



Shiseido Company, Limited

FY2025 Financial Results (January-December)

February 10, 2026

Event Summary

[Company Name]	Shiseido Company, Limited	
[Company ID]	4911-QCODE	
[Event Language]	JPN	
[Event Type]	Earnings Announcement	
[Event Name]	FY2025 Financial Results (January-December)	
[Date]	February 10, 2026	
[Time]	17:30 – 18:46 (Total: 76 minutes, Presentation: 36 minutes, Q&A: 40 minutes)	
[Number of Speakers]	3	
	Kentaro Fujiwara	Director, Representative Corporate Executive Officer, President and CEO
	Ayako Hirofuji	Representative Corporate Executive Officer, Chief Financial Officer, Chief Officer
	Yuki Oshima	Vice President, Investor Relations Department

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Presentation

Hirofuji: I will now explain our 2025 financial results.

2025 Results and 2026 Outlook: Key Highlights

**Achieved strong earnings recovery with sound financial position;
Our initiatives bearing fruit, improving capital efficiency**

- **Core OP: ¥44.5 bn; Core OP Margin: 4.6%**
 - Realized tangible results through enhanced financial discipline, driving structural reforms and cost efficiencies despite a YoY sales decline
 - Delivered profit well above the initial target of ¥36.5 bn
- **Free Cash Flow of ¥66.5 bn**
 - Boosted by working capital improvement and CAPEX optimization
- **Net Sales: largely in line with estimates, regaining momentum in 2H**
 - Key brands delivered +4% net sales (Lfl*) growth in 2H
 - Market share gains in Japan local, China, and Asia Pacific
 - Americas faced continued challenges in Q4, whereas China & Travel Retail sustained their recovery momentum
- **2026 Targets: Core OP Margin 7%; ROIC 5%; ROE 7%; Free Cash Flow ¥50.0 bn**
 - Accelerate sales and profit growth fueled by new product launches featuring cutting-edge innovations, driving significant improvement in financial KPIs
 - 2026: Plan to increase the annual dividend to ¥60 per share, up from ¥40 in 2025

* 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 (%) in Lfl net sales for Key brands (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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First, on page 3, I will explain the key points of our 2025 financial results and 2026 outlook.

Throughout this past year, our business has focused on improving both our revenue structure and capital discipline, establishing a solid financial foundation capable of consistently generating profits. The numerous initiatives we have implemented are now yielding results. While we remain on an improvement trajectory, tangible changes in the quality of our business are evident.

Crucially, these improvements extend beyond cost reductions and are beginning to enhance capital efficiency. We will continue our management efforts to achieve both sustainable growth and improved capital efficiency.

For FY2025, core OP reached JPY44.5 billion with a core OP margin of 4.6%. Despite the revenue decline environment, the results exceeded the initial plan of JPY36.5 billion due to the steady execution of structural reforms and cost management. This marks the first time in four years that we have met our initial plan. We recognize this as a step forward in terms of strengthening financial discipline and improving the stability of our performance.

Free cash flow also improved significantly to JPY66.5 billion, driven by the improvements in working capital and the review of capital expenditures. Sales momentum recovered in H2, and the full-year results were largely in line with expectations.

Our key brands led overall growth with a plus 4% growth year-on-year on a like-for-like basis in H2. Market share expansion is progressing in Japan local, China, and Asia Pacific. While the Americas Business faced challenges in Q4, the China & Travel Retail Business is showing steady recovery trends.

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For FY2026, we target a core operating margin of 7%, capital efficiency metrics of ROIC 5%, ROE 7%, and free cash flow of JPY50 billion.

Amid ongoing business uncertainty, we will prioritize flexibility and speed, simultaneously driving sales and profit growth through innovation while improving financial KPIs. This year, we will see more clear progress in capital efficiency improvement, marking a crucial year as we advance to the next growth phase. Based on this improvement of cash generation and the progress in financial discipline, we plan to increase the annual dividend for FY2026 to JPY60 per share.

2026 Forecast

Unwavering commitment to 7% Core OP margin target; Sharpen focus on improving FCF and capital efficiency; Increase dividends to enhance shareholder returns							
(Billion yen)	2025	2026	% of Net Sales	YoY Change	YoY Change %	YoY FX-Neutral %	YoY LFL*1%
Net Sales	970.0	990.0	100%	+20.0	+2%	+2%	+3%
Core Operating Profit	44.5	69.0	7.0%	+24.5	+55%		
Non-recurring Items	-73.3	-10.0	-1.0%	+63.3	-		
Operating Profit	-28.8	59.0	6.0%	+87.8	-		
Profit (Loss) before Tax	-27.7	60.0	6.1%	+87.7	-		
Profit (Loss) Attributable to Owners of Parent	-40.7	42.0	4.2%	+82.7	-		
EBITDA*2	95.2	119.0	12.0%	+23.8	+25%		
Free Cash Flow	66.5	50.0	5.1%	-16.5	-25%		
ROIC*3	-2.0%	5%					
ROE	-6.6%	7%					
Dividend (yen/per share) (Forecast)	40	60					
	Interim: 20 Year-end: 20	Interim: 30 Year-end: 30					

Non-recurring Items: - ¥10.0 bn

- Production/logistics and office optimization
- Other structural reforms

Exchange rates for 2025: USD/JPY: 149.7 EUR /JPY: 169.0 CNY/JPY: 20.8
Assumed Exchange rates for 2026: USD/JPY: 150 (+0.2% YoY) EUR /JPY: 170 (+0.6%) CNY/JPY: 20.5 (-1.5%)

*1 Excluding the impacts of foreign exchange translation, and business transfer *2 Core Operating Profit + Depreciation and Amortization (excl. depreciation of right-of-use assets)
*3 The statutory tax rate is used for 2025 calculation

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Page 4 outlines the full-year outlook for 2026.

We anticipate significant YoY improvement across all reporting items. We expect to recognize cost of JPY10 billion in non-recurring items this year as we continue to implement structural reforms, including optimization of production, logistics and office spaces.

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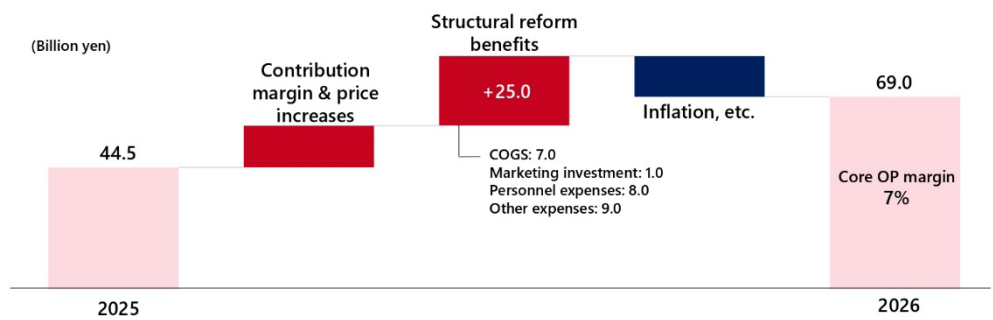
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2026 Core OP Forecast

**Pursue growth through targeted investments even in times of uncertainty;
Deliver on our targets, underpinned by structural reform gains and firm financial discipline**

- Risks and Opportunities:**
- ⊕ Maximize sales by strategic investment
 - ⊕ Agile cost management
 - ⊖ FX impact
 - ⊖ Prolonged Japan–China tensions; Impacts reflected only through Q1 in the current plan
 - ⊖ Deterioration in market conditions, competition in Americas
 - ⊖ Other geopolitical risks



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We will now explain the key points for each item. Page 5 shows our core OP forecast.

