Language]</b>	JPN	
<b>[Event Type]</b>	Earnings Announcement	
<b>[Event Name]</b>	2025 Q3 Financial Results and New Medium-Term Strategy Briefing	
<b>[Fiscal Period]</b>	FY2025 Q3	
<b>[Date]</b>	November 10, 2025	
<b>[Time]</b>	17:30 – 19:02 (Total: 92 minutes, Presentation: 44 minutes, Q&A: 48 minutes)	
<b>[Venue]</b>	Webcast	
<b>[Number of Speakers]</b>	3	
	Kentaro Fujiwara	Director, Representative Corporate Executive Officer, President and CEO]
	Ayako Hirofuji	Representative Corporate Executive Officer, Chief Financial Officer
	Yuki Oshima	Vice President, Investor Relations Department

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# Presentation

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## Where We Are Today and Where We Are Heading

Structural reforms was a foundation building process;  
Shiseido is now decisively shifting towards a strong growth

- **Sales momentum: Returned to growth trajectory**
  - Impact from Travel Retail market contraction and the drop in *Drunk Elephant* sales has subsided
  - Achieved positive growth in Q3
  - Key brands and innovation are accelerating growth
- **Structural reforms: Bold execution to shape the future**
  - Early retirement program "Next Career Support Plan" at Global HQ
  - Marks the completion of all major initiatives under Action Plan 2025-2026; On track to deliver benefits of ¥25.0 bn in 2026
- **Profitability / Cash generation: Reform and financial discipline bearing fruit**
  - Core operating profit exceeded ¥30.0bn in Q3 YTD; approaching full-year target of ¥36.5bn
  - Free cash flow for the year is expected to exceed initial expectations
- **Americas turnaround: Drive growth and profit recovery**
  - Recognized a goodwill impairment loss (non-cash)
  - Delivered tangible benefits of fixed cost reduction via structural reforms in July

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**Fujiwara:** Thank you very much. Today, it will be a long session. Thank you very much for your kind understanding. First of all, I will explain Shiseido Company, Limited's current and future prospects. First of all, our current position regarding the sales momentum, which is the most important factor for our company, I believe we have emerged from the tunnel. For a long period of time, our growth rate fluctuated significantly QoQ amid a worsening macroeconomic environment in China, a shrinking travel retail market, and a sharp decline in Drunk Elephant sales. After a prolonged reset, we finally achieved a positive return in Q3. I believe we have established a foundation for Shiseido to return to a growth trajectory.

We have prioritized speed in our structural reforms and have been implementing them with determination as reforms to shape Shiseido's future. With the implementation of the voluntary retirement program at our global headquarters announced at 3:30 PM today, the major initiatives planned by the Global Transformation Committee have been completed. As planned, all actions will be completed by the end of 2025, and we are on track to realize JPY25 billion in benefits in 2026.

Regarding profitability, thanks to the benefits of structural reforms and strengthened financial discipline, cumulative core operating profit for Q3 exceeded JPY30 billion, bringing us closer to achieving our initial target of JPY36.5 billion. Furthermore, strengthened investment discipline also contributed, and free cash flow is expected to exceed our initial forecast.

We have recorded a non-cash goodwill impairment loss for our Americas Business. Hence, we made a downward revision of our operating profit and net profit forecast for 2025. We take seriously the harsh reality of the net loss. For this reason, we will vigorously promote growth and improve profitability in the Americas

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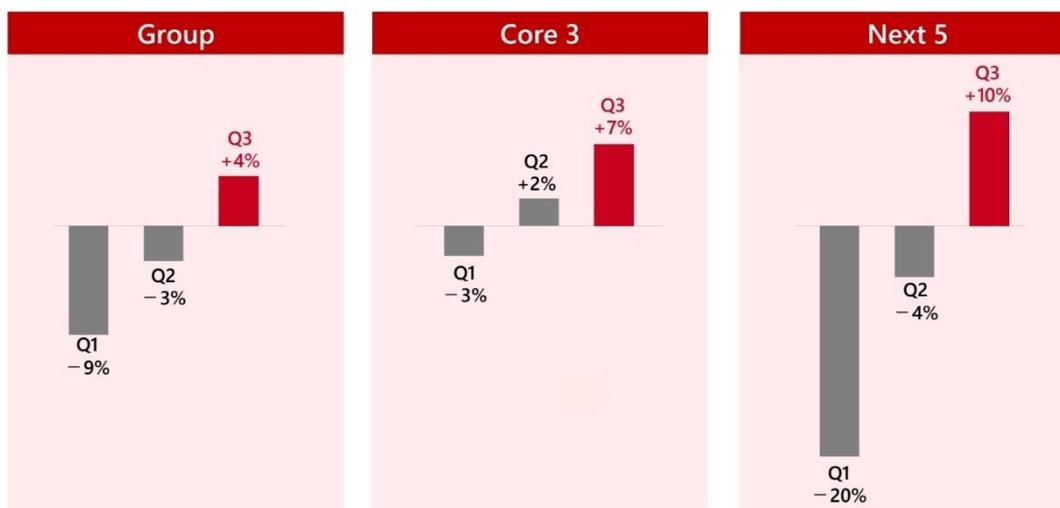
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region going forward. The difficult restructuring period up to now has been the process of building a foundation for a new growth trajectory. We will now once again set course for robust growth.

## Regained Momentum in Key Brands

2025 Net Sales YoY (LFL)\*



\* 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")  
YoY change (%) for Core 3 and Next 5 brands is calculated based on foreign exchange rate assumptions at the beginning of each fiscal year which excludes impacts from FX fluctuations and other

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As you can see, momentum for our focus brands improved significantly in Q3. In H1, we were significantly impacted by the sharp decline in Drunk Elephant revenue and the shrinkage in the travel retail market. However, these factors generally subsided in Q3, and strong innovation and new product performance also contributed to finally turning around as a company-wide positive result. Starting here, we will drive growth.

## Progress on Action Plan 2025-2026

Steadily building the foundation for sustainable growth

- **Global HQ: Revamp the organization for stronger strategic execution**
  - Early retirement program "Next Career Support Plan": approx. 200 employees (est.), plan to recognize structural reform expenses of approx. ¥3.0 bn in non-recurring items in Q4
  - Optimize organizational structure / employee productivity, investing in human capital
- **Reorganize subsidiaries: Drive group-wide efficiency unlocking synergies**
  - Shiseido Interactive Beauty Company, Limited: JV ends in 2025; absorption into Global HQ planned in 2026
  - SHISEIDO CREATIVE Co., Ltd.: operation transfer and absorption into Global HQ planned in 2026
  - Japan Retail Innovation Co., Ltd: JV ends in 2025; dissolution and liquidation planned in 2026
- **Enhance and centralize innovation creation and communication functions**
  - Global R&D reorganization: Closure of Shiseido Asia Pacific Innovation Center and Korea Innovation Center
  - Partial relocation of Art & Heritage functions from Kakegawa to Yokohama and Ginza\*  
Public exhibition functions at Corporate Museum and Art House in Kakegawa to be discontinued

\* Yokohama Global Innovation Center, Shiseido Gallery

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Next, action plans. The goal is to become a company that can continue to invest in people, brands, and innovation. To achieve this, we first need to build a solid foundation that can generate the necessary capital for reinvestment. Hence, we have promoted structural reforms in each region, starting with our Japan Business last year. We have also decided to implement a voluntary early retirement program, the Next Career Support Plan, at the global headquarters. This will affect approximately 200 people, and we plan to record a structural reform cost of approximately JPY3 billion in Q4.

We will also reorganize our group companies and R&D organization. By optimizing the group as a whole, we will focus resources on maximizing brand value and accelerating sales.

**Americas Business: Entering New Phase of Growth**  
**Alberto Noe to officially assume CEO,**  
**transitioning from interim leadership**

- **Drunk Elephant turnaround**
- **Growth acceleration plan via innovation, expand distribution**
  - **NARS**: Iconic product launches underway for 2026
  - Drive fragrance portfolio growth, with **Max Mara** as an additive boost
  - **Dr. Dennis Gross Skincare**: Strengthen partnership with key retailers
  - **SHISEIDO**: Leverage EMEA Success to Drive Americas Growth
- **Driving synergies with EMEA to improve profitability**
  - Consolidate media buying & agencies, streamline asset creation
  - Centralize indirect procurement
  - Optimize fragrance & R&D organizations



Our Americas Business will steadily advance our growth and profitability improvement. Thanks to the structural reform and fixed cost reduction implemented this year, we are on track to achieve profitability in 2026. Furthermore, Alberto Noe, who has led our Americas Business as Interim CEO since April this year, will officially assume the role of CEO for the Americas in January 2026. Having led fundamental cost improvements while building a strong transformation-minded team, Alberto will continue to demonstrate leadership across Europe and the US. We have an attractive brand portfolio in the Americas.

Drunk Elephant will be on next page.

NARS is our largest brand in the Americas. In 2026, we plan to launch the brand’s largest new product lineup to accelerate growth.

Fragrances also have great potential. The introduction of Max Mara has received extremely positive feedback from retailers, and other fragrance brands primarily offered in Europe will also drive growth in the US.

Dr. Dennis Gross has successfully completed its PMI and will leverage its strong partnership with Sephora, the largest retailer, to achieve robust growth.

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SHISEIDO is the second-largest brand in Europe’s major skincare market, with Vital Perfection bolstering a strong presence in the aging care category.

Going forward, we will maximize our knowledge gained in Europe to further leverage our growth in the US.

## Drunk Elephant Turnaround

### Advancing Inventory and Cost Optimization for Profit Recovery

CLARIFY BRAND DIFFERENCE	REIGNITE BRAND LOVE	REGAIN SKINCARE LEADERSHIP	RETAILER PARTNERSHIP
			
<p>Launch disruptive &amp; irreverent campaign balanced with clinical results, targeting elevated consumer (Jan '26)</p>	<p>Drive engagement through brand ambassadors, partnerships &amp; creator community to generate advocacy</p>	<p>Regain market leadership by unrivalled hero products</p>	<p>Rebuild brand presence in key retail channels</p>

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Drunk Elephant is scheduled to have a full-scale brand repositioning next year. This year, we have been steadily reducing channel inventory and optimizing costs. Inventory levels still vary by region and by retailer, and we are in the process of optimizing overall inventory. We will continue to closely monitor the situation in Q4, which also marks the holiday season.

The four pillars listed here will be our future strategy. We are already in discussions with major retailers regarding our brand reset campaign, with a very positive response. Our project team, jointly formed by our global headquarters and the Americas, will closely monitor the situation and ensure solid results.

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## 2025 Outlook

### Net Profit Target Cut on ¥46.8 bn Americas Goodwill Impairment; Core Operating Profit and Dividend Unchanged; FCF Ahead of Expectation

(Billion yen)	2024	2025 Previous Forecast (Feb. 2025)	2025 Revised Forecast	% of Net Sales	YoY Change	YoY Change %	YoY FX-Neutral %	YoY Lfl <sup>1</sup> %	Change vs. Previous
Net Sales	990.6	995.0	965.0	100%	-25.6	-3%	-2%	-1%	-30.0
Core Operating Profit	36.4	36.5	36.5	3.8%	+0.1	+0%			-
Non-recurring Items	-28.8	-23.0	-78.5	-8.1%	-49.7	-			-55.5
Operating Profit	7.6	13.5	-42.0	-4.4%	-49.6	-			-55.5
Profit before Tax	-1.3	14.5	-42.0	-4.4%	-40.7	-			-56.5
Profit Attributable to Owners of Parent	-10.8	6.0	-52.0	-5.4%	-41.2	-			-58.0
EBITDA <sup>*2</sup>	89.6	90.5	90.0	9.3%	+0.4	+0%			-0.5
Free Cash Flow	-35.3	15.0	35.0	3.6%	+70.3	-			+20.0
Dividend (yen/per share) (Forecast)	40	40	40						
	Interim: 20 Year-end: 20	Interim: 20 Year-end: 20	Interim: 20 Year-end: 20						

2025 Full-year FX Assumptions (Revised) USD/JPY: 148 yen (-2.3% YoY), EUR/JPY: 168 yen (+2.6% YoY), CNY/JPY: 20.5 yen (-2.4% YoY)  
(Previous) USD/JPY: 145 yen EUR/JPY: 155 yen CNY/JPY: 20.0 yen

\*1 Excluding impacts from FX, business transfer and acquisition \*2 Core Operating Profit + Depreciation and Amortization (excl. depreciation of right-of-use assets)

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**Hirofuji:** Next, I will explain our outlook and Q3 financial results.

First, regarding our earnings forecasts. Due to the recognition of an impairment loss in our Americas Business, we made a downward revision of our forecasts for operating profit, profit before tax, and profit attributable to owners of parent. Regarding net sales, we are also revising our estimate on YoY growth to minus 1% on a like-for-like basis, reflecting the downward risks we announced in August.

Meanwhile, we will be committed to our core operating profit target of JPY36.5 billion through company-wide cost management. We also continue to strengthen our investment discipline, improve our working capital, and carefully review capital expenditure.

As a result, we expect free cash flow to reach JPY35 billion, JPY20 billion higher than the initial forecast. We will maintain the annual dividend at JPY40 per share. Due to the impairment loss recorded in the Americas, we plan to record an appraisal loss on shares of the US subsidiary in our non-consolidated financial statements for Q4. However, that will not affect our consolidated earnings results and forecasts for the year.

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## Q3 2025 Executive Summary

(Billion yen)	Q3 YTD 2024	% of Net Sales	Q3 YTD 2025	% of Net Sales	YoY Change	YoY Change %	YoY FX-Neutral %	YoY LfL % <sup>*1</sup>
Net Sales	722.8	100%	693.8	100%	-28.9	-4%	-3%	-3%
Core Operating Profit	27.4	3.8%	30.1	4.3%	+2.7	+10%		
Non-recurring Items	-25.2	-3.5%	-63.4	-9.1%	-38.2	-		
Operating Profit	2.2	0.3%	-33.4	-4.8%	-35.5	-		
Profit before Tax	7.2	1.0%	-32.5	-4.7%	-39.7	-		
Income Tax Expense	5.7	0.8%	11.5	1.7%	+5.8	+102%		
Profit Attributable to Owners of Parent	0.8	0.1%	-44.0	-6.3%	-44.7	-		
EBITDA <sup>*2</sup>	67.3	9.3%	67.9	9.8%	+0.6	+1%		
Free Cash Flow	-28.7	-4.0%	31.6	4.6%	+60.3	-		

<b>Net Sales</b> : YoY LfL% <sup>*1</sup>	-3%	Decreased YoY due primarily to sales declines in China & Travel Retail and <i>Drunk Elephant</i>
<b>Core OP</b> : YoY change	+¥2.7 bn	Increased thanks to structural reform benefits and accelerated global-wide cost management
<b>Non-recurring Items</b> : Q3 YTD 2025	-¥63.4 bn	Recognized a goodwill impairment loss of -¥46.8 bn in Americas, structural reform expenses One-off costs for early retirement program at Global HQ to be recognized in Q4
<b>Free Cash Flow</b> : YoY change	+¥60.3 bn	Improvement of working capital and review of capital investments; acquisition-related costs recognized in 2024

<sup>\*1</sup> Excluding impacts from FX, business transfer and acquisition

<sup>\*2</sup> Core Operating Profit + Depreciation and Amortization (excl. depreciation of right-of-use assets)

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Next, on page 9, is a summary for Q3 results.