The business environment surrounding our company continues to be characterized by numerous volatile factors, including geopolitics, market trends, and exchange rates. Amid this, we will continue to focus investments in key areas, firmly capture recovery in momentum seen since H2 last year, and achieve sales growth. Strategic price revision will continue in FY2026. Regarding the effects of structural reforms, since actions were implemented in FY2025, the realization of JPY25 billion benefits is assured. In addition to these factors, we factor in wage increases, reflecting global inflation and tariff costs, projecting core OP of JPY69.0 billion with a 7% core OP margin.

We anticipate FY2026 will be a year that our assumptions will likely be susceptible to changes. We will heighten our sensitivity to the change, identify risk early, and adjust our approaches as circumstances require to achieve our targets. While the extent of the impact of deteriorating Japan-China relations remains uncertain, our plan incorporates this impact through Q1. Therefore, we plan for relative improvement in Q2 and beyond compared to Q1.

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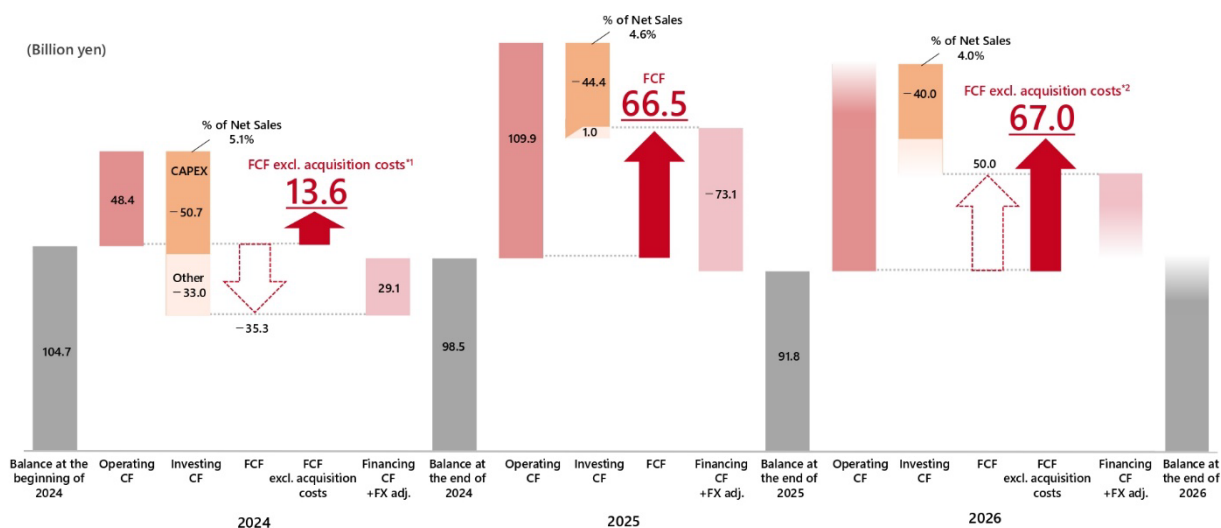
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Driving Stronger Cash Generation

FCF improvement driven by higher profitability and efficiency in WC and CAPEX



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Next, on page 6, I will talk about strengthening cash generation capability.

Our 2030 medium-term management strategy established a robust cash generation capability and a clear cash allocation priority, growth investment, debt repayment, and dividends. Progress aligned with this policy is already evident in our results.

Free cash flow, excluding acquisition-related expenditures, significantly improved from FY2024 to FY2025, reaching JPY66.5 billion. This improvement was primarily driven by the enhanced profitability, strict inventory management, and working capital optimization. We will continue to strengthen investment discipline in FY2026 to maintain high cash generation capabilities.

The ratio of capital expenditures to sales decreased from 5.1% in FY2024 to 4.6% in FY2025 and 4% in FY2026. IT investment has been completed, and we will discipline our allocation of resulting free cash flow to dividends and interest-bearing debt repayment, and thoroughly prioritizing and scrutinizing necessity based on the return. We will continue to achieve stable free cash flow growth going forward.

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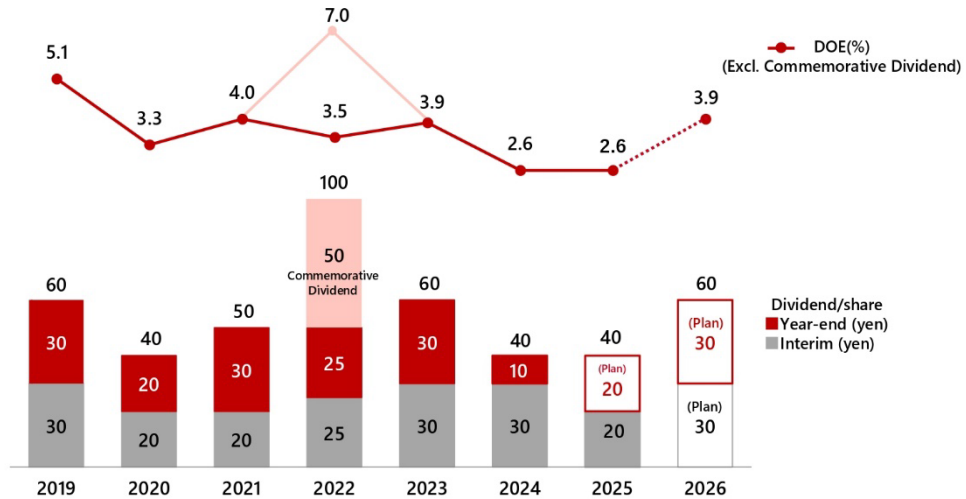
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Dividend

Enhance shareholder returns on the back of a reinforced profit model built through structural reforms, with a planned dividend increase in 2026;
Ensure sustainable shareholder returns based on strong cash flow projections

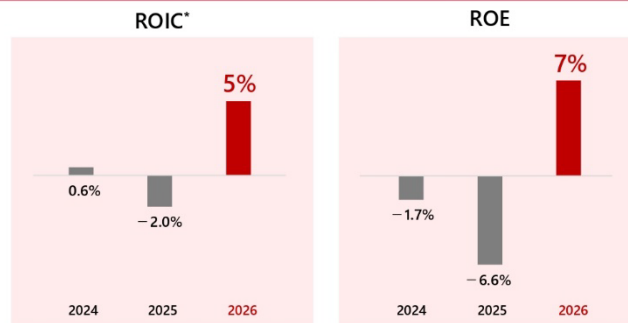


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Next, regarding dividends on page 7, over the past full-year, steady execution of our action plan has yielded results exceeding our plans for both core OP and free cash flow. Alongside this performance improvement, our confidence in the financial outlook for the future has strengthened. This dividend increase is not based on the short-term performance fluctuations. It stems from our judgment that stable shareholder returns over the medium to long term are achievable through the improvement of our business foundation. Growth investment remains our top priority, and we have no intention of implementing shareholder returns in a way that compromises this capacity. We position this dividend increase as one of the decisions demonstrating our transition to management that balances growth and returns.

Our Initiatives to Yield Tangible Results; Set to Drive Significant Improvement in Capital Efficiency

- Pursue growth and cost optimization to deliver a Core OP margin of 10% or more by 2030
- Boost capital efficiency
 - Asset-light: sale, lease termination, relocation of real estate properties, asset monetization
 - Pursue operational excellence
- Embed ROIC management culture across the organization
 - Long-term incentive-type remuneration: ROIC-based indicators for executives and eligible employees
 - Annual Incentive: Implementation of ROIC-linked operational KPIs for executive evaluations underway



* The statutory tax rate is used for 2024 and 2025 calculation

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Next, page 8 regarding capital efficiency improvement. While both ROIC and ROE were significantly negative this period due to goodwill impairment in our Americas business, we anticipate substantial improvements in FY2026 through profit recovery and enhanced asset efficiency. Beyond profit improvement, we have been working to enhance asset efficiency through rigorous investment discipline and reevaluating the utilization of held assets. Going forward, we will also focus on improving global operations. To ensure these initiatives are not temporary but become deeply ingrained throughout the organization, we are introducing ROIC as a KPI for evaluation, starting with management.

2025 Executive Summary

(Billion yen)	2024	% of Net Sales	2025	% of Net Sales	YoY Change	YoY Change %	YoY FX-Neutral %	YoY Lfl ^{*1} %
Net Sales	990.6	100%	970.0	100%	-20.6	-2%	-2%	-2%
Core Operating Profit	36.4	3.7%	44.5	4.6%	+8.2	+22%		
Non-recurring Items	-28.8	-2.9%	-73.3	-7.6%	-44.5	-		
Operating Profit (Loss)	7.6	0.8%	-28.8	-3.0%	-36.4	-		
Profit (Loss) before Tax	-1.3	-0.1%	-27.7	-2.9%	-26.4	-		
Income Tax Expense	8.0	0.8%	12.0	1.2%	+4.0	+50%		
Profit (Loss) Attributable to Owners of Parent	-10.8	-1.1%	-40.7	-4.2%	-29.9	-		
EBITDA ^{*2}	89.6	9.0%	95.2	9.8%	+5.7	+6%		
Free Cash Flow	-35.3	-3.6%	66.5	6.9%	+101.8	-		

Net Sales:	YoY (Lfl ^{*1})	-2%	YoY revenue decline driven by China & Travel Retail and <i>Drunk Elephant</i>
Core Operating Profit:	YoY change	+¥8.2 bn	Lifted by structural reform benefits and tighter group-wide cost management
Non-recurring Items:	2025	-¥73.3 bn	-¥3.1 bn incurred by the early retirement program at the global HQ, -¥46.8 bn goodwill impairment loss in the Americas Business, cost of structural reforms, etc.
Free Cash Flow :	YoY change	+¥101.8 bn	Higher profitability / working capital and CAPEX optimization, etc. 2024 FCF impacted by cash outflow associated with the acquisition

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

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Next, on page 9, we explain the actual results.

For FY2025, sales were JPY970 billion with a real growth rate of minus 2%. This was slightly below the sales outlook communicated in Q3, primarily due to changes in our Americas business. Core OP was JPY44.5 billion. Growth in our key brands improved product mix, while enhanced company-wide cost management and structural reforms effects significantly contributed to an increase of JPY8.2 billion. Nonrecurring items included JPY73.3 billion in expenses, with Q4 containing costs related to the voluntary retirement program at the global headquarters. Free cash flow increased JPY101.8 billion, driven by improved profitability, working capital optimization centered on enhanced inventory management, careful capital expenditure review, and the reaction to last year's acquisition-related expenditures.

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Core Operating Profit: Reinvest Fixed-cost Savings to Accelerate Growth

(Excluding Non-recurring Items)

(Billion yen)	2024	% of Net Sales	2025	% of Net Sales	YoY Change	YoY %	Pts Difference
Net Sales	990.6	100.0%	970.0	100%	-20.6	-2.1%	-
COGS	236.4	23.9%	225.6	23.3%	-10.9	-4.6%	-0.6pts
Gross Profit	754.2	76.1%	744.4	76.7%	-9.7	-1.3%	+0.6pts
SG & A	723.3	73.0%	702.9	72.5%	-20.4	-2.8%	-0.6pts
Marketing investments	283.3	28.6%	284.0	29.3%	+0.6	+0.2%	+0.7pts
Brand development / R&D	38.6	3.9%	37.1	3.8%	-1.5	-3.9%	-0.1pts
Personnel expenses*	227.7	23.0%	216.7	22.3%	-11.0	-4.8%	-0.6pts
Other SG&A	173.7	17.5%	165.2	17.0%	-8.5	-4.9%	-0.5pts
Other Operating Income / Expenses	5.5	0.6%	3.0	0.3%	-2.5	-45.5%	-0.2pts
Core Operating Profit	36.4	3.7%	44.5	4.6%	+8.2	+22.4%	+0.9pts

COGS : COGS ratio improved with brand / product mix improvement, lower allowance for excess inventory write-offs, etc.

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

Personnel expenses* : Lowered by structural reform benefits in Japan, China & Travel Retail and Americas offsetting an increase in bonus provision

Other SG&A : Reduced by the structural reforms, agile cost management, etc.

* Including POS personnel expenses

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Next, page 10 shows the breakdown of core OP.

First, COGS was 23.3%, an improvement of 0.6 points from the last year. Although the production cutback from Drunk Elephant impacted cost, a large excessive inventory write-off allowance last year was reduced, and brand and SKU mix improved.

The marketing investment ratio increased 0.7 percentage points to 29.3% as we continue to invest in key brands to strengthen our brand foundation and accelerate growth. Personnel expenses decreased by JPY11 billion YoY, a 0.6 percentage point improvement in composition. Following Q3, there was an increase in bonus provisions in Q4 compared to last year. However, this was outweighed by the effect of restructuring in Japan, China & Travel Retail, and Americas, resulting in significant improvement in the personnel expenses ratio. Other SG&A decreased by JPY8.5 billion, reflecting the positive impacts of structural reform in the Americas and company-wide cost management. As a result, we have redirected the reduction in fixed costs, primarily personnel and other expenses, to marketing investments aimed at accelerating future growth, improving margins and creating a resilient P&L structure for higher profitability.