Cumulative net sales for the first nine months of FY2025 were JPY693.8 billion, a decline of 3% like-for-like. This was mainly due to lower sales in China & Travel Retail and Drunk Elephant.

Core operating profit was JPY30.1 billion, an increase of JPY2.7 billion, primarily driven by stronger company-wide cost management and the positive effects of structural reforms.

Non-recurring items totaled JPY63.4 billion, mainly due to a goodwill impairment loss in the Americas Business and structural reform expenses.

As a result, the Company posted a net loss of JPY44 billion for the quarter, with free cash flow of JPY31.6 billion.

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## Core Operating Profit: Steady Fixed Cost Reduction Thanks to Structural Reforms

(Excluding Non-recurring Items)

(Billion yen)	Q3 YTD 2024	% of Net Sales	Q3 YTD 2025	% of Net Sales	YoY Change	YoY %	Pts Difference
Net Sales	722.8	100%	693.8	100%	-28.9	-4.0%	-
COGS	168.3	23.3%	160.9	23.2%	-7.4	-4.4%	-0.1pts
Gross Profit	554.4	76.7%	532.9	76.8%	-21.5	-3.9%	+0.1pts
SG&A	531.4	73.5%	506.6	73.0%	-24.8	-4.7%	-0.5pts
Marketing investments	199.4	27.6%	197.9	28.5%	-1.5	-0.8%	+0.9pts
Brand development / R&D	27.5	3.8%	26.1	3.8%	-1.5	-5.4%	-0.1pts
Personnel expenses*	174.4	24.1%	161.3	23.2%	-13.2	-7.6%	-0.9pts
Other SG&A	130.0	18.0%	121.3	17.5%	-8.7	-6.7%	-0.5pts
Other Operating Income / Expenses	4.4	0.6%	3.7	0.5%	-0.7	-15.1%	-0.1pts
Core Operating Profit	27.4	3.8%	30.1	4.3%	+2.7	+9.7%	+0.5pts

**COGS** : Better brand/product mix albeit *Drunk Elephant's* production decline

**Marketing investments** : Continued investments in key brands via selection and concentration

**Personnel expenses\*** : Decreased by structural reform benefits in Japan, China & TR and Americas, etc.

**Other SG&A** : Decreased thanks to structural reform benefits and agile cost management, etc.

\* Including POS personnel expenses

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Next, on page 10, I will explain the details of core operating profit.

The COGS ratio was 23.2%, roughly in line with the previous year. While the improvement in brand and SKU mix continued, the lower production volume of *Drunk Elephant* led to a slight increase in the COGS ratio in Q3 compared to H1. The marketing investment ratio rose by 0.9 percentage points to 28.5%, reflecting our continued investment in key brands through selection and concentration strategy.

Personnel expenses decreased by JPY13.2 billion YoY, improving the ratio by 0.9 points. This was driven by cost reductions in Japan and China & Travel Retail, as well as the impact of the structural reforms implemented in the Americas in July. In addition, since last year's bonus assumptions were set at a lower level due to weak performance, personnel expenses would have decreased by over JPY20 billion in real terms on a comparable bonus basis.

Other SG&A declined by JPY8.7 billion, primarily reflecting the positive impacts of structural reforms in the Americas and company-wide cost management.

As a result, while maintaining marketing investments at the same level as before, the Company achieved improved profitability despite lower sales, steadily progressing toward a healthier and more balanced P&L structure.

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## Net Sales by Reportable Segment: Returning to Growth Trajectory EMEA Strong Growth and China & Travel Retail Return to Growth

Like-for-like <sup>*1</sup>	2024 (vs. 2023)					2025 (vs. 2024)			
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q3 YTD
Japan	+20%	+7%	+5%	+7%	+10%	-2%	+2%	+2%	+0%
China & Travel Retail <sup>*2</sup>	-14%	-11%	-23%	+2%	-11%	-14%	-7%	+8%	-6%
Asia Pacific	+5%	+7%	+2%	-3%	+2%	-1%	-0%	-2%	-1%
Americas	+9%	-20%	-9%	-7%	-7%	-19%	+4%	-9%	-9%
EMEA	+17%	+6%	-7%	+16%	+8%	-9%	+2%	+22%	+4%
<b>Total</b>	<b>+3%</b>	<b>-4%</b>	<b>-8%</b>	<b>+4%</b>	<b>-1%</b>	<b>-9%</b>	<b>-3%</b>	<b>+4%</b>	<b>-3%</b>

<sup>\*1</sup> Excluding the impacts of foreign exchange translation, business transfers and acquisitions

<sup>\*2</sup> 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 2025

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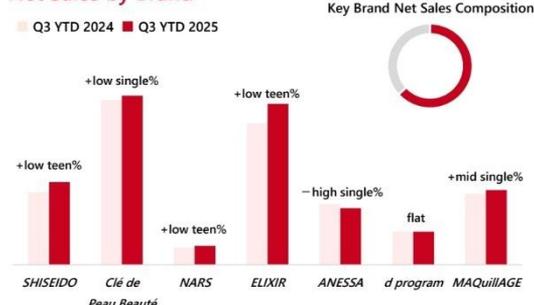
Next, on page 11, is the trend of net sales by region.

After a period of negative growth which continued through Q2, sales turned positive in Q3, posting a 4% increase. China & Travel Retail grew by 8%, partly supported by advanced shipments ahead of the Double 11 shopping event. EMEA also showed strong performance, increasing by 22% YoY. While this includes the impact of a low comparison base in Q3 of last year due to the FOCUS system implementation, even excluding this effect, the region achieved double-digit growth.

### Japan: Innovation Across Key Brands Powers Growth

(Billion yen)	Q3 YTD 2024	Q3 YTD 2025	YoY Change	YoY %
Net Sales	218.8	219.1	+0.3	+0.3% <sup>*1</sup>
Core OP	16.2	27.9	+11.7	+72.0%
Core OPM	7.4%	12.7%	-	+5.3pts

#### Net Sales by Brand



<sup>\*1</sup> Excluding the impact of business transfers <sup>\*2</sup> SHISEIDO, Clé de Peau Beauté, NARS, ELIXIR, ANESSA, d program, MAQUILLAGE

#### Q3 Market

- Local: modest growth continued
- Inbound: moderate growth on the back of rising number of foreign visitors to Japan, albeit a sharp decline in department store channels

#### Q3 Consumer Purchases

- + Low single%; local core brands<sup>\*2</sup> drove growth, share expansion to continue
- Local: +mid single% EC: +mid 20%
- New products from ELIXIR, Clé de Peau Beauté performed strongly
- Inbound: - low single%
- Pullback before and after China's promotion events, domestic-overseas price gap shrinks

#### Q3 YTD Net Sales & Core Operating Profit

- Strong profit growth from structural reform and higher productivity



Clé de Peau Beauté

ELIXIR

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Next, on page 12, I will explain the performance by region.

In Japan, although inbound demand, particularly in the department store channel, remained challenging, innovation drove growth and local core brands continued to perform steadily. To highlight here is the success of new products from our core brands in the local market.

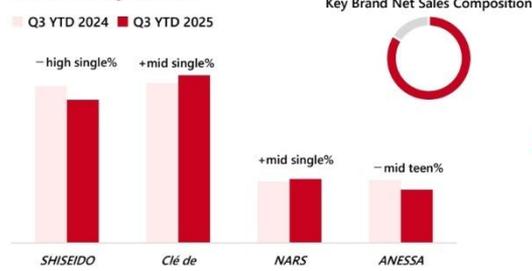
SHISEIDO's NEW Ultimune launched in H1 continued to perform strongly, while the newly launched Clé de Peau Beauté Key Radiance Care lotions and emulsions in July and ELIXIR lotions and emulsions in August both had very strong starts. Another highlight is the growth in e-commerce sales, which rose by mid-20% range in Q3, accelerating further from H1. This growth was driven by increased purchases from loyal users on our direct online platform, as well as the success of strategic investments into pure-play EC channels.

As a result, core operating profit increased by JPY11.7 billion. Despite differences in bonus assumptions from the previous year, cost reductions through early retirement programs and greater marketing efficiency from structural reforms contributed to maintaining a healthy profit margin in the low teens.

### China & Travel Retail: Net Sales Turned Positive in Q3 driven by *Clé de Peau Beauté* and *NARS*; Mainland China grew at Double Digit Profitability Improvement Driven by Lower Fixed Costs and Strict Cost Control

(Billion yen)	Q3 YTD 2024	Q3 YTD 2025	YoY Change	YoY %
Net Sales	259.7	240.0	-19.6	-5.7%*
Core OP	49.6	46.7	-2.9	-5.9%
Core OPM	18.9%	19.3%	-	+0.4pts

#### Net Sales by Brand<sup>†1</sup>



\* Excluding the impacts of foreign exchange translation and business transfers

#### Q3 Market

- China: prestige accelerated from Q2, a solid recovery trend EC market drove growth with signs of recovery in offline channels
- Travel Retail:
  - Chinese tourist consumption remained stagnant
  - Market competition by promotional pricing intensified

#### Q3 Consumer Purchases

- China: +low single%
  - Offline: +low single%, EC: +low single%
  - *Clé de Peau Beauté* and *NARS* maintained strong growth momentum
  - *SHISEIDO* performed strongly in EC albeit YoY decline in offline
  - *ELIXIR*, *IPSA* returned to growth
- Travel Retail: -high teen%
  - Inventory discipline, traveler focus

#### Q3 YTD Net Sales & Core Operating Profit

- Strong profitability secured via fixed cost reduction and cost discipline amid sales decline and adverse mix from Travel Retail contraction

Next, on page 13, I will explain China & Travel Retail Business. In China's prestige market, e-commerce continued to perform strongly, while offline channels also showed signs of recovery, indicating an improving trend overall.

For consumer purchases in China, sales grew in the low single digits in Q3. However, looking only at Mainland China, growth was in the high single digits, driven particularly by strong and sustained momentum in Clé de Peau Beauté and NARS, both continuing their robust performance from H1. ELIXIR and IPSA both returned to growth, contributing to the overall sales. Also, on a shipment basis, Q3 realized strong double-digit growth in Mainland China.

In the travel retail market, the environment remains challenging, affected by weaker spending among Chinese travelers and intensified price competition from discount promotions. Our consumer purchases decreased by a high-teen %. Net sales turned positive, partly due to the low comparison base from last year's sharp decline.

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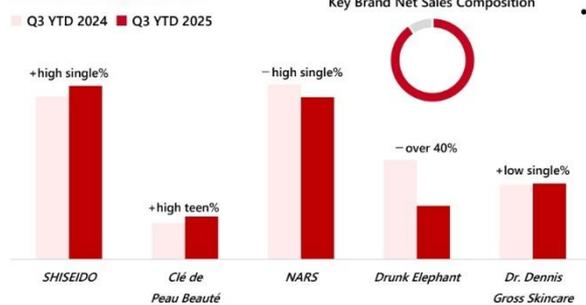
We continue to carefully monitor and manage inventory levels to prevent excessive stock buildup at retailers. Meanwhile, the share of travelers in overall sales is steadily increasing, and we will continue to shift toward a traveler-focused business model.

Despite lower sales and a less favorable business mix in the first nine months, core operating profit reached JPY46.7 billion with an operating margin of 19.3%, maintaining a high level of profitability through fixed cost reductions and cost management resulting from structural reforms.

### Americas: Structural Reform Benefits Steadily Materializing; Strong Growth in SHISEIDO and Clé de Peau Beauté

(Billion yen)	Q3 YTD 2024	Q3 YTD 2025	YoY Change	YoY %
Net Sales	87.2	78.2	-9.0	-9.1% <sup>*1</sup>
Core OP	-3.6	-7.6	-4.0	-
Core OPM	-3.9%	-9.3%	-	-5.4pts

#### Net Sales by Brand<sup>\*1</sup>



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

#### Q3 Market<sup>\*2</sup>

- Maintained YoY growth, but fell short of expectations

#### Q3 Consumer Purchases<sup>\*3</sup>

- - low single%; returned to growth excl. *Drunk Elephant*
- *Drunk Elephant* continued to struggle, steady inventory clean-up
- *SHISEIDO*; strong performance from new products
- *Clé de Peau Beauté* demonstrated strength in base makeup

#### Q3 YTD Net Sales & Core Operating Profit

- Restructuring benefits: reduced personnel cost and other SG&A
- Stronger cost discipline partially offset the negative impact from lower sales, tariff and higher COGS due to lower *Drunk Elephant* production



SHISEIDO



Clé de Peau Beauté

Next, on page 14, I will explain the Americas Business.

Consumer purchases, excluding Drunk Elephant, turned positive. Delivered strong performance driven by new product launches such as SHISEIDO’s NEW Ultimune, along with significant growth of Clé de Peau Beauté, particularly in the base makeup category, contributed to this recovery.

On the cost side, the structural reforms implemented in July have started to deliver tangible results. Core operating profit decreased by JPY4 billion on a cumulative basis. While the effects of structural reforms contributed positively, profitability was impacted by lower sales, tariff-related costs, and a higher COGS due to increased inventory write-downs associated with Drunk Elephant’s weak performance.

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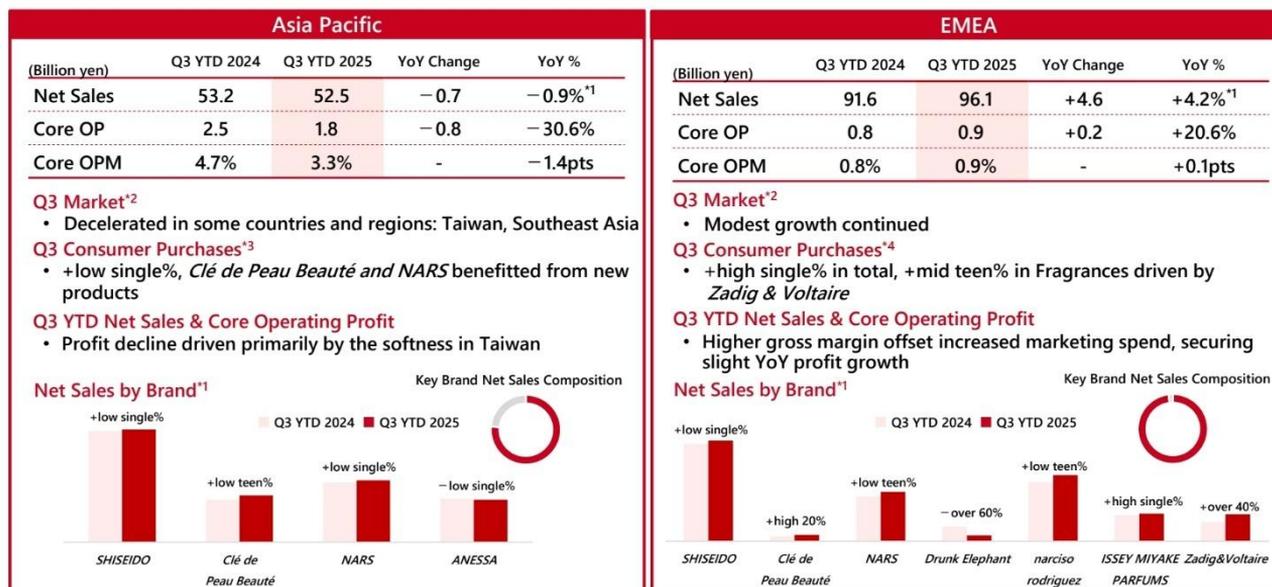
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## Asia Pacific: Market Contraction Continued, but Drove Share Gains by Innovation EMEA: Fragrances Accelerated; Returned to Profitability with Strong Q3



\*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

15

Next, on page 15, I will explain the Asia Pacific and EMEA Businesses.

Starting with Asia Pacific, although the overall market, particularly in Taiwan, showed signs of contraction, we continue to expand our market share across the region. Major new product launches such as *Clé de Peau Beauté* Key Radiance Care lotions and emulsions and *NARS* The Multiple made strong contributions to growth.

Turning to EMEA, sales increased significantly. Fragrance drove the expansion, with *Zadig & Voltaire* up over 70% in Q3, and both *narciso rodriguez* and *ISSEY MIYAKE* maintained their double-digit growth.

Core operating profit increased by JPY0.2 billion as higher sales were offset by increased marketing investment. While H1 recorded a loss due to upfront investment in priority brands, the business returned to profitability in Q3.

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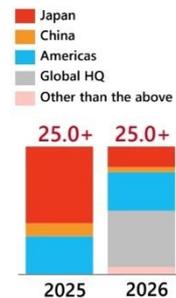
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## Progress on Global Cost Structure Transformation

**Q3 YTD 2025: Realized ¥21.0 bn cost reduction benefits, on track with the plan;  
¥25.0bn cost savings for 2026 secured with all key actions completed**

		(Billion yen)		
		Q3 YTD	2025	2026
COGS	<ul style="list-style-type: none"> <li>• Selection and concentration of brands and SKUs, strategic price increases</li> <li>• Optimize factory production line efficiency, etc.</li> </ul>	2.5	3.0	7.0
Marketing investments	<ul style="list-style-type: none"> <li>• Optimize promotional costs, increase marketing ROI</li> <li>• Expand local production and operational efficiency of samples</li> </ul>	1.5	2.0	1.0
Personnel expenses	<ul style="list-style-type: none"> <li>• Optimize organization structure, improve productivity</li> <li>• Streamline corporate functions to enhance operational efficiency, etc.</li> </ul>	13.0	15.0	8.0
Other SG&A	<ul style="list-style-type: none"> <li>• Reduce outsourcing cost</li> <li>• Reduce depreciation: system optimization and integration, selective new investments</li> <li>• Other cost savings: logistics optimization, efficient office management, etc.</li> </ul>	4.0	5.0	9.0
Total		21.0	25.0+	25.0+



16

Next, on page 16, is the progress on the global cost structure transformation.

Cumulative cost reduction for Q3 2025 totaled JPY21 billion as planned. While we are achieving approximately JPY7 billion in cost reductions every quarter, the benefit of reduced labor costs due to the early retirement program in Japan will end in Q4, so we are expecting a full-year reduction of over JPY25 billion.

Furthermore, as CEO Fujiwara mentioned earlier, the implementation of the voluntary retirement program at our global headquarters will mark the completion of key actions toward achieving the JPY25 billion cost savings target for 2026.

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## 2030 Medium-Term Strategy Maximizing Brand Value for a New Growth Trajectory



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**Fujiwara:** From here, I would like to explain the new medium-term strategy.

After the large-scale structural reforms under our action plan, we will now set our course for a new growth trajectory by maximizing brand value. We have heard many people point out that Shiseido has strong brand and technological capabilities yet is not content with the low growth and low profitability. Our goal in this medium-term strategy is to change this situation and demonstrate that our true strength lies beyond it.

### Now is the Time - Because the World is Changing More than Ever...



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Especially now, in a rapidly changing world, consumers face a variety of changes in today's unstable society, an extended human lifespan and the accelerating pace of digitization are contributing to growing feelings of division and isolation. That is why we believe Shiseido has a significant role to play. We see the current era as a great opportunity to create essential new value in beauty and to contribute to society as a company that is close to consumers.

## BEAUTY INNOVATIONS FOR A BETTER WORLD

### 2030 VISION

**By connecting with people, we pursue, create, and share new beauty, enriching everyone's lives**

20

That is why we set our vision for 2030 "By connecting with people, we pursue, create, and share new beauty, enriching everyone's lives."

Now more than ever, we want to be a company that explores, discovers, and delivers new beauty in moving forms for people without being influenced by the times. That is our unique strength and our path to essential growth. We believe that this path will lead to the realization of our mission, Beauty innovations for a better world.

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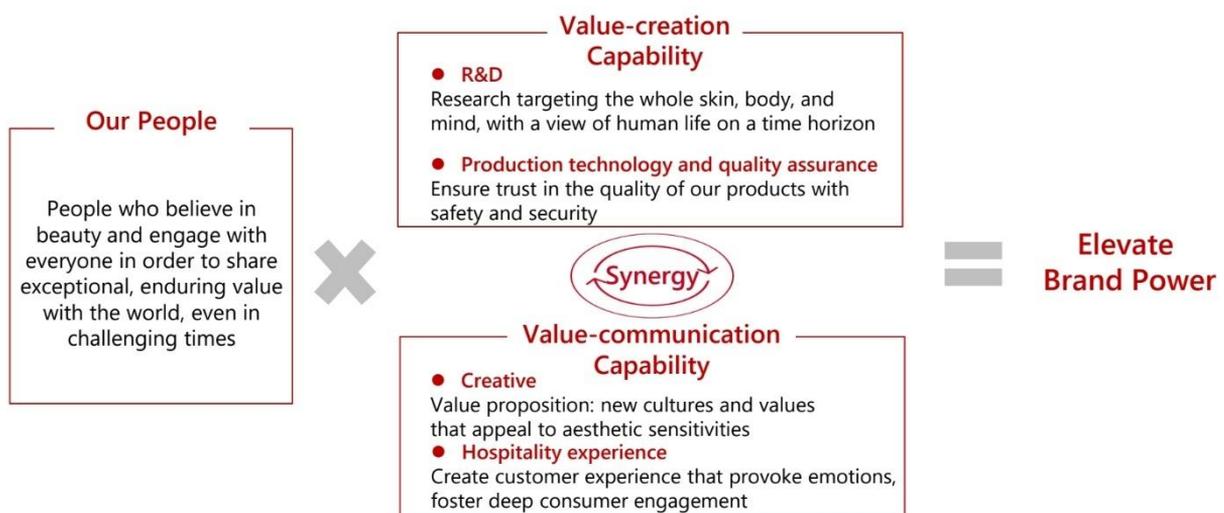
In every moment, in every life  
Beauty

21

We are once again adopting “in every moment, in every life, beauty” as our slogan to embody this vision. This phrase was launched in 2005. It expresses our hope that the people Shiseido interacts with, and we ourselves, will be beautiful in every moment and every life.

In today’s society, these words resonate with even deeper meaning. We hope that each and every person will find beauty in every moment of their lifetime, and we will work to achieve that goal. We believe that this slogan is especially relevant in today’s time.

## Connecting Our People with Shiseido’s Core Value, Maximize Strengths; Unlocking the Power of Our Brands



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To realize this vision, our originality and transformative strength must be refined, which is expressed on this page.

I want all employees to be people who care about others, challenge real issues, and pursue beauty. In terms of both value creation and communication capabilities, our company has unique strengths. We approach humans throughout their lifespan, conducting research targeting the entire skin, body, and mind, and we propose a new culture that appeals to the senses and delivers it to our customers with a spirit of hospitality. No other beauty company does this. We will revisit these strengths to enhance our brand and maximize corporate value.

## 2030 Medium-Term Strategy Overview

### Accelerate the Creation of Corporate and Social Value Built on Our Strengths

Materiality*	Strategic Pillars	Initiatives			
Lifelong QOL improvement through diverse "power of beauty"	Pillar 1: Accelerate growth with brand power	Grounded in our strengths: identify focus categories and build the portfolio			Enhance value communication: build deeper connections with consumers
		1) Maximize innovation by leveraging technological strengths	2) Accelerate growth by expanding our global reach	3) Create new markets through expansion into new categories and domains	
Resilient management foundation building	Pillar 2: Evolve global operations	Global-wide optimization across the value chain	Strategic use of digital technologies and AI	Advancement of the matrix organization	
Talent and organizations to create beauty value	Pillar 3: Drive sustainable value creation	Enhanced talent development and corporate culture	Create social value through DE&I	Address social issues through appropriate environmental actions	
Harmonization with nature (Circular Manufacturing)					

\* Materiality updated. For details, please refer to Supplemental Data 9

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To integrate financial and non-financial metrics, we have also reviewed our materiality from a business perspective. Please see the appendix for details.

Based on these strategic pillars, accelerating growth with brand power, evolving global operations, and driving sustainable value creation, we will enhance both corporate and social value built on our strengths.

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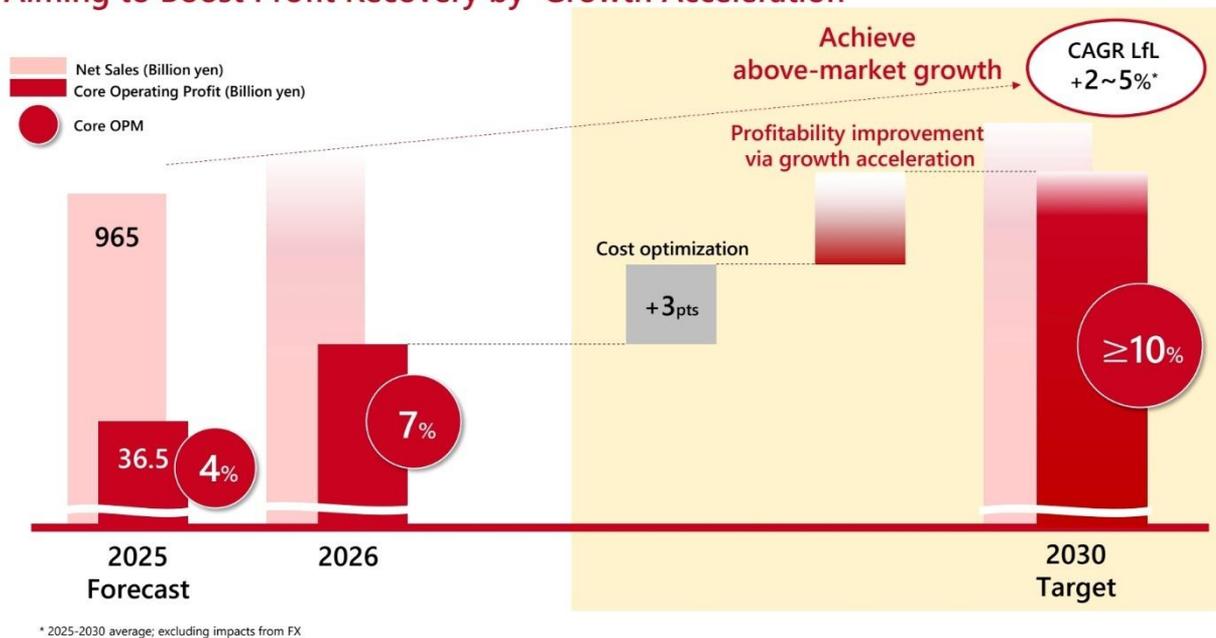
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## Achieve Double-Digit Core OP Margin via Cost Optimization; Aiming to Boost Profit Recovery by Growth Acceleration



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Our ultimate goals are to achieve above-market growth, sustainable profitability improvement, and a double-digit core operating profit margin despite an uncertain market environment.

For 2026, we will adhere to the 7% profit margin target set out in our action plan. Furthermore, by optimizing our cost structure, we aim to add three percentage points to our margin to, securing a 10% margin. Profit generated through efficiency improvements will be reinvested in our brands, leading to high-quality growth. We expect overall growth to be between 2% and 5%, moving toward our 2030 target of above 10% operating profit margin.

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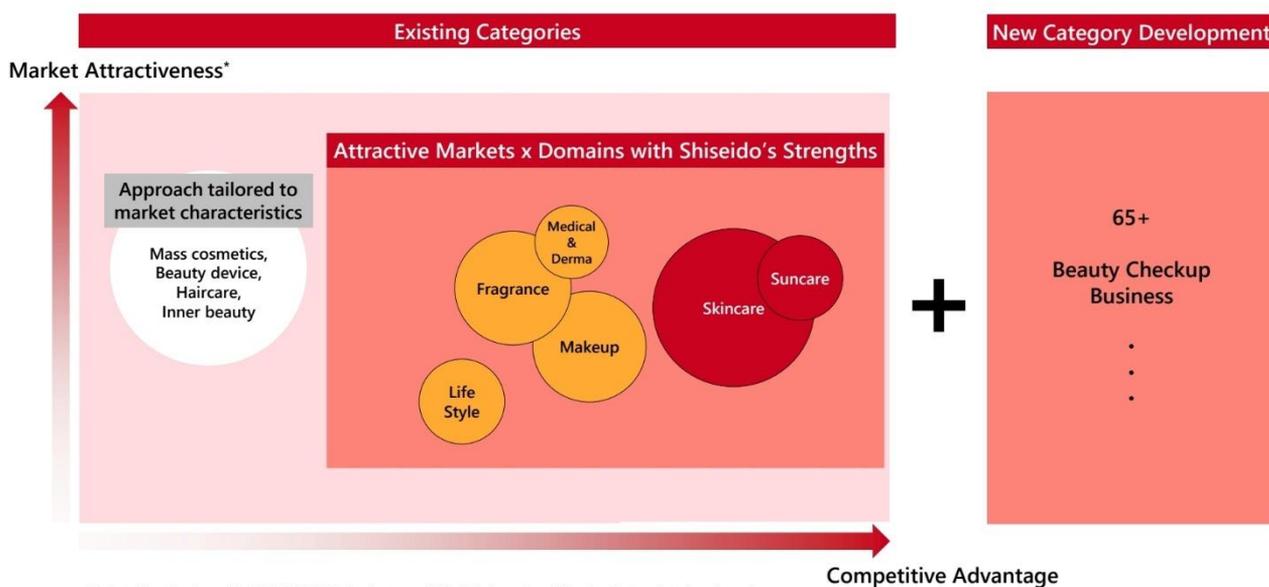
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25

From here, I will go through each strategic pillar in detail, beginning with the accelerated growth of brand power.

### Identify “Where to Win” by Leveraging Our Competitive Advantage



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Going forward, we will concentrate our resources on categories where our R&D strength and competitive advantages can be maximized, which also offer attractive market size and growth potential. At the core of this focus will be skincare and suncare, followed by makeup, fragrance, medical beauty and derma, and lifestyle. In addition, we will explore new value creation opportunities in areas such as elderly care and beauty checkup

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services. For other categories, we will adopt a more efficiency-driven approach tailored to the characteristics of each market. We will not pursue M&A or diversification merely for the sake of expanding scale.