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Net Sales YoY by Region: Stronger 2H Momentum, while Q4 Challenges Remained in Americas

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

^{*1} Excluding the impacts of foreign exchange translation, business transfers and acquisitions

^{*2} To adopt an integrated approach to Chinese consumers and to maximize value creation, the Company implemented changes to its organizational structure as of March 31, 2025, along with change to its reportable segment which have been reflected in 2025

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Next, page 11 shows sales trend by region.

In Q4, sales increased by 1 percentage. In Q3, there was a significant increase due to the impact of advanced shipment in China & Travel Retail and low hurdles in EMEA. Smoothing these factors out, the sales increased by 2% in H2 with our key brands driving growth at plus 4%. The Americas continued to struggle in Q4, and we will quickly address this issue. However, overall, we believe momentum is steadily improving in H2.

Japan: Key Brands Delivered Strong Growth, Driven by Our Innovation Strategies, and Improved Profitability Significantly

(Billion yen)	FY2024	FY2025	YoY Change	YoY %
Net Sales	294.3	295.3	+1.1	+0.7% ^{*1}
Core OP	25.9	39.0	+13.1	+50.6%
Core OPM	8.8%	13.1%	-	+4.4pts

Q4 Market

- Local: Modest growth continued
- Inbound: Visitor numbers kept rising, despite lower Chinese travelers; Growth softened as department store declines persisted

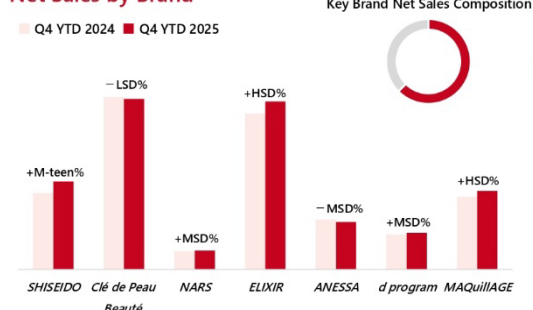
Q4 Consumer Purchases

- +LSD%; local core brands^{*2} drove growth, expanding share gains
 - Local: +LSD% EC: +H-teen%
- New products from *SHISEIDO* and *ELIXIR* maintained momentum
- Inbound: -HSD%
- Domestic-overseas price gap narrowed amid intensified price competition in China
- ELIXIR* and *IHADA* benefitted from digital strategy targeting tourists

Q4 YTD Net Sales & Core Operating Profit

- Higher gross-margin driven by brand & SKUs optimization
- Strong profit gains driven by structural reforms and higher productivity

Net Sales by Brand^{*1}



^{*1} Excluding the impact of business transfers ^{*2} *SHISEIDO*, *Clé de Peau Beauté*, *NARS*, *ELIXIR*, *ANESSA*, *d program*, *MAQUILLAGE*



SHISEIDO



ELIXIR

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Next, on page 12, is an explanation of each region.

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First, Japan, while the number of Chinese tourists has declined since December, slowing the inbound market, local markets continue to experience moderate growth. Regarding the customer purchase, local key brands continue to grow and expanded our market share for three years in a row. E-commerce also grew steadily.

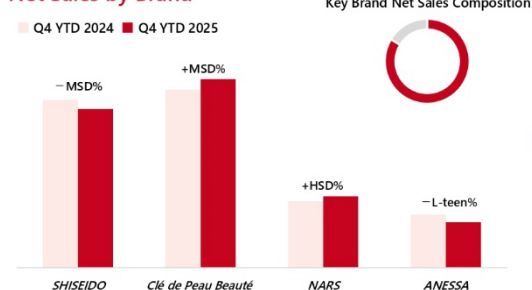
New products from key brands continue to drive growth in Q4. SHISEIDO, New Ultimune, which was relaunched in H1, continued to grow strongly. SHISEIDO's powder launched in September, and the ELIXIR wrinkle cream relaunched in September. For the first time in two years, both performed well. While inbound sales remained challenging, ELIXIR and IHADA brands performed well thanks to the success of strengthened digital advertising targeted to travelers. We will continue to seek growth opportunities and allocate investment aligned with the market environment.

Core OP increased by JPY13.1 billion. Gross profit margin improved through brand and SKU selection and concentration. Structural reforms, such as reduced personnel expenses and more efficient marketing investments, contributed to 4-percentage points YoY improvement in margin to 13%.

China & Travel Retail: Continued Recovery with China Share Gains and Growth Driven by *Clé de Peau Beauté* and *NARS*; Fixed-cost Reduced via Structural Reforms

(Billion yen)	FY2024	FY2025	YoY Change	YoY %
Net Sales	357.8	342.2	-15.5	-3.5%*
Core OP	72.0	64.5	-7.5	-10.4%
Core OPM	19.9%	18.7%	-	-1.2pts

Net Sales by Brand*



* Excluding the impacts of foreign exchange translation and business transfers

Q4 Market

- China: delivered growth led by prestige, although fierce price competition continued during Double 11
- Travel Retail: Hainan Island returned to a recovery trend, but continued to be weighed down by subdued consumer spending overall

Q4 Consumer Purchases

- China: +LSD% Offline: -LSD% EC: +MSD%
- Achieved above market growth during Double 11, lifted primarily by the strength of key brands
- *Clé de Peau Beauté* and *NARS* continued strong growth with *SHISEIDO* returning to growth
- Mainland China delivered YoY growth in both Q4 and full-year
- Travel Retail: -M teen%
- YoY decline narrowed, continued tight inventory management

Q4 YTD Net Sales & Core Operating Profit

- Net sales exceeded the initial target albeit YoY decline
- Strengthened marketing investments amid fierce market competition
- YoY profit decline was partly offset by fixed-cost reductions and cost discipline

Next, page 13, China & Travel Retail, while price competition due to discounts remained intense during the Chinese Double 11, the overall market grew, led by prestige brands. Chinese consumer spending continued to grow at a low single-digit rate. Our growth outpaced the market during Double 11, primarily driven by e-commerce, and we also expanded our market share. *Clé de Peau Beauté* and *NARS* maintained strong momentum throughout the year. *SHISEIDO*, which turned positive in Q3, accelerated growth in Q4. Mainland China posted positive growth in Q4 and the full-year.

While the travel retail market remains challenging, signs of recovery are emerging in Hainan Island. Our customer purchases fell in the mid-teens, but the YoY decline narrowed. Meanwhile, net sales remained positive in Q4 for the two consecutive quarters. Healthy inventory levels are maintained and we will continue to manage them appropriately.

While net sales declined YoY, they exceeded our initial plan, and we are seeing a recovery trend from H2. While the deterioration in Japan-China relations impacted some customer purchases in December to a certain extent, the overall impact on net sales for the year was limited. While marketing expenses increased

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in Q4 in preparation for Double 11, we managed to limit the decline in profits throughout the year through structural reforms with fixed cost reduction and cost management. Core OP was JPY64.5 billion, and the profit margin was 18.7%, maintaining high profitability.