## Define Category Strategies Aligned with Markets and Our Competitive Advantage

	Market Environment	Strategies and winners	Expect Growth potential
Skincare	<ul style="list-style-type: none"> <li>Increased polarization</li> <li>Increasing needs for brands able to offer "intrinsic value" with a clear differentiator</li> </ul>	<ul style="list-style-type: none"> <li>Maximize company-wide effects by focusing on overwhelming innovation</li> <li>Continuous creation of new categories in the anti-aging market</li> </ul>	Medium
Suncare	<ul style="list-style-type: none"> <li>Increased awareness of UV and skin wellness</li> <li>Diversified options for use from outdoor leisure to daily UV care</li> </ul>	<ul style="list-style-type: none"> <li>Further strengthen technology superiority, expand market-share in both suncare and skincare/makeup SPF categories</li> <li>Strengthen global market rollouts</li> </ul>	High
Makeup	<ul style="list-style-type: none"> <li>"Skinification" trend continue to accelerate, infusing skincare functionality and efficacy with base makeup</li> <li>Rise of artistic/digital native brands along with maturing markets</li> </ul>	<ul style="list-style-type: none"> <li>Leverage our technological strengths with skincare, amplify and foster hero products for each brand to win market share</li> <li>Strengthen value communication that embody brand philosophies</li> </ul>	Medium
Fragrances	<ul style="list-style-type: none"> <li>Increasing needs for aesthetic sense, sensible stimulus, and self-expressions</li> <li>Emergence of niche brands with diverse characteristics, achieving growth ahead of conventional players</li> </ul>	<ul style="list-style-type: none"> <li>Maximize global opportunities by shifting our strategic focus from EMEA to other regions</li> <li>Accelerate growth by enhancing our portfolio, with the addition of Max Mara from 2026</li> </ul>	High
Medical & Derma	<ul style="list-style-type: none"> <li>Derma (dermatology) continues to permeate into society</li> <li>Increasing needs for pre-and post-treatment for medical beauty care</li> </ul>	<ul style="list-style-type: none"> <li>Generate value from our cutting-edge technologies</li> <li>Drive growth not only by derma brands; <i>Dr. Dennis Gross Skincare, d program</i> but also by stretching product lines and concepts of core brands</li> </ul>	High
Lifestyle	<ul style="list-style-type: none"> <li>Growing interest for self-experimental care model</li> <li>Propose a more comprehensive lifestyle</li> </ul>	<ul style="list-style-type: none"> <li>Sharpen ideas as lifestyle brands, Expand space for retail layout</li> </ul>	High

27

We are defining category-specific strategies grounded in market dynamics and our competitive advantages. Skincare, our largest and core category, will continue to deliver stable growth and strong profitability with strategic deployment of cutting-edge technologies. Preparations are complete to launch high-impact new products that will drive future growth.

In suncare, we will aim for higher growth, leveraging both the market environment and the advantages of our proprietary technologies. We will actively pursue expansion into new markets.

In makeup, we will challenge ourselves to create new categories exemplified by innovations such as serum foundations.

In fragrance, we will strengthen the brand portfolio while accelerating global expansion.

In medical and derma, we will reinforce existing brands and create new growth opportunities in areas where our technological leadership can be fully leveraged.

In lifestyle, we will sharpen brand concepts, enhance product offerings, and nurture growth.

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## Categories × Brands: Drive Growth by Establishing Strategic Brand Framework



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We will allocate brands aiming to position them as category champions to each growth area to ensure solid growth. We will continue the focus on core brands, those exceeding JPY100 billion in sales, as well as next brands, which target becoming the next JPY100 billion brand. At the same time, we are reassessing the positioning of each brand based on their current cultural situation.

SHISEIDO will leverage its established scientific strength to explore expansion into the medical and derma area. ANESSA will capitalize on its strong foothold in Asia to pursue global expansion. Fragrance, which was traditionally EMEA-centric, will now aim for accelerated growth across all regions.

Additionally, in high-growth areas such as medical and derma and lifestyle, d program and BAUM will be strategic investment targets and nurtured for growth. Brands with unique value propositions, such as Drunk Elephant and IPSA, will have their growth and profit models reassessed, guiding future investment decisions.

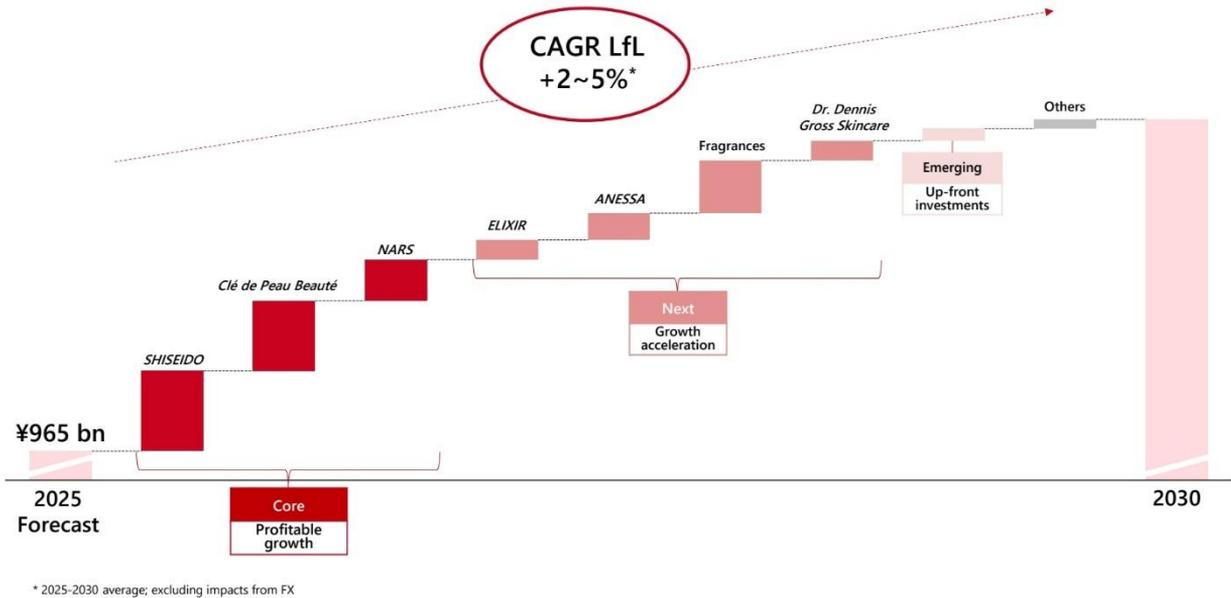
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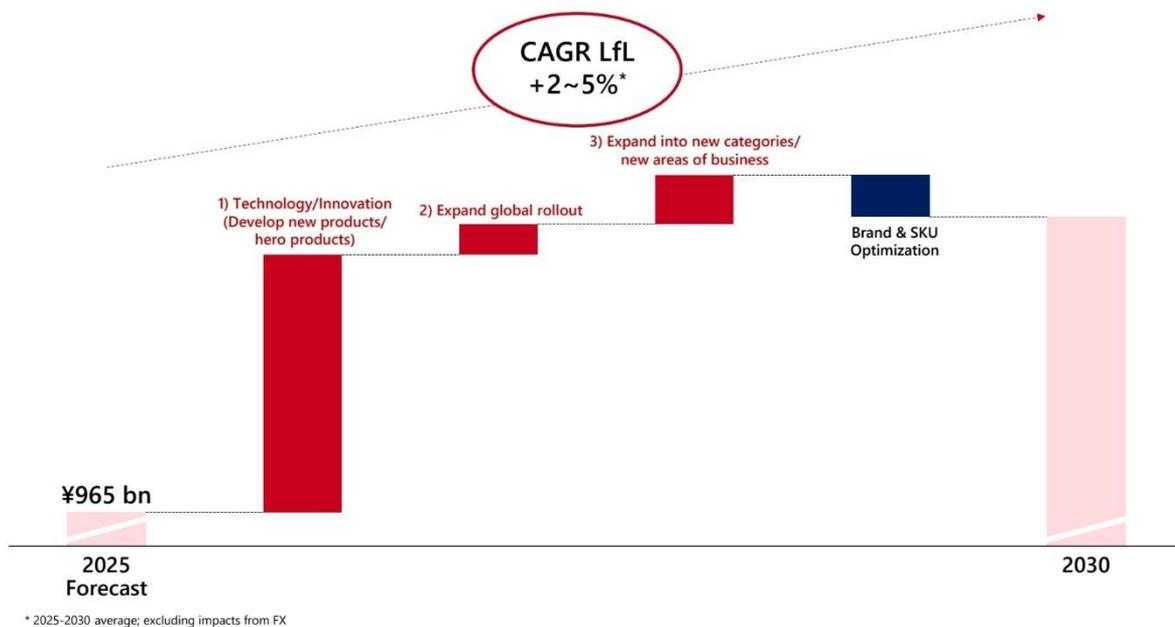
## Clarify the Role of Brands: Ensure Strategic Alignment of Investment



29

Breaking down growth by brand through 2030, the core brands will aim to expand profits with their high profitability and stable growth, leveraging their scale. Next brands will focus on accelerated growth, with fragrance and ANESSA contributing through expanded regional presence as well. Across all focused brands, we will ensure growth that consistently outpaces the market.

## Clear Growth Strategy in Place; Consistent Execution to Deliver Results



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This slide illustrates how we will achieve growth.

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Instead of relying on favorable market conditions, our growth strategy is fundamentally about creating growth with our own hands, built on the strength of our technology and research and development capabilities.

About 70% of the growth through 2030 will come from further development of new and hero products through innovation. In addition, we will supplement growth through geographic expansion and ventures into new categories and areas. We will also continue brand and SKU optimization to maximize profitability from growth.

## 1) Maximize Innovation by Leveraging Technological Strengths

Brand Core	Company-Wide
<p>Sharpen brand value, Build and foster customer loyalty</p>	<p>Ensure seamless adoption of latest science and technology across brands, company-wide commitment to create and foster new markets, shifting towards a sustainable growth model</p>
<div style="display: flex; justify-content: space-around;"> <div style="text-align: center;">  <p><b>SHISEIDO</b> "Immunity inspired slow aging"</p> </div> <div style="text-align: center;">  <p><b>Clé de Peau Beauté</b> "Skin Intelligence"</p> </div> </div> <div style="display: flex; justify-content: space-around; margin-top: 10px;"> <div style="text-align: center;">  <p><b>NARS</b> "Skinification"</p> </div> <div style="text-align: center;">  <p><b>ELIXIR</b> "Collagen Science"</p> </div> </div>	<div style="display: flex; flex-direction: column; align-items: flex-start;"> <div style="display: flex; align-items: center; margin-bottom: 5px;"> <div style="background-color: #f08080; padding: 2px 5px; font-size: 8px; margin-right: 5px;">Dark Spots</div> <div style="font-size: 8px; margin-right: 10px;">Spots Lifecycle Science</div> <div style="background-color: #f0e68c; border-radius: 50%; padding: 2px 5px; font-size: 8px;">IFSCC Award 2024</div> </div> <div style="display: flex; align-items: center; margin-bottom: 5px;"> <div style="background-color: #f08080; padding: 2px 5px; font-size: 8px; margin-right: 5px;">Wrinkles</div> <div style="font-size: 8px; margin-right: 10px;">Retinol TripleLock Technology</div> </div> <div style="display: flex; align-items: center; margin-bottom: 5px;"> <div style="background-color: #f08080; padding: 2px 5px; font-size: 8px; margin-right: 5px;">Sagging</div> <div style="font-size: 8px; margin-right: 10px;">Anti-Gravity Science V</div> <div style="background-color: #f0e68c; border-radius: 50%; padding: 2px 5px; font-size: 8px; margin-right: 5px;">IFSCC Award 4 times</div> <div style="background-color: #f0e68c; border-radius: 50%; padding: 2px 5px; font-size: 8px; margin-left: 5px;">IFSCC Award 2025</div> </div> <div style="display: flex; align-items: center; margin-bottom: 5px;"> <div style="background-color: #f08080; padding: 2px 5px; font-size: 8px; margin-right: 5px;">Suncare</div> <div style="font-size: 8px; margin-right: 10px;">Mineral i-Seal Technology; Enhanced UV protection function</div> <div style="background-color: #f0e68c; border-radius: 50%; padding: 2px 5px; font-size: 8px; margin-left: 5px;">IFSCC Award 2023</div> </div> <div style="display: flex; align-items: center; margin-bottom: 5px;"> <div style="background-color: #f08080; padding: 2px 5px; font-size: 8px; margin-right: 5px;">Makeup</div> <div style="font-size: 8px; margin-right: 10px;">Serum First Technology; Convergence: skincare x makeup</div> </div> <div style="text-align: center; margin-bottom: 5px;">⋮</div> <div style="font-size: 8px;">Additional areas for enhancement</div> </div> <div style="text-align: center; margin-top: 10px;"> <p>New technology launches awaiting from 2026 onwards</p> </div>
	<div style="background-color: #fce4ec; border-radius: 50%; padding: 20px; width: 150px; margin: 0 auto;"> <p style="text-align: center; font-size: 10px;">A string of new product launches featuring <b>≥10 leading-edge technologies</b> underway by 2028</p> </div>

31

Going forward, our growth will be driven by overwhelming innovation. We will lead the market with our innovation. Our proprietary research and technology strength will deliver greater and more impactful value to consumers quickly through two approaches.

First, leveraging technology at the core of specific brands. For example, ELIXIR represents collagen science. We will deploy distinctive technologies in our focus brands to sharpen brand value. Secondly, corporate-wide application of technology. The strongest technologies will be applied across multiple brands and products, generating scale and making the technology itself a source of competitive advantage.

We have already identified more than 10 technologies to be deployed company-wide by 2028, with a concrete new product pipeline in place. Even in an uncertain market environment, we are confident that by realizing market creation through this lineup of compelling new products, we will be able to emerge as a winner.

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## 2) Accelerate Growth by Expanding Our Global Reach

**Fragrances** Tap into growth opportunities in the Americas and Asia-Pacific, amplify brand positioning beyond EMEA

narciso rodriguez MaxMara  
ISSEY MIYAKE PARFUMS ZADIG & VOLTAIRE

**Suncare** Leverage our competitive strengths with advanced technology and formulation technology  
Capture growth opportunities in Western markets

SHISEIDO GINZA TOKYO ANESSA

**Skincare** Offer unparalleled brand experience to affluent consumers around the world through prestige beauty brands

clé de peau BEAUTÉ

32

We will also accelerate growth by expanding global reach. In Fragrances, we will capture growth opportunities in the Americas and Asia Pacific, strengthening our global presence. In suncare, we will pursue expansion into EMEA and the Americas. Clé de Peau Beauté will leverage its differentiated brand value as a luxury brand to deliver unparalleled brand experiences to affluent consumers worldwide.

### 3-1) Expand into New Categories: Medical & Derma, Lifestyle

**Medical & Derma**  
Pursue collaboration with medical beauty market, growing into a business with >¥100 bn in sales in the future



Next-generation micro needles  
Precise Delivery Technology  
(Patent technology: presented at  
the IFSCC Congress 2024)



Utilize LED face mask featuring 100 lights  
Effectively improve acne and wrinkles with  
clinical results at home

**Lifestyle**  
Push the boundaries of innovation  
in skincare



Revamp into brands that fulfil skin, body, and mind,  
elevate consumer experience beyond  
the power of cosmetics

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Next is to expand into new categories.

Niches in the derma and medical markets are becoming more fragmented and diverse. We intend to further strengthen our approach toward aesthetic medicine and believe we can expand our business to over JPY100 billion in the future.

Lifestyle is an exciting area for Shiseido, which has led the way in creating a new cosmetic culture with BAUM and IPSA. We aim to establish a brand structure that satisfies not only the skin but also the body and mind.

### 3-2) Expand into New Domains: Life Stage Partnerships, Beauty Checkup

<b>Life Stage Partnerships</b> Creating a market tailored to the skin needs of 65+	<b>Beauty Checkup</b> Deliver a personalized solution that connects skin, body, and mind
	
<p>Based on millions of skin data points collected through in-store skin measurements, Shiseido elucidated the relationship between aging and change in skin quality for the first time in the industry</p> <p>With a combination of Kansei engineering, Shiseido will "deliver new value to experience benefits for the skin" for all age groups</p>	<p>With over 40 years of sensory research and joint research with academic institutions, Shiseido received CES Innovation Awards® for developing algorithm that measures the impact of walking posture on skin and mental well-being which elucidated the relationship between Skin, Body and Mind, successfully quantifying the five senses</p> <p>Identify characteristics the skin that consumers are not aware of, to prevent skin troubles</p>

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We will expand into a new domain by using our proprietary assets, one of which is providing value tailored to each life stage.

By 2030, one in three people in Japan will be over 65 years old. This generation has high disposable income and a desire to spend time enjoying active lifestyles. If we can encourage this generation to enjoy beauty more, a new and substantial market can be built.

As a leader in aging care in Japan, we are determined to establish an overwhelming presence here. Furthermore, we will promote further beauty checkups as our competitive advantage based on accumulated knowledge. 33 million women undergo health checkups in Japan, and assuming that 10% of them will regard beauty and wellness holistically and use our beauty checkup service, it is possible to create a market worth tens of billions of yen. We will aim to increase sales of ancillary products and encourage trade ups by endorsing behavioral changes triggered by beauty checkups.

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### 3-3) Exploring New Business and Value Creation Models under the Direct Leadership of CEO

Co-creation with Consumers		External Collaboration	
R&D-driven	Consumer-driven		
 <p>Turning researchers' inspirations into products through co-creation with consumers, guided by the concept of "Anti, Beyond, and Ultimate".</p>	 <p>Starting from youth trends, co-develop products with partners to win Gen Z non-users</p>	 <p>Advancing the development of water-independent next-generation skincare in collaboration with JAXA</p>	 <p>Creation of raw materials for de-fossil resources in algae by forming strategic partnership with biotech company CHITOSE Group</p>

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Next, we will strongly promote a new business and value creation model, leveraging our assets.

To capture the latest diversifying needs and rapid environmental changes, a new value creation mechanism will be introduced, which is not driven by brands. This approach is driven by technologies, social media trends, and co-creation with other industries, and will quickly commercialize and launch products while monitoring consumer reactions to expand our business. This team will report directly to the CEO, pursuing business opportunities and models that differ from existing businesses with speed.

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# Enhance Value Communication: Build Deeper Connections with Consumers to Maximize Returns

Become a true partner who meets individual needs

## INSPIRE Communicate brand stories and enhance creative capabilities

- Innovate brand narratives and deliver a consistent world view across all touchpoints
- Reintegrate the creative team at the core to enhance corporate-led creativity and heritage communication



## EXCELLENCE Evolve experiences across physical and digital touchpoints to deepen consumer intimacy

- Enhance experiences across all touchpoints, including PBP/BC, offline channels, and social platforms
- Build deeper connection and trust through mutual communication
- Strengthen loyalty initiatives through integrated customer data



## ENGAGE Drive value co-creation to discover and connect deeply with consumers

- Foster empathy through social activities in core brands
- Strengthen value co-creation with consumers and retail partners



## CONNECT Translate unique insights from our innovative technologies into personalized value delivery

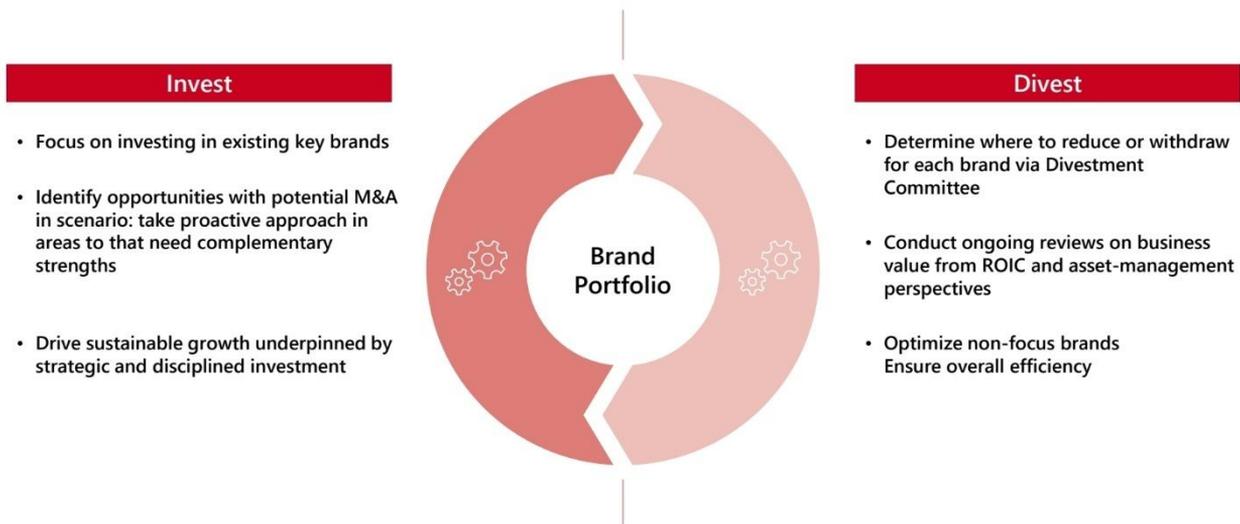
- Enhance beauty checkup technology and experience to build unique competitive advantage
- Leverage data and AI to their fullest potential



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Customer touchpoints with brands will evolve from simple product sales to deeper brand experiences. Maintaining and expanding a strong brand loyalty base is essential for the sustainable growth of our business through these experiences. Here again, we will leverage Shiseido's strengths to create deeper connections between each consumer and the brand, achieving high-quality growth and improved marketing efficiency through a multifaceted approach.

## Optimize the Portfolio with Strategy and Discipline



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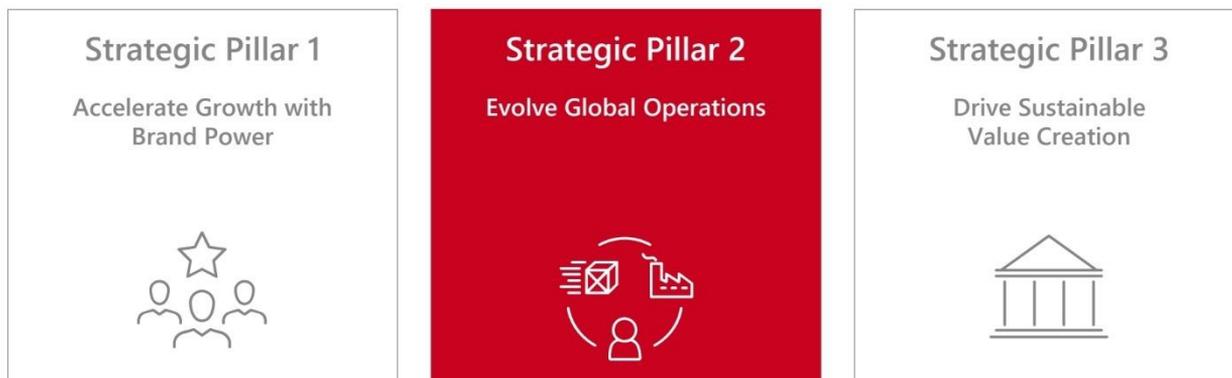
We will manage our portfolio with discipline and strategy, streamlining non-focused brands to ensure overall efficiency, further strengthening core brands, and maintaining appropriate financial discipline. At the same time, we will boldly take on new challenges to respond quickly to market trends.

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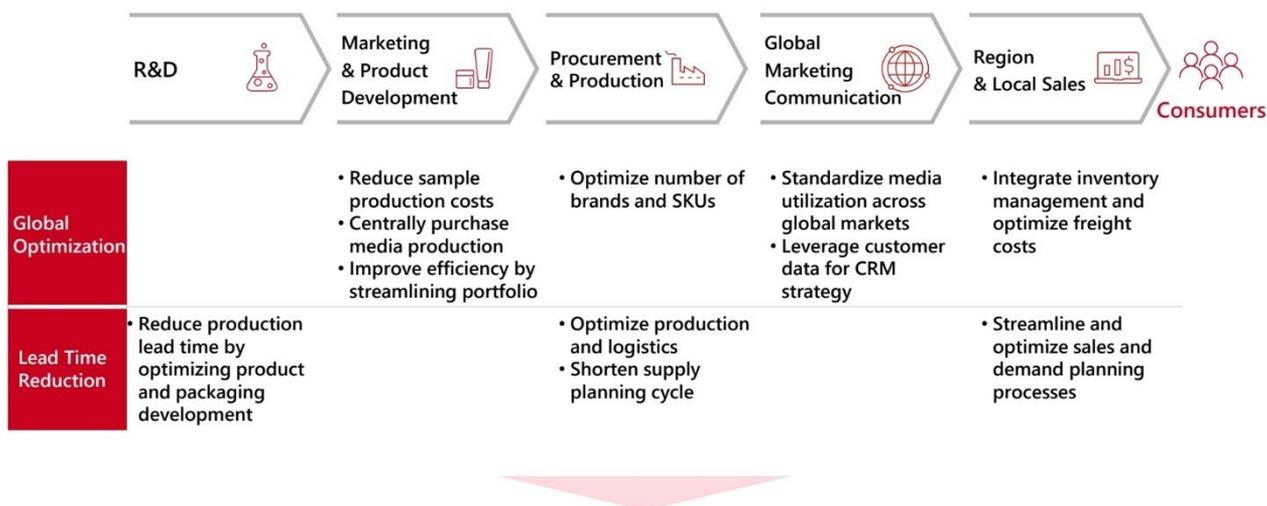




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The second strategic pillar is to evolve global operations.

### Value Chain: Pursue Operational Excellence Driving Global Optimization



### Drive Impact with Cross-Functional Collaboration across Borders

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We will pursue overall optimization across the value chain from two perspectives: first, global optimization, and second, lead time reduction. By clearly defining the categories and brands to reinforce, we will clarify priorities across the Company and achieve overall optimization.

To achieve this, cross-functional teams across regions and functions will be organized, aiming to maximize the speed and effectiveness of problem-solving.

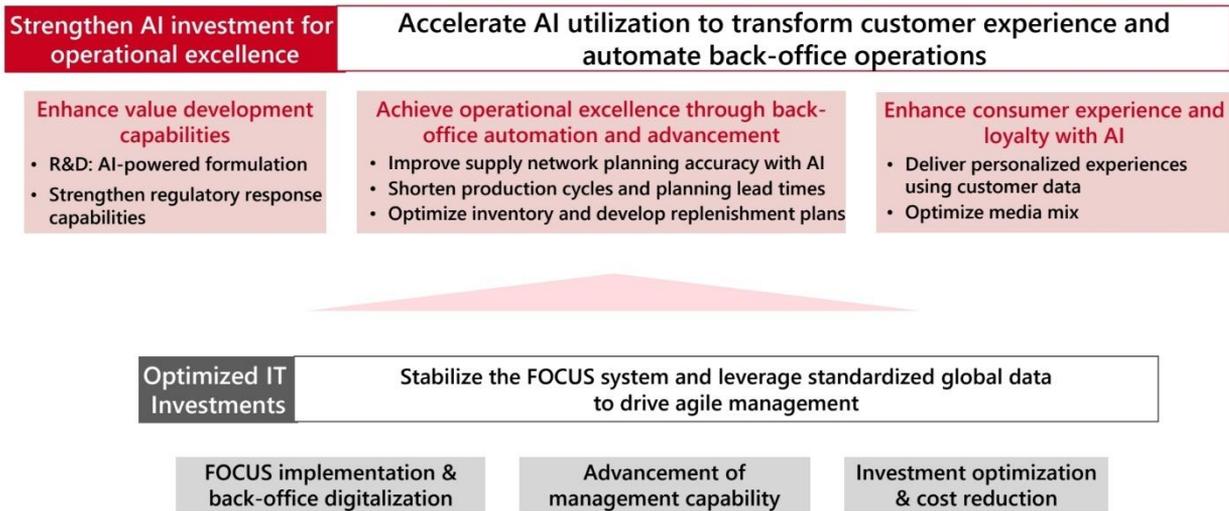
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## Digital and AI Strategy



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The use of digitization and AI technologies is essential for achieving overall optimization.

First, unified global IT systems and advanced business management will be established through stable operations in focus areas. This will improve planning and demand forecasting accuracy and reduce uneven inventory distribution. We will carefully select and optimize IT investments, including reducing outsourcing costs and eliminating legacy systems. Strengthened AI investments will enhance our technological assets and value development capabilities, advance and automate back-office operations, and improve customer experience and loyalty.

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# Evolution of the Matrix Organization

## Empower Functions and Drive Global Optimization For Agility

### Current Issues

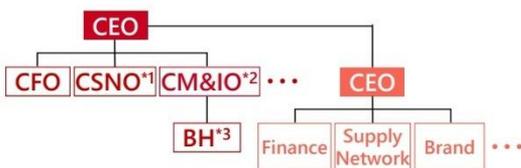
- Local optimization
- Unclear roles between global and regional HQs

### Measures

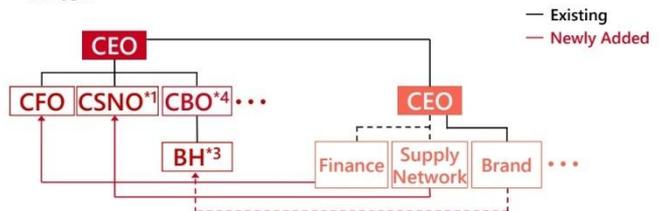
- Global optimization
  - Establish functional reporting structure across global and regional HQs; enhance clarity of HR decision authority
- Clarification of roles
  - Global HQ: Develop company-wide strategies to maximize corporate value and support regional execution
  - Regional HQ: Lead execution tailored to each market based on global strategies

### Change in Reporting Line

<Before>



<After>



\*1 Chief Supply Network Officer \*2 Chief Marketing & Innovation Officer \*3 Brand Holders \*4 Chief Brand Officer

Our global organizational operations will evolve into a structure that reinforces functionality, achieves overall optimization, and enables a highly agile global organization. To date, regional headquarters have operated independently, but going forward, we will strengthen collaboration between regions and functional departments at global headquarters. This change will make the global headquarters structure more compact and focused on leading company-wide strategies.