Americas: Profit Decline Mitigated by Structural Reforms and Cost Management

(Billion yen)	FY2024	FY2025	YoY Change	YoY %
Net Sales	118.5	106.6	-12.0	-9.5%*1
Core OP	-9.2	-11.6	-2.3	-
Core OPM	-7.4%	-10.4%	-	-3.0pts

Q4 Market*2

- Maintained YoY growth, albeit lower-than-expected

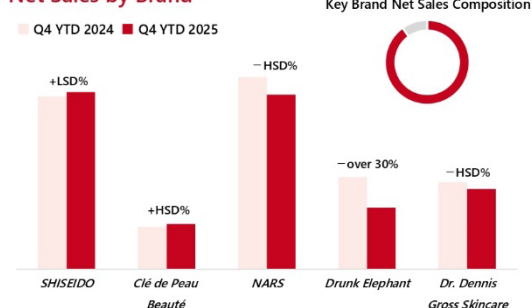
Q4 Consumer Purchases*3

- -HSD%
- *Drunk Elephant*: YoY decline continued
- *Dr. Dennis Gross Skincare*: faced challenges amid fierce market competition

Q4 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

Net Sales by Brand*1



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

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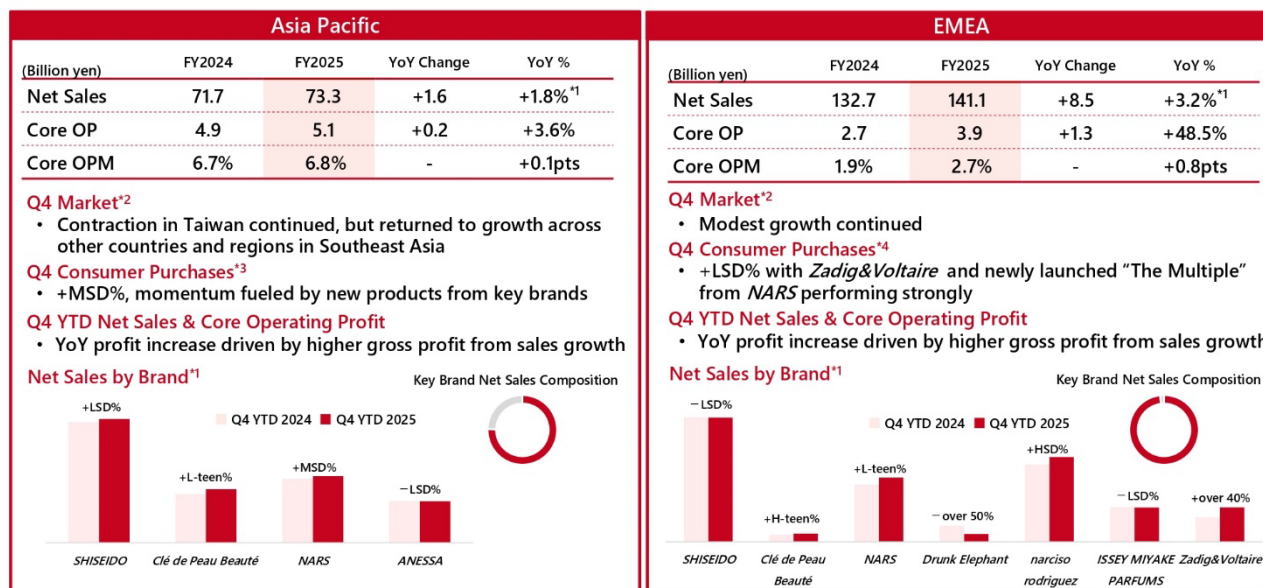
Next on page 14, the Americas, customer purchases were down by a high single-digit percentage in addition to the negative impact from Drunk Elephant, which underwent inventory cleanup in preparation for its rebranding in 2026. Dr. Dennis Gross Skincare also saw a decline due to an increased competition from low-priced products in the core products. Meanwhile, Clé de Peau Beauté's base makeup continued to perform well. Core OP was a loss of JPY11.6 billion. The decline in gross profit due to lower sales, the tariff impact as well as lower profit driven by higher COGS resulting from the weakness of Drunk Elephant was substantially mitigated by the structural reform benefits and cost management, including the workforce reduction implemented in July last year, reduced procurement and other costs and expenses.

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Asia Pacific: Market Returned to Growth, with Our Innovation Driving Share Gains EMEA: Fragrances Continued Strong Growth, Contributing to Steady Profit Gains



^{*1} Excluding the impacts of foreign exchange translation and business transfers ^{*2} Prestige market

^{*3} Data coverage: 10 countries and regions in the Asia and Oceania regions including Taiwan, South Korea and Thailand

^{*4} Data coverage: France, UK, Germany, Italy and Spain

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Next, page 15 covers Asia Pacific and EMEA.

First, the Asia Pacific, while Taiwan, our largest business in size, continued to experience a YoY decline in Q4, but other Southeast Asian countries and the regions recovered, resulting in overall growth. Customer purchase grew strongly, thanks to the launch of major new products of Clé de Peau Beauté, NARS, and ELIXIR. Especially, ELIXIR has achieved rapid growth, thanks to our successful and effective channel expansion strategy, which strengthens the self-sales channel, including e-commerce. The scale is still small, but we expect our sales to grow going forward. Core OP also increased.

In EMEA, the growth was driven by fragrances, particularly Zadig&Voltaire, and as well as a new product launched from NARS, "The Multiple." The core OP increased by JPY1.3 billion YoY.

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Progress on Structural Reforms and Global Cost Reduction

**2025: Realized ¥27.0bn cost reduction benefits ahead of the target;
2026: on track to achieve ¥25.0bn benefits with all actions completed in 2025**

(Billion yen)

		2025	2026
COGS	<ul style="list-style-type: none"> • Selection and concentration of brands and SKUs, strategic price increases • Improve factory production line efficiency, etc. 	4.0	7.0
Marketing investments	<ul style="list-style-type: none"> • Optimize promotional costs, increase marketing ROI • Expand local production and operational efficiency of samples 	2.0	1.0
Personnel expenses	<ul style="list-style-type: none"> • Optimize organization structure, improve productivity • Streamline corporate functions to enhance operational efficiency, etc. 	15.0	8.0
Other SG&A	<ul style="list-style-type: none"> • Reduce outsourcing cost • Reduce depreciation: system optimization and integration, selective new investments • Other cost savings: logistics optimization, efficient office management, etc. 	6.0	9.0
Total		27.0	25.0+

The chart shows the breakdown of cost reduction benefits by region. For 2025, the total is 27.0 billion yen, with Japan contributing the largest portion. For 2026, the target is 25.0+ billion yen, with a similar regional distribution.

16

Next, page 16 shows the progress on the global cost reduction and structural reforms.

We achieved cost reduction of JPY27 billion in 2025, exceeding the initial plan of JPY25 billion. Furthermore, the structural reforms we undertook in 2025 is expected to steadily contribute to our performance in 2026. However, to achieve our financial targets for 2030, it is essential that we promote cost efficiency more deeply and broadly. We will accelerate optimization with an eye on the entire value chain and build a stronger business structure. 2026 will be the very critical year for implementation.