Under the new executive structure announced today, we will further deepen global unity.

**Strategic Pillar 1**

Accelerate Growth with Brand Power

**Strategic Pillar 2**

Evolve Global Operations

**Strategic Pillar 3**

Drive Sustainable Value Creation

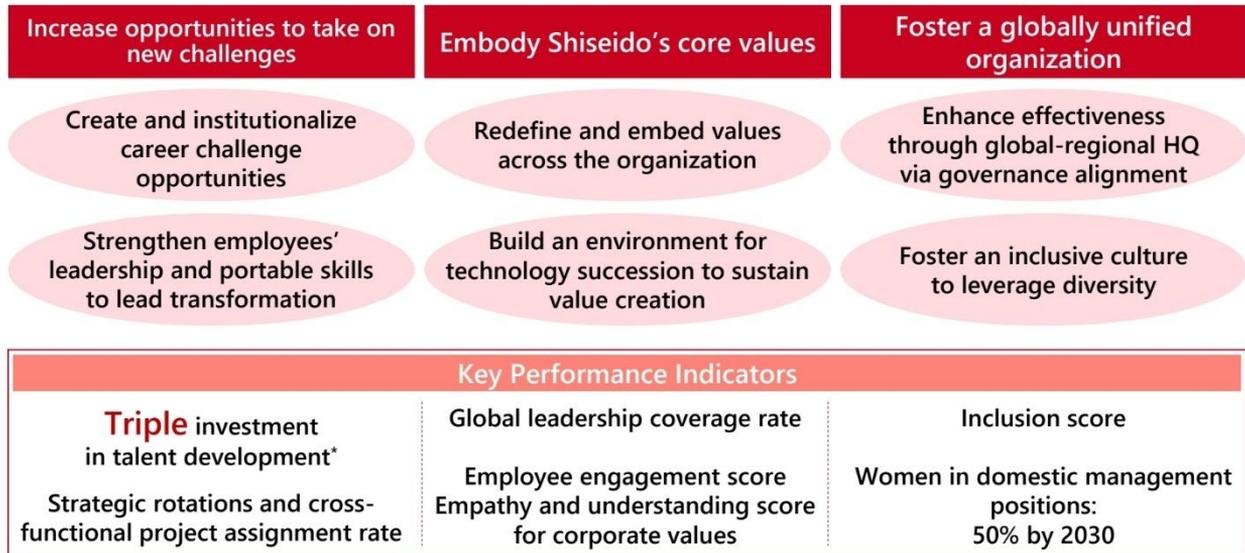
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The third strategic pillar is to drive sustainable value creation.

## Talent Strategy: Building an Organization that Enables Employee Growth



\* Investment in leadership development, including the promotion of global mobility; 2026-2030 total ÷ 5 years (annual average) = 3× 2025 level

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Employee growth is a central focus of our talent strategy. By expanding opportunities to take on new challenges, we will develop global leaders, define and instill Shiseido's values, foster a sense of unity within the organization, and cultivate a passion for value creation. By implementing these measures alongside the organizational evolution described earlier, we will strongly advance talent development. Over the next five years, we will invest a threefold level of 2025 in leadership development, including global mobility.

## Sustainability Strategy – Society: Create Social Value through DE&I



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Creating value through DE&I directly improves our business outcomes. Therefore, we promote gender equality, respect for human rights, and empowerment through the power of beauty. Goals are set for each initiative and promoted across the Company. Each activity contributes to improving brand equity, strengthening operational efficiency, enhancing risk management, and directly increasing corporate value.

## Sustainability Strategy – Environment: Tackle Environmental Issues

### Transformation toward Circular Manufacturing



**1. Reducing Our Environmental Footprint**

- **Climate change**
  - CO<sub>2</sub> emissions reduced by 46.2% (SBTi, Scope 1+Scope 2)<sup>\*1</sup>
  - CO<sub>2</sub> emissions reduced by 55% (SBTi, Scope 3)<sup>\*2</sup>
- **Water usage**
  - 50% reduction in water consumption<sup>\*3</sup>

**2. Developing Sustainable Products**

- **Eco-friendly materials**
  - 90% circular raw materials
- **Sustainable packaging**
  - 15% PCR<sup>\*4</sup> / biomaterials
  - 20% reduction in virgin plastic

**3. Promoting Sustainable and Responsible Procurement**

- **Procurement of raw materials in consideration of environmental and social issues**
  - 100% responsible procurement<sup>\*5</sup>
- **Supplier collaboration and management**
  - Zero critical-risk suppliers

\*1 At all our sites (compared to 2019) \*2 Throughout our value chain, excluding Shiseido sites, economic intensity target (compared to 2019)  
\*3 Economic intensity across all our sites (compared to 2014) \*4 PCR: Post-Consumer Recycled \*5 key raw materials

Regarding the environment, the Shiseido circular model will be built to enhance sustainability for both people and the planet, contributing to the realization of a rich natural environment. We will promote environmentally conscious manufacturing, sustainable product development, and responsible sourcing. KPIs are shown. This embodies the model of our company name, reflecting the virtue of the earth, as everything comes from here.

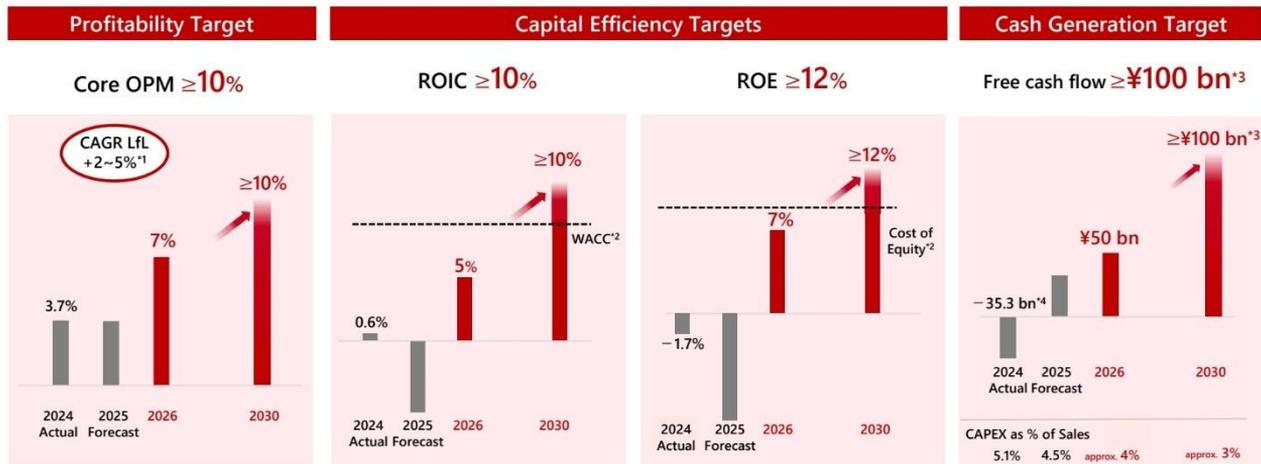
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## Financial Goals: Achieve Above-Market Growth through Proactive Investment in Focus Areas and Ensure Returns Exceed Cost of Capital



\*1 2025-2030 average; excluding impacts from FX \*2 WACC and cost of equity based on internal assumptions  
 \*3 Excludes cash outflows from M&A and cash inflows from asset sales \*4 Includes the acquisition of Dr. Dennis Gross Skincare

**Hirofuji:** From here, I would like to explain our financial strategy.

Our targets for 2030 are: a core operating margin above 10%, ROIC above 10%, ROE above 12%, and free cash flow exceeding JPY100 billion.

A major theme of this medium-term strategy is to transform Shiseido into a company that can consistently generate ROIC above its cost of capital. The current action plan focuses on strengthening financial discipline and fostering an organizational culture that aggressively pursues returns.

Based on past trends, we believe we have clearly shifted course and are steadily on an improvement trajectory. We described FY2025 as a critical year, and it indeed proved to be just that. While the path was far from easy, we are confident that the structural reforms implemented to date were necessary and correct steps to build Shiseido's future.

Over the course of this medium-term strategy, we will take further steps to lift core operating profit margin, ROIC and ROE into double-digit levels while continuing efforts to reduce the cost of capital and maximize corporate value.

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## Boost Sales Growth via Targeted Investments and Drive Cost Efficiency

	Change in % of Sales	Investment Strategies	Cost Optimization
COGS		<ul style="list-style-type: none"> <li>Automation of production lines</li> <li>Sustainability promotion</li> </ul>	<ul style="list-style-type: none"> <li>Optimization of production and logistics</li> <li>Streamline of brand and SKU mix</li> <li>Improvement of product, packaging, and raw material development and procurement processes</li> <li>Improvement of sales and demand planning processes</li> </ul>
Marketing Investments		<ul style="list-style-type: none"> <li>Core brands: Maintain stable growth and maximize returns</li> <li>Next global brands (Sun care, Fragrance): Maximize business opportunities through strategic investment and geographic expansion)</li> <li>Regional brands: Pursue high growth by expanding market share and improving profitability in each home market</li> <li>New domains: Proactively invest in future expansion</li> <li>Enhancement of customer experience and loyalty through AI</li> </ul>	<ul style="list-style-type: none"> <li>Efficiency improvement in sample production</li> <li>Optimization of indirect procurement</li> <li>Enhanced portfolio management</li> <li>Asset sharing across brands and regions</li> </ul>
Brand Development /R&D		<ul style="list-style-type: none"> <li>Continued investment at approx. 3% of net sales</li> <li>Boost productivity in formulation development with AI</li> </ul>	<ul style="list-style-type: none"> <li>Efficiency improvement by leveraging our robust technologies and sharpening brand value</li> </ul>
Personnel Expenses		<ul style="list-style-type: none"> <li>Development of global leaders</li> <li>Strategic talent assignment to capture growth opportunities</li> <li>Capability enhancement to create Shiseido's unique value</li> </ul>	<ul style="list-style-type: none"> <li>Streamline corporate functions to enhance operational efficiency, etc.</li> <li>Rigorous personnel control</li> </ul>
Other SG&A		<ul style="list-style-type: none"> <li>Investment in digital and AI technologies</li> </ul>	<ul style="list-style-type: none"> <li>Optimization of indirect procurement and reduction of outsourcing costs</li> <li>Reduction of freight costs through integrated inventory management</li> </ul>

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Even in the 2026 plan, which already incorporates the effects of structural reforms, the SG&A ratio remains above 70%, reflecting a high fixed cost burden and a structure we recognize as vulnerable to external environmental changes.

Looking toward 2030, we will maintain the current levels of marketing investment ratio and R&D and brand development ratio while reducing the ratio of COGS, personnel expenses, and other operating expenses. Strategic investment to maximize brand value and accelerate sales will continue.

Part of the cash generated from past structural reforms and cost efficiency initiatives will be redirected to proactive investments in marketing and human capital. The R&D ratio will remain around 3% of sales, but with a focus on further improving returns. Investment allocation will be more targeted and prioritized in line with category strategies and brand portfolio strategies.

The cost optimization measures listed on the right are additional to the current action plan and are scheduled to be implemented from 2026 onward with effects expected mainly from 2027 onwards. Key initiatives include optimization of the value chain and brand portfolio, cost efficiency through standardization, and centralization following an organizational and reporting line restructuring. This is not merely cost cutting, rather through disciplined return-focused investments, we will enhance brand value and strongly support the transition to a new growth trajectory.

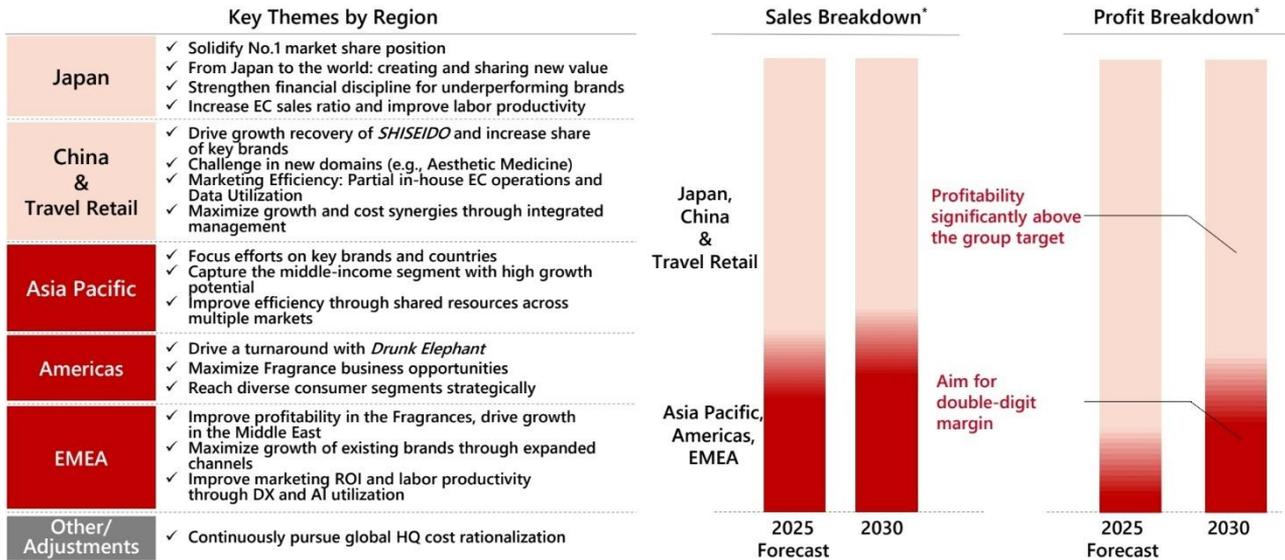
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## Drive Above-Market Growth and Profitability across All Regions; Strike a Balance in Regional Profitability



\* Breakdown based on the total of the five regional segments, excluding "Other / Adjustments," set at 100%

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Next, I will explain our regional strategy.

For sales, our goal is to achieve growth above the market in all regions. On the profit side, we are targeting double-digit margins in every region. We also aim to correct the profit structure skewed toward Japan and China & Travel Retail and establish a more balanced and resilient earnings structure.

In Japan, we have moved away from a former loss-making structure and currently achieved margins in the low teens. However, fluctuations in inbound demand remain significant, making it essential to strengthen the profitability of local business. We will continue initiatives such as improving workforce productivity and enhancing marketing efficiency through higher e-commerce penetration.

In China & Travel Retail, we have been maintaining margin of over 20%, but we aim to further increase profitability. The key is improving marketing efficiency. The brand value reconstruction. Initiatives implemented to date will now enter a phase of tangible results. Off-line stores will be optimized selectively to provide differentiated brand experiences. Additionally, we will maximize growth and cost synergies through integrated management of China & Travel Retail.

In EMEA, Americas and Asia Pacific, our market share remains in the single digit, so presence is still limited. However, we are confident that our strong brands and technologies provide significant growth potential. By maximizing growth opportunities in priority areas and optimizing costs, we will drive profit improvement.

We are often asked, Shiseido is strong in Asia, but can it really win in Europe and the US. With this medium-term strategy, we intend to address and overcome that doubt.

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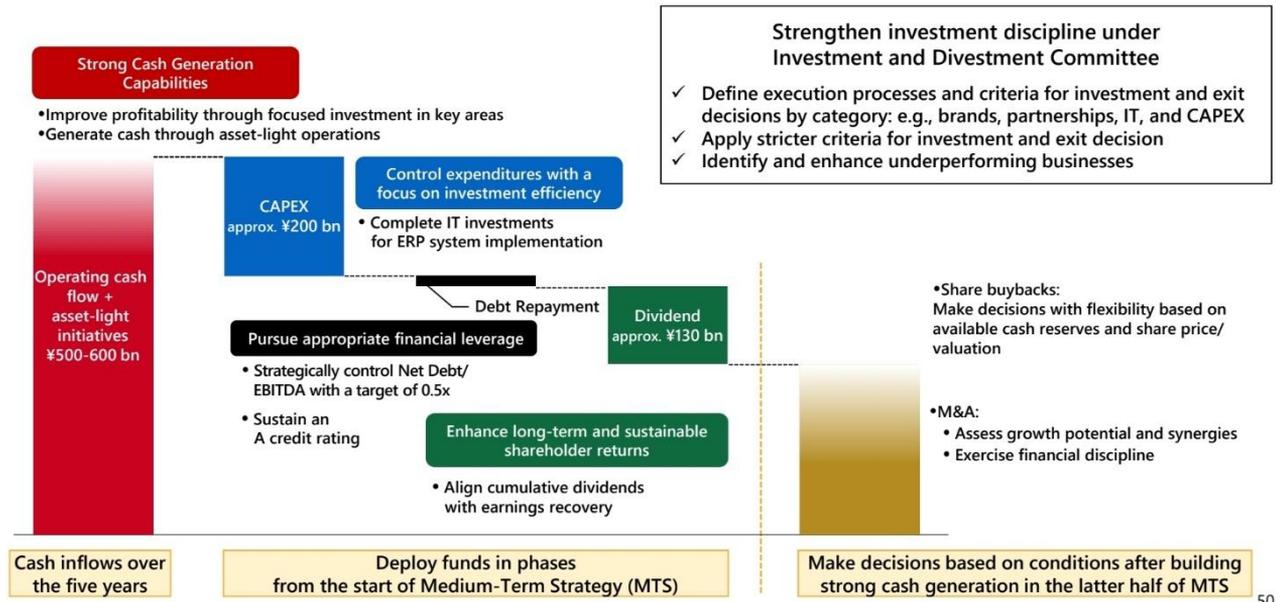
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## Cash Allocation Strategy (Cumulative, 2026-2030)

### Establish Robust Cash Generation to Strengthen Shareholder Returns and Fuel Growth



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Next, I will explain our cash allocation strategy.

Operating cash flow will be primarily driven by improved profitability and inventory turnover, combined with cash inflows from asset-light initiatives, targeting JPY500 billion to JPY600 billion in cash generation over five years. This cash will be allocated with a clear priority order: capital expenditures, debt repayment, and dividends.

Capex have historically been 5% to 6% of sales. But with the completion of IT investment cycles and strengthened investment discipline, we expect this to decline to around 4% next year and approximately 3% by 2030, with a focus on within-depreciation investments going forward.

For interest-bearing debt, we will maintain a credit rating of A and manage with a targeted Net Debt/EBITDA ratio of 0.5x.

Regarding dividends, we plan a total of JPY130 billion over five years, on average of JPY26 billion per year, up from the current JPY16 billion, aiming for stable and sustainable dividend growth in line with business recovery.

In the latter half the period covered by the medium-term strategy, we plan to have enough cash reserves remaining after dividends, enabling flexible share buybacks and strategic M&A under disciplined financial management.

Strengthening financial discipline is central to enhancing Shiseido's corporate value. We have structured the M&A framework, integrating the Americas team into the global headquarters, and established the Investment and Divestment Committee to clarify criteria and screening rules for investment and exit decisions. This will enable the Company to execute disciplined and agile decision-making.

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## Drive ROIC improvement across the Organization

- ROIC-based long-term incentive compensation for all executives and eligible employees (from 2025)
- Operational KPIs linked to ROIC improvement into the individual performance evaluation for annual bonuses of all executives (from 2026)



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Finally, I will discuss the establishment of ROIC-driven management.

Strengthening financial discipline and embedding a ROIC-focused management approach cannot be achieved overnight. However, introducing ROIC as a long-term incentive KPI has been a significant step forward. Starting in 2026, we will also link operational KPIs tied to ROIC improvement to the annual bonuses of all executives. This will be steadily implemented as a power tool to foster a high-performance culture across the Company.

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## Toward Sustainable Corporate Value Enhancement

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**Fujiwara:** Lastly, from myself, I strongly recognize that transforming our organization culture is essential to executing our medium-term strategy going forward. After a few years of rigorous structural reforms, opportunities to pursue new value creation and the enrichment of beauty culture have been lost, and the essence of Shiseido's unique organizational culture has diminished, which is a significant challenge for me personally.

In our newly announced medium-term strategy, while achieving the financial targets as a given, we have also committed to fostering a culture that encourages challenges toward new value creation and an unrelenting focus on delivering results in order to continuously enhance Shiseido's unique corporate value.

Now it's the time to face people and society sincerely, to keep questioning the meaning of beauty, and even in times of difficulty to share genuine value with the world. We aim to nurture more Shiseido people who embody the spirit and to transform our corporate culture accordingly. Through these efforts, we promise to continue achieving essential and sustainable growth, remaining a company that shares new value with consumers around the world.

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一瞬も一生も美しく

In every moment, in every life  
Beauty

In every moment, in every life, beauty. Our history stands as proof that we have always faced people with sincerity, discovered new value, and continue to pursue innovative creation. We believe this is our true strength, the source of our uniqueness that cannot be imitated. Together as one team, we will continue to engage deeply with beauty and share a culture of beauty that enriches people's lives. Thank you very much for your attention.

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## Question & Answer

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**Kuwahara [Q]:** JPMorgan, Kuwahara speaking. Thank you very much for your presentation. Structural reforms must have been really tough, but you are strongly committed to accomplished that, so that's very encouraging. I would like to deep-dive into the new medium-term strategy a bit further by looking at page 24. There seems to be a large gap in CAGR with a range between 2% to 5%. On what condition does it go down to 2%? What are the assumptions behind achieving 5%? Is that just based on market growth rate, or your market share?

Also, regarding the 3% cost optimization effect, as you mentioned about operating expenses and cost of sales, if you are to increase by 3%, that means about JPY30 billion must be saved, which will be quite a bit of work to do. This is my rough estimate. In that case, do you expect SG&A to be lower than 70% or so. Is that what you're thinking? Do you think it would be possible to reduce costs by JPY30 billion without recognizing any extraordinary losses in non-recurring items as in the past? Thank you.

**Fujiwara [A]:** Thank you. I would like to answer to your question about our growth rate assumptions.

In preparing this medium-term strategy, there were many discussions on how we should base our assumptions for the market growth rate. What we have been aiming for this time, too, is that we want to ensure that we achieve growth without being affected by the market. As I explained earlier, we need to grow while creating new markets. Needless to say, it is also the fact that our business is affected by the market. Even when the market growth rate is flat, the 2% growth will be realized through this strategy. The strategy is structured in the way that if the market grow by 3%, we will be able to grow by 5%.

**Hirofuji [A]:** Regarding cost reductions, as Fujiwara explained in his presentation, we have been focusing on cost reductions where the problems and issues are. We believe that there will be an additional 3% opportunity for cost optimization going forward, in the meaning that we will drastically improve efficiency cross-sectionally while advancing companywide optimization. On top of that, the idea behind our current medium-term financial plan is that we will steadily commit to double-digit profitability regardless of the market environment from around 7% to 10%.

On this basis, I would like to refrain from answering to the question as to what timing and how much one-off costs will be recorded at this time. However, as of 2030, we would like to ensure that we eliminate one-off costs and commit ourselves to achieving above double-digit profitability including ROIC.

**Kuwahara [Q]:** Thank you. Let me confirm about this point. With regard to one-off costs, you have once again emphasized asset-light strategy with regard to cash flow management. I am not sure whether this will be offset by profit or loss or not, but if you continue asset-light initiatives, as a matter of course, the losses that have been recognized individually as non-recurring items will be alleviated slightly. In that sense, is it okay to think that this is linked to your remark about dividend increase earlier?

**Hirofuji [A]:** Yes, that is right.

**Kuwahara [Q]:** Understood. Thank you very much.

**Miyasako [Q]:** My name is Miyasako from Mizuho Securities. I would like to ask more about the 2% to 5% sales growth. You have provided your view based on the prospects by brand but not by region. Could you please share your rough estimates or some kind of metrics for sales by region as well?

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**Fujiwara [A]:** We have not disclosed growth rates by region this time, but as Hirofuji explained earlier, we do not expect high growth rate for Japan and China & Travel Retail. So, we will of course pursue growth while creating new markets. On top of that, however, we are considering that there is a fairly large areas of opportunities for growth that will contribute to our profitability as well.

On the other hand, our share in EMEA, Americas, and Asia Pacific is still quite small. In EMEA, SHISEIDO has a high market presence, and we are already exploring the next growth opportunities in skincare and Fragrances. In Asia Pacific, too, SHISEIDO is strong, but Clé de Peau Beauté is still lagging behind its competitors. In addition, in Asia Pacific our fragrance brands still have a lot more opportunities for growth though that will a new market for us to enter and expand going forward.

With regard to the Americas, the largest market, the major theme for us is how to maximize our brand portfolio. We identify significant growth opportunities for each of our brands including SHISEIDO, NARS, Dr. Dennis Gross as well as Fragrances category. In terms of growth rate, please note that the pace is faster in EMEA, Americas and Asia Pacific compared to other regions.

**Miyasako [Q]:** How would you grow SHISEIDO in the Americas? Could you elaborate on that?

**Fujiwara [A]:** This year, too, in the Americas, yes, we continue to struggle with Drunk Elephant. However, SHISEIDO has been achieving solid growth and we plan to re-consider product placement aligned with the U.S. market for that brand .

Another thing to note, as we have announced today Albert Noe will officially become the CEO in the Americas. He is also the person who has brought up SHISEIDO to the second place in EMEA where the competition is very intense, and I believe that he will further ensure the growth of SHISEIDO in the Americas by directly overseeing it.

In addition, we believe SHISEIDO still has a significant for growth in EC channels, and please note that we are identifying a number of growth opportunities there too.

**Miyazaki [Q]:** Miyazaki from Goldman Sachs. Thank you so much for taking my question.

I would also like to hear a little more about the EC channel that CEO has mentioned with respect to sales growth. For the 2% to 5% growth what would be the ratio of EC. Also, there was some talk about you delivered strong EC growth in the Japan Business in the third quarter. In that context, I think you also mentioned that you managed to capture sales outside of the owned.com. So, could you please tell us about the background behind the positive results in Japan and whether that will be linked with your assumptions incorporated in the medium-term strategy along with how you estimate the composition of sales. Thank you.

**Fujiwara [A]:** We do not disclose any specific composition of sales for EC, but I believe that the acceleration of EC seen in China is also occurring in Asia Pacific, Europe and the U.S. without any doubt.

In particular, in the case of Europe, not only do we have experienced a steady increase in sales of owned.com, but also in retailer.com and pure players, and we are now investing aggressively in these areas. In terms of how we will establish our operations, we plan to accelerate in-house productions going forward which will be starting off from China.

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In-house production means that we do not rely on external agents and by looking at EC data we also create content and manage data and actually, I think that will be linked to the use of the AI at the next stage. As we progress, we expect to be able to extend this know-how to Asia Pacific, the U.S., and Europe.

As for Japan, as you mentioned, owned.com is doing very well. I think this is good news. In addition to the good performance of owned.com, which allows us to approach our customers directly, we are also actively expanding into the market for pure players, and by making collaboration with pure players, we are acquiring resources while growing, leading to create a virtuous circle.

Therefore, while this is still a little less than 20% of the total, as we continue to expand this channel further, particularly in Japan with the strength of Beauty Key, we are planning to set up an OMO that links EC and offline going forward.

**Hirozumi [Q]:** My name is Hirozumi from Daiwa Securities. I want to talk a little bit about 2026. A year ago, what you had shown us, the core OP of 7%, it's great that you were able to keep that. But I would like you to clarify this.

For example, in the current fiscal year, when you talked about global cost reduction, it is 7% of the sales of about 1 trillion yen, so it's JPY70 billion. After realizing 36.5 billion this year, I think it's JPY 61.5 billion if you add 25 billion, so I'd like to tell you how visible you are looking at the JPY70 billion.

In addition, the non-recurring items on the back side, with some items reported in the current fiscal year, how much do you expect to recognize non-recurring items in the next fiscal year? Assuming that you will be achieving a operating profit of probably around JPY70 billion yen based on the targeted margin of 7%, how much do you expect to recognize as non-recurring items in the next fiscal year?

**Hirofuji [A]:** The details about how we structure profit for the next fiscal year, we do not disclose any information.

As you commented, we have steadily advanced GTC initiatives this time, and we have completed all the initiatives we have been working on to be materialized next year. In that sense, we are confident that will be added on to profitability overall.

With that in mind, as for the breakdown of sales growth, we are not disclosing any details. But the marginal profits that will be achieved from there, we intend to add that as additional benefits.

**Hirozumi [Q]:** As CEO mentioned at the beginning, JPY25billion is secured, so is my understanding correct that it will be JPY36.5billion + JPY25billion = JPY61.5billion? Is it OK to understand that is already in your sight?

**Hirofuji [A]:** Of course, we are taking other factors into account such as inflation, tariffs, higher expenses needed to achieve sales growth. So, we need to be disciplined in terms of offsetting the cost increases by garnering higher marginal profits driven by sales growth.

**Hirozumi [Q]:** In terms of non-recurring items, what are your expectations from the next fiscal year onward?

**Hirofuji [A]:** At the moment, we do not disclose the details for that as well.

**Hirozumi [Q]:** Then I would like to confirm the actual figures for non-recurring items recognized during the current fiscal year.

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**Hirofuji [A]:** As announced in the full-year forecasts, the amount of non-recurring items has increased substantially to JPY78 billion yen from the initial forecast due to an impairment loss in the U.S. However, I would like to add that a large portion of that, say, about JPY55 billion is non-cash impairment.

Therefore, it does not have an impact on cash dividends. In fact, this year's PL is steadily improving profitability from the perspective of cash generation capabilities. Therefore, the free cash flow has improved significantly from our initial expectations, and we intend to realize the effects of these structural reforms and improve profitability and achieve sustainable growth

**Oliver [Q]\*:** Congratulations on a very strong cash flow generation this year. Could you tell us for next year, 7% operating margin compared to when you set that target, how confident do you feel you can achieve this? Please tell me the probability of realization.

**Hirofuji [A]\*:** I think we would like to be firmly committed to achieving that. I would like to comment that we will achieve this 7%. There are a variety of factors, of course, such as tariffs, inflation, and so on. However, we are firmly committed to reducing costs and the result will be on next year to achieve much better PL structure. We are firmly committed to this.