Thank you for listening. That is all from me.

Fujiwara: Now, I will explain the result of 2025 and plan for 2026. For Shiseido, 2025 was not merely a year of structural reforms. It was the year we completed the most critical foundation for future growth. We implemented painful reforms and worked to transform our organizational structure and corporate culture into a company that delivers results as one team, and the results are reflected in the numbers. Today, I will share two points: how the management reforms we've advanced over the past two years have built a management foundation equipped with profitability and structure, and how we achieve strong growth in 2026 based on this foundation.

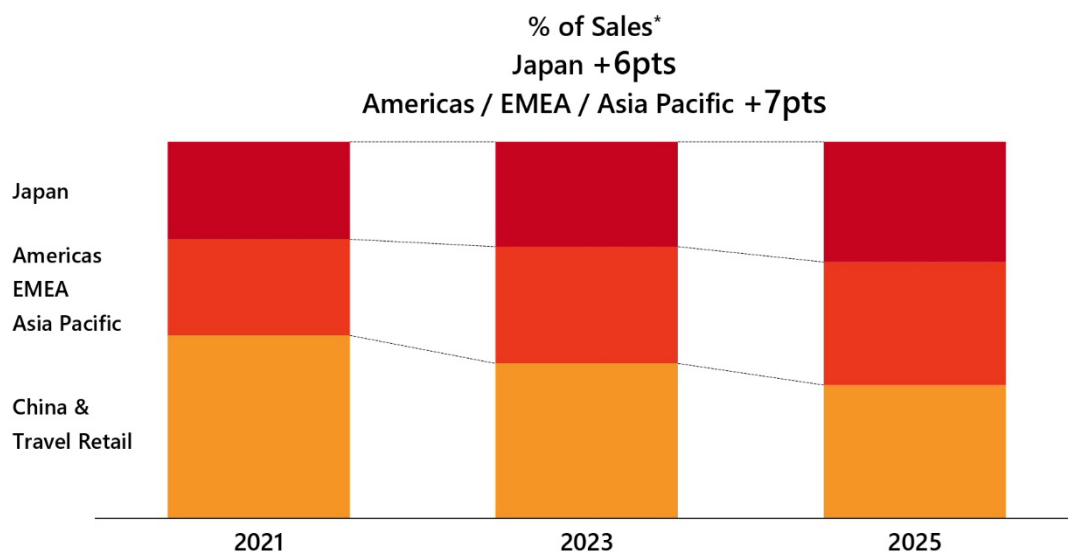
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Delivering Stable Profit Growth Enabled by Diversified Regional Footprint



* 2025 vs. 2021, excluding the impact of FX and business transfers

18

First, regarding the transformation of our business structure, our excessive reliance on the Chinese market has been steadily and irreversibly corrected, as intended. Despite challenging conditions, our China & travel Retail Business has steadily strengthened its profitability through cost structure reforms, maintaining high margins. We are now positioned to translate future market recovery into sustained profit growth. Furthermore, in Japan, EMEA, Americas, Asia Pacific, and at the global headquarters, we have significantly improved profitability through the correction of a high fixed-cost structure and through cost efficiency. As a result, we are now transitioning to a more globally balanced structure in terms of both sales and profits.

In 2025, despite reduced profits in China & Travel Retail, we achieved robust profit growth for the entire group, driven by increased profits in other regions, particularly Japan. We view this as clear evidence that our regional diversification has begun functioning not merely as a risk mitigation, but as a device for stable profit growth.

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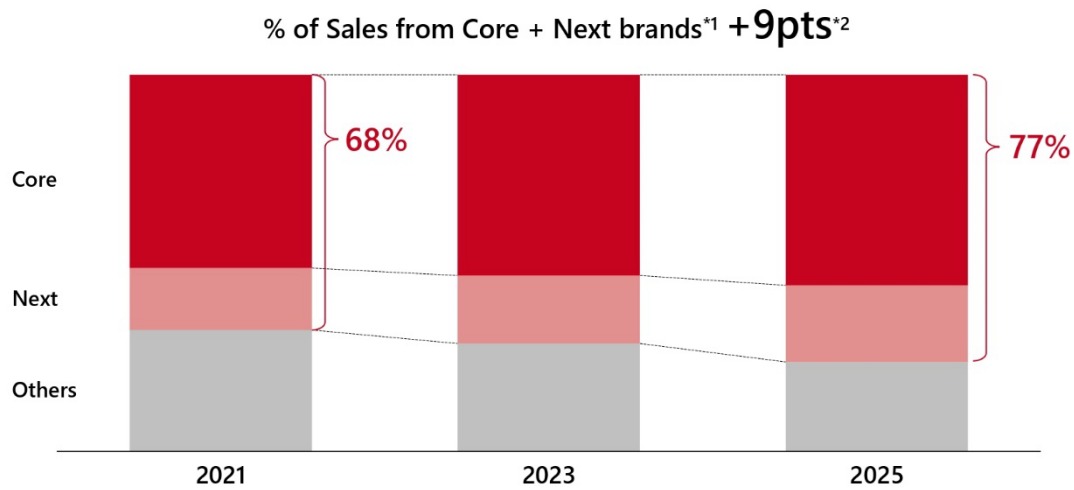
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Creating a Virtuous Growth Cycle through Targeted Investment in High-profit Brands

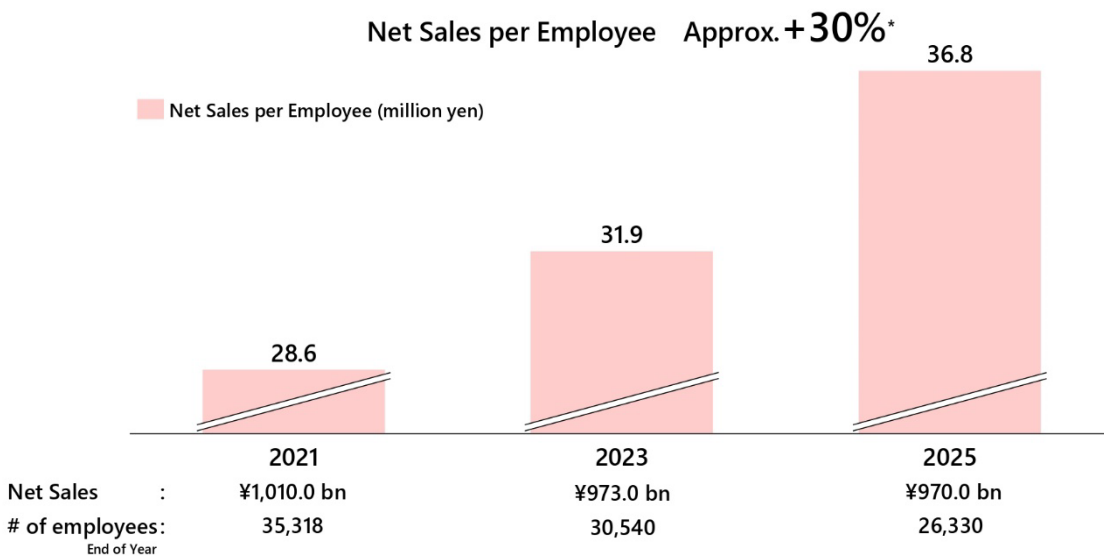


*1 Core: SHISEIDO, Clé de Peau Beauté, NARS Next: ELIXIR, ANESSA, narciso rodriguez, ISSEY MIYAKE PARFUMS, Zadig&Voltaire, Dr. Dennis Gross Skincare
*2 2025 vs. 2021, excluding the impacts of FX and business transfers