We are well aware of the corporate culture within our company. I think there were some negative situations this year due to various special circumstances. However, we are always looking forward to further opportunities, and we are firmly committed to them. I think this kind of corporate culture is also important for us, and I think we have a good mindset to achieve these targets for next year.

**Fujiwara [A]\*:** In addition, the part we can realize is the culture within the Company.

In this year, we're also having some extraordinary negative impact. However, the team is always seeking additional or new opportunities in order to achieve our commitment. This is also one of the very strong good points to achieve the next year target.

**Kawamoto [M]:** Thank you very much for the session. I'm Kawamoto from Jefferies. I would like to ask about the future positioning of prestige skincare and how it should be focused. Recently, mass skincare items are becoming more popular due to lower pricing, but do you think the demand for prestige will recover with cyclical growth along with the economic cycle? Alternatively, as most recent example, we have heard that you will start self-sales for ELIXIR in Southeast Asia. In the medium-term strategy, what will be the allocation of prestige and mass in terms of sales in 2030?

**Fujiwara [A]:** Thank you very much for your question. First of all, for skincare, prestige, it is true the mid-price range is gradually contracting or shrinking. And so, the consumers are shifting towards prestige or to the mass. Particularly in the prestige segment, the category seeking higher functionality and new technologies is expanding, specifically in creams and essences. In particular, in the area of aging care where our company is strong, we are seeing upgrades to higher-priced products. Therefore, we believe there is still significant growth potential in this domain, not only in Japan but also globally.

Regarding ELIXIR, we were able to achieve extremely high growth in Japan in the second half of the fiscal year. At the same time, we are taking on the challenge of selling ELIXIR on self-sales in Asia Pacific, as you have just mentioned. We are confident that we can achieve significant growth right now.

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Of course, it's not all about expanding the number of stores, but it's a virtuous circle that is emerging, with the fact that the current self-service sales approach is firmly 1 of the successful examples in Japan being developed in Asia Pacific, and now customers in Asia Pacific are buying Japanese hero products in inbound tourists. Therefore, we will firmly expand this success story in Japan and the hero products that we have nurtured in Japan in Asia Pacific. We believe that ELIXIR will contribute not only to growth but also to earnings by offering self-sales offerings that do not require personal assistance.

In China, too, there was a considerable downturn at one point in time, but once again we will take on the challenge with ELIXIR in China, and we will establish three pillars in skincare category: Clé de Peau Beauté, SHISEIDO, and ELIXIR.

**Kawamoto [Q]:** Looking at page 58, for example, I think that is a major change that you have achieved a double-digit growth for SHISEIDO in Europe. Also, once there was a rumor about the brand due to the impact of treated water, but the situation has completely recovered, and Japan's prestige skincare presence worldwide has become very solid. Is it possible to see it as an ongoing trend from now on?

**Fujiwara [A]:** Yes. In terms of some of the reputation damages that we've had, we believe that that has been recovered. To be honest, K Beauty is expanding its presence across the world. In this context, it is Shiseido's mission to advance global roll-out of J Beauty, and we are committed to delivering Japanese value around the world.

**Ohana [Q]:** Thank you very much. My name is Ohana from Nomura Securities. I would like to confirm the non-recurring items that have been revised this time with addition of JPY55.5 billion and a goodwill impairment loss in the Americas was JPY 47 billion yen, so where the remaining amount of a little less than JPY 8 billion yen coming from? On page 5, I think there was a discussion about a review on personnel at the Global Head Office. Let me confirm whether that part of the cost efficiency initiatives of JPY25 billion yen in the next fiscal year, and therefore not something new in particular.

**Hirofuji [A]:** As you said, this time, the non-recurring item is JPY63.4 billion yen on a cumulative basis, and additionally, we plan to recognize approximately JPY15 billion in the fourth quarter. In that amount, about JPY3 billion is associated with the ERP announced this time. The remainder will be from streamlining of offices, structural reforms, and other initiatives in progress globally. This will be related to structural reform actions including office rationalization. All of these one-off expenses, as well as future initiatives for fixed cost reductions and profitability improvement are being implemented over the medium to long term.

In addition, as I mentioned the financial impact of the ERP and the one-off cost of JPY3 billion yen, but in terms of cost reduction effect, we have not only implemented this ERP, but also continue to keep natural attrition and reduce hiring. Combined with the curtailment of such personnel, we expect a total effect of approximately JPY5 billion on an annual basis. However, as for next year, the retirement of ERP will occur at the end of first quarter, so in that sense, we expect the effect to be slightly less than the annual effect of JPY5 billion next year.

**Ohana [Q]:** Let me double check. Regarding JPY55.5 billion, there is JPY47 billion and JPY3 billion for ERP and another JPY5 billion for office optimization, Is that correct?

**Hirofuji [A]:** That's right. The ERP is JPY3 billion and the rest will be incurred by various factors including structural reforms and one-off charges.

**Ohana [Q]:** So, the costs for reallocation of personnel at the global headquarters has already been reflected.

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**Hirofuji [A]:** Yes, you're right. That was already reflected.

**Ohana [Q]:** The fact that 25 billion yen has secured is that you were able to do everything that you had planned for the time being, So, is it correct to understand that this does not mean there has been an additional increase this time?

**Hirofuji [A]:** Yes, that's correct.

**Yamanaka [Q]:** Hi, this is Yamanaka from SMBC Nikko Securities. I would like to ask you about growth by brand on the page 29. I would like to refine my understanding of this page. On the slide, it talks about profit expansion and gross profit from SHISEIDO, Clé de Peau Beauté, and NARS have increased quite substantially. Based on your presentation, you are aiming for growth in already quite large markets including China and other countries while fostering hero SKUs and areas of growth shown on the following pages. Could you factor in each of these and give us the breakdown by brand, for example, estimated CAGR of roughly low-single-digit?

**Fujiwara [A]:** We would like to refrain from disclosing the breakdown of the figures for each brand, but in terms of profit expansion and growth acceleration, growth rate is naturally higher for Next brands. Originally, Core brands are larger in size or scale, so incrementally the volumes will turn out to be like this, but please note that growth rate is higher for Next.

**Yamanaka [Q]:** Thank you. Regarding Fragrances, which is particularly large in Next brands, the list of brands are shown on page 28. Is it correct to understand that you are expecting the launch of Max Mara to have a significant impact for the brand? or are you expecting to achieve fairly high growth rate across all brands?

**Fujiwara [A]:** First of all, as for brands, the launch of Max Mara from next year will be a major factor. Also, to date, the growth of these existing brands has been focused on EME but now, with Albert Nohe overseeing both EMEA and the U.S, growth of existing brands in the U.S. will be accelerated.

In the U.S., fragrances are a truly large market in the world, and we will invest in areas that we have not been able to until now while accelerating our efforts to achieve growth by taking on challenges. We are confident that we will be able to drive high growth by expanding our new brands and regions

**Kazahaya [M]:** Kazahaya from UBS. My first question is about China & Travel Retail. This time, you have maintained the previous forecasts unchanged despite the revision, and you explained that the situation is better than expected with signs of recovery. Could you to tell us a little more about the current favorable conditions and also how you think about the outlook for the market from Q4 onwards.

**Fujiwara [A]:** For China and the travel retail market, especially the China market, there were some volatile movements with ups and downs, but that situation is now stabilizing. For Q3, the overall market has now turned positive. Especially on the online channel, growth is being driven. In the meantime, we are confident that the online channel has been a key driver of growth overall, and we achieved significant growth in online with strong market share gains in Q3, so we are quite confident.

Also, we expect this positive trend will likely continue into Q4. In this context, Double 11 has started and is almost over, and the results are not bad in some respects, so I believe that China is definitely on a recovery trend.

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However, from next year onward, of course, we need to stay rigorous. The online has been doing well but offline has been quite tough and this year SHISEIDO has been struggling. However such trend is expected to run its course in the next year. Therefore, we expect to achieve growth on the back of a solid business foundation next year.

**Kazahaya [Q]:** Thank you so much. My second question is, on page 41, this is about the evolution of matrix organization that you are going to advance. I'm sorry, I don't understand personally. Hirofuji-san, as a CFO, can you please describe how the finance division will look going forward?

**Hirofuji [A]:** Okay. Then for CFO, the regional headquarter system was adopted. For example, in finance, the regional CFO was reporting to the regional CEO only. Therefore, there was no reporting line for me in the past. As a result of such structure, each region had adopted decisions optimized within the region only. That is my reflection.

We created the regional CFO report line to the headquarter CFO. This allows us to preside over regional financial situations, and risks can be identified at an earlier stage and acted upon. We would like to see good results coming from this structural reform. Of course, the changes in reporting line this time is just one of the first steps. All those difficulties in the past cannot be resolved only with this structure change.

Next year, we will adopt this new organization change. But definitely, we need to uplift skill sets locally at the same time. Continuous initiatives are required. This is a long journey. As I speak to our team, financial governance and discipline have to be adopted going forward. Therefore, we need to pursue overall optimization as a big theme.

**Kazahaya [Q]:** Thank you. The third question. You have announced your medium-term strategy today. How are your employees and business partners? I think you're going to go into a phase where you have to change the mindset of your employees as well as your business partners. You were able to share with us. As a CEO, what kind of messaging do you give to your employees? In order to thoroughly implement this medium-term strategy, how will the management layer take different actions going forward?

**Fujiwara [A]:** Yes, to your point, when we make a plan, that's not the end. We have to penetrate this throughout the system. One thing to mention is that it's not just messaging from myself. With this medium-term strategy, each of the executive officers has shared this content before the official announcement.

In order to really realize this, what do we need in each of the areas? Furthermore, what do we stop doing in areas? The executive officers have already started considering this. What I talked about was more of the overall company globally. From here on, we will start cascading the message down throughout the organization.

For this too, this is really the start for us. Going forward, looking for next year, I would like to speak directly with the employees and travel overseas to speak to the employees in our overseas offices as well. I want to continue to thoroughly penetrate and execute the medium-term strategy, and if needed, adjust it or make adjustments if needed, but thoroughly make sure to cascade this throughout the organization globally.

**Koguchi of Mitsui Sumitomo Trust Asset Management [Q]:** As CFO, you explained your strategy toward 2030. I fully understand. But as the representative executive officer, beyond 2030 or even 2040, how would you like to see Shiseido eventually in the very long term? What is your perspective?

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**Hirofuji [A]:** Personally, as we want to achieve a global beauty company, we would definitely like to achieve that, and we have a strong mind. To this end, we undertook a series of structural reforms, and we have a growth plan while being more selective and trying to drive growth. That is our approach to craft this medium-term strategy together with Fujiwara-san. Both small-sized global brands can grow and shine eventually in 2030. That kind of bright future can be achieved. If that happens, the true global company can be embodied.

**Koguchi [Q]:** Thank you. Maybe I will turn to Fujiwara-san. It's a follow-up question. Like every moment, every minute, beauty. This slogan was selected. Can you please describe it once again, imprecisely, because you had a strong determination to select this, right?

**Fujiwara [A]:** In every moment, in every life, beauty. When we crafted that, it was very difficult for us to foresee the market future. In our unique way, trying to grow the Company, we should not be controlled by market growth. How can we ensure that? That was the kind of discussion we had.

To do that, we need to leverage our core value. What does that mean? Our new cosmetics culture will be built through our core value, which is our strength as well as our pride. That's back to basics. Shiseido has not been looking at the market, if I may say, we were looking at the people. We were looking at the consumers and always focusing on people.

As we continue to do so, what can we do? We can be close to people or customers. We also want to deliver beauty in their daily lives. This slogan is the most suitable from that perspective. It could be more trend-relevant, or sometimes people may experience more dispersion or division in isolation, perhaps such a slogan or word will be more relevant than in the past.

Of course, this slogan, once again to reaffirm, has a big commitment and also needs some confidence, but we believe that this slogan is more relevant to us right now.

**Miyake [Q]:** While you have talked about your long-term perspective, I am afraid that this will sort of unwind your explanation. In the plan for FY2030, you mentioned earlier that you want to make sure that there will be virtually no difference between core operating profit and actual operating profit, but the 5-year is still a little long period, so I would like to see the image of trajectories for net sales, core operating profit, net profit, respectively. This is because you are considering a scenario that sales will remain flat amid uncertain environment, and I think you are identifying some risk factors towards the next fiscal year onwards, leading to conservative sales projections for the first half of the period or are you looking at sales with a cautious stance in a long run after a period of acceleration on a rebound? Conversely, if the benefits of cost reductions will be realized in the back end along with cumulative increases in profit, then the effects of cost reductions will be pushed forward. So I would like to have an image of what kind of trajectory you are expecting to see in terms of costs and sales. I think there will be a time lag in terms of when the results will be recognized. Thank you very much.

**Hirofuji [A]:** I apologize that we can't disclose everything to you in detail. However, we don't plan to have such a volatile forecast. For sales, too, for now, we have a quite linear target or forecast. Of course, there are different reforms and initiatives that we are doing and should continue doing. As for that, we will continuously pursue structural reforms and we will be achieving the double digit in 2030 to that end. We are committed to doing that steadily, starting with what we can do as quickly as possible. At this point, we are unable to provide any details about when the costs will be recognized going forward.

**Fujiwara [A]:** Looking at the overall optimization or global optimization or across value chain overall, this time, as I have been doing the structural reforms over the past two years, I have been feeling that when you see

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the big chunk of the reform, it's easier to just go ahead and execute individually. But while we are executing, we came across with ideas such as "it may be more effective if we look at the entire value chain" or "while this is an issue for supply chain, but would be even more effective if brand holders and research laboratories can collaborate simultaneously."

This time, the global organizational structure and the corporate functions are more cross-divisional. Because of these reasons, I would like to take immediate actions for total optimization, rather than just working on the areas in our focus right now or partial optimization of regions. Of course, I think that there will be some time lags in terms of realization of the effects, but if we start this at an early stage, earlier the effects will be realized. The fact that this is an increase of 3 points is that we will steadily set the agenda for 2030, and we will proceed with the cross-functional team. I think that there will be other factors such as market growth, higher sales driven by our value creation to boost our profitability.

Nevertheless, the market is dynamic, so as management, we want to do our business with a bit of flexibility. If we commit to a specific figure, inevitably, we concentrate our efforts too much on achieving that target. Of course, we will always pursue aspirational goals or targets, we want to avoid carrying a higher debt in the future by trying too hard. So, we have a bit of flexibility incorporated in the medium-term strategy towards 2030.

**Miyake [Q]:** Thank you very much. If I could just have a follow-up question. The cost was down by three points for various reasons as some are attributed to operational factors or fixed cost reductions. But do you have any image of what the allocation will look like in terms of fixed costs versus, for example, variable costs?

**Hirofuji [A]:** I will refrain from disclosing any specific details of that at this time, but I would like to steadily work on the cost optimization initiatives provided on the right side of page 48.

**Miyake [Q]:** Did you say that the actual screening will be done by cascading down all factors from now on and will be refined more?

**Hirofuji [A]:** We've already set up a menu to some extent, and we're at the stage where we need to hit the right spot and execute. Above all, I strongly believe that we must continue to make efforts to change our corporate culture with respect to profitability and we have been continuously working on that in order to be an organization that can steadily generate ROIC above WACC towards 2030.

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

[END]

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