19

Next, the brand portfolio on page 19. Under the policy concentrating management resources on key brands, the sales contribution of core and Next brands expanded from high 60% in 2021 to high 70% in 2025. Crucially, many of these brands significantly outperformed the Group average in profitability. We are now entering a growth phase where sales scale expansion and profitability improvement will be achieved simultaneously.

Transforming into Lean Organization; Boosting Productivity for Stronger Competitiveness



* 2025 vs. 2021

20

Next, page 20 regarding productivity, through optimizations implemented in the Japan, China, and Americas Businesses, and the global headquarters, we have significantly reduced headcount while maintaining sales scale at approximately JPY1 trillion. As a result, sales per employee have greatly improved. This is not a

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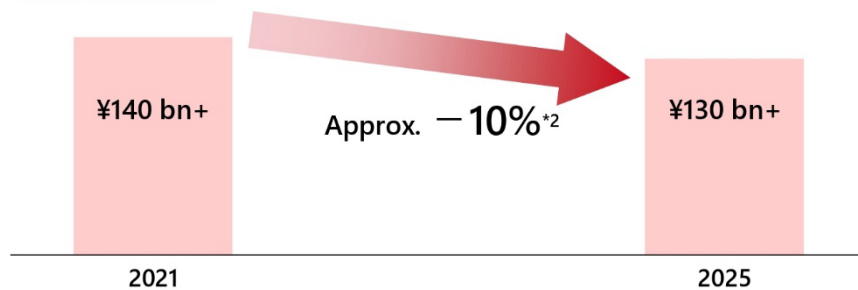
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temporary cost reduction, but the transformation into a lean and mean organization that supports growth over the medium to long term. We have been reborn as a lighter, stronger, and faster organization.

Asset-Light Model Geared to Higher Operating Efficiency: Steadfast Progress on ROIC Improvement

- Domestic assets^{*1}



- Optimizing foreign assets

- China: Consolidation of China R&D Sites
- Asia Pacific: Closure of Innovation Center
- Americas: Office space reduction at regional headquarter, sub-leasing
- EMEA: Relocation of regional headquarter

*1 Global HQ (Shiseido Company, Limited)+Shiseido Japan Co., Ltd., land+buildings *2 2025 vs. 2021

21

Asset-light is progressing as well. Domestic real estate holdings were reduced by approximately 10% compared to 2021 through sales and consolidation, both domestically and internationally. Furthermore, beyond Japan, we have implemented measures overseas, including the consolidation and the closure of innovation centers in China and Asia, as well as reduction and relocation of office spaces in the Americas and EMEA. These initiatives are critically important for transforming our mindset toward capital efficiency and embedding this culture throughout the organization. We believe we will continue to deliver sustainable impact.

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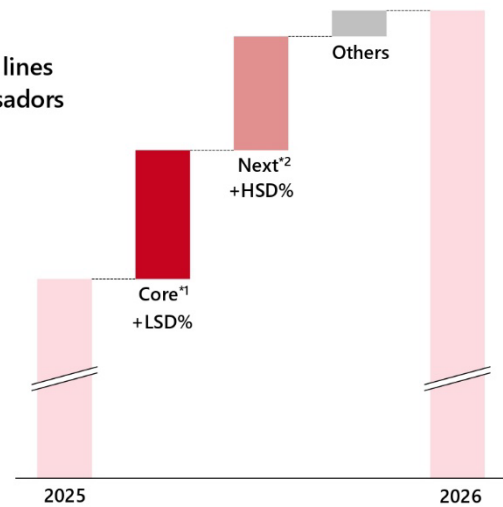
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2026: Ensuring Solid Growth by Leveraging a Resilient Brand Portfolio

- **Core brands**
 - Continuously enhancing global hero products and product lines
 - Maximizing brand communication driven by global ambassadors
 - Capturing growth opportunities with strategies tailored to market structures
- **Next brands**
 - Strengthening investment in focus categories and creating new value
 - Selecting and concentrating on key sales channels
- **Drunk Elephant**
 - Completing the brand turnaround



*1 Core: SHISEIDO, Clé de Peau Beauté, NARS *2 Next: ELIXIR, ANESSA, narciso rodriguez, ISSEY MIYAKE PARFUMS, Zadig&Voltaire, Max Mara, Dr. Dennis Gross Skincare

22

2026 is not a year of reform, but a year to reliably deliver growth. The robust brand portfolio enabling this growth has been built through our past reforms and investments. We are ready. This year, we are planning a 20% increase in new product launches and expected sales volume from last year. This represents not merely a numerical increase, but a domestic expansion in the total value we deliver.

First, our core brands serve as the global engine. We will continuously refresh our globally recognized hero products to earn strong loyalty, making customers think this brand is the only choice. We will also maximize brand communication power, starting with our global ambassadors, to gain recognition and support from the next generation of customers.

And, then we have the next brands to accelerate growth. We will intensify investment in these brands to seize overwhelming winning opportunities in specific categories. Armed with each brand's unrivaled confidence science, we will deliver value that exceeds customer expectations and reshape the market landscape. For Drunk Elephant, we will ensure a complete turnaround through rebranding strategy.

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Core Brand – SHISEIDO: Re-accelerating as a Global Growth Engine



2025

Net Sales: Flattish (2H: +3%)

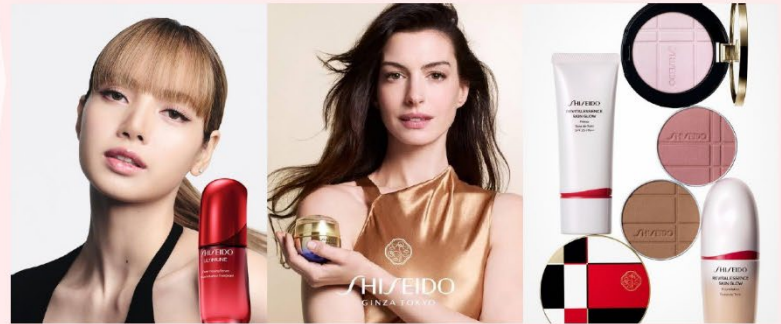
- Japan: outperforming the market with strong double-digit growth and significant new consumer acquisition
- Return to positive in 2H in China & TR
- Global launch of the new ULTIMUNE



2026

Net Sales Forecast: +LSD%

- Global: Drive sustainable growth by strengthening brand equity and scaling global hero franchises
- Reinforce next-generation consumer engagement driven by a new global ambassador
- Region-specific: Unlock incremental growth through Suncare, Makeup



23

On page 23, I will explain the strategic direction of each brand.

For SHISEIDO, in 2025, in Japan, we will achieve robust double-digit growth, exceeding the market, with approximately 20% growth in H2. China & Travel Retail also turned positive in H2, while EMEA and the Americas remained flat compared to the previous year in H2.

In 2026, SHISEIDO will reaccelerate its growth as the brand that most embodies the common engine for winning globally. First, we will continuously strengthen our hero products and lines. We will continue to introduce innovative products across three lines, Ultimune, Vital Perfection, and Future Solution, to elevate them into globally recognized brands purchased by name. Next, we will maximize brand communication power, starting with our global ambassadors.

The appointment of our new ambassador, Lisa, announced yesterday, will dramatically expand our touch points and engagement with next-generation customers, positioning us as a global leader in the slow aging category.

Furthermore, we will rigorously pursue a strategy to precisely capture regional growth and opportunities. In the Japan and Asia Pacific, we will further expand market share by leveraging our strength in the makeup category, including the popular foundation serum. In the EMEA and Americas, we will continue growth by capitalizing the high recognition and trust in suncare products. In the China & Travel Retail, we will leverage the effects of structural reforms to reliably capture the recovery phase which started in H2 last year.

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Core Brand – Clé de Peau Beauté: Creating Enduring Value of Luxury



2025

Net Sales: +4% (2H: +6%)

- China & TR, Asia Pacific, EMEA delivered double-digit growth in 2H
- Core skin care line Key Radiance Care renewal



2026

Net Sales Forecast: +LSD%

- Build brand equity as a science-driven luxury brand
- Reinforce the image of luxury with a new global ambassador
- Elevate brand equity with advanced technology products



24

Next, Clé de Peau Beauté on page 24.

In last year, driven in part by the renewal of our skincare line, Key Radiance, as we achieved double-digit growth in H2 in China & Travel Retail, Asia Pacific, and EMEA. In Japan, despite headwinds from the inbound tourism, we maintained steady growth locally and strengthened our loyal customer base, demonstrating remarkable resilience.

Amid volatile market dynamics, Clé de Peau Beauté continues to withhold its overwhelming resilience and this year the brand will launch new products featuring cutting-edge technology, continuing to evolve as a brand chosen by consumers in the luxury markets. Adding depth to the brand's image led by the global ambassador is also the key. Brand expression by Nicole Kidman captures the heart of luxury customers, further elevating the brand's iconic status.

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Core Brand – NARS: Leveraging Creativity to Drive Growth



2025

Net Sales: +3% (2H: +4%)

- Double-digit growth in 2H across China & TR and EMEA
- Captured strong demand in the cheek category through The Multiple
- Expanded growth driven by the hero franchise Light Reflecting and concealer category



2026

Net Sales Forecast: +LSD%

- Reinforce leadership in the complexion category globally through the major launch of Natural Matte Longwear Foundation
- Expand audiences and boost engagement with a new global ambassador
- Optimize channel selection, maximize relationships with key retailers



25

Next, NARS on page 25.

Last year, NARS achieved double-digit growth in H2 in China & Travel Retail in EMEA. It also achieved 3% growth globally, driving company-wide growth. At the November briefing, I stated that we plan to launch the largest-scale new products in the brand's history in 2026 which is shown on the right, the center-right picture "Natural Matte Longwear Foundation."

In the makeup category, foundation has a market size far surpassing that of the lipsticks and cheeks. With this major new product, we aim to strengthen our global leadership in this category and leverage the halo effect to reinforce our core areas. Furthermore, by appointing a new global ambassador, we will work to expand our target audience and increase engagement.

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Next Brand – ELIXIR : Expanding Its Reach as the Next Growth Driver in Asia

ELIXIR

2025

Net Sales: +9% (2H: +6%)

- Drove strong growth across all regions
Asia Pacific: +over 30%,
China & TR: Double-digit growth with
signs of bottom out
- Profitability boosted by hero SKUs



2026

Net Sales Forecast: +MSD%

- Enrich collagen science
- Nurture hero SKUs: Relaunch brightening lotion & emulsion,
new color from Day Care Revolution Tone Up
- Further growth via expansion of open-sell retail channels overseas



26

Let me explain about next brands.

ELIXIR continued to grow strongly in Japan last year, renewing its number one ranking in skin care sales for 19 consecutive years. In addition, growth in Asia Pacific, Asia is accelerating, with growth of over 30% in the Asia Pacific and double-digit growth in the China & Travel Retail. This year, we will continue to enhance the brand's core technology, collagen science, and aim for further growth by revamping our flagship brightening lotion and emulsion products, and expanding our open sales channel overseas.

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Next Brand – ANESSA : Creating New Growth Opportunities via Category Expansion

2025

Net Sales: -9% (2H: +6%)

2026

Net Sales Forecast: +HSD%



- China & TR headwinds in 1H, but returned to growth in 2H
- Drove strong sales well ahead of the target with exclusive launch of Brush-on Powder Sunscreen

- Unveiled a daily-use series designed for everyday situations; strong UV protection, high-performing skin care with seamless texture; offering mini-sized items in mass price tier
- Expand target audience by the launch of men's UV gel
- Rollout of Brush-on Powder nationwide in Japan



27

Next, I will talk about ANESSA.

ANESSA will evolve further as the brand best-positioned to transform market structure changes in the UV rays domain into opportunities. Our smash-hit Brush-on Powder was originally a limited edition, but due to overwhelming demand, we've decided to launch it nationwide starting February 21.

This year, we will also be launching a daily series perfect for everyday use and mass-priced mini size in our first ANESSA Men, aiming to expand target audience and drive high growth.





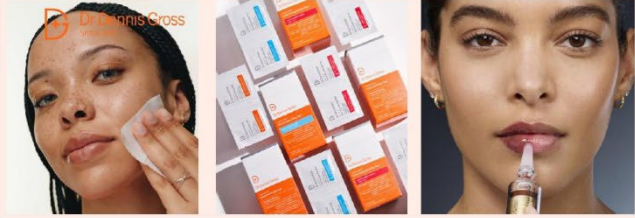
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Next Brands – Fragrance Brands, *Dr. Dennis Gross Skincare*

<div style="display: flex; justify-content: space-between;"> <div style="text-align: center;"> <p>narciso rodriguez ISSEY MIYAKE PARFUMS</p> </div> <div style="text-align: center;"> <p>ZADIG&VOLTAIRE MaxMara</p> </div> </div>	<div style="text-align: center;">  </div>
<p>2025 Net Sales: +6% (2H: +12%)</p> <ul style="list-style-type: none"> ● Despite softness in China & TR, strong double-digit growth in EMEA drove overall performance ● <i>Zadig&Voltaire</i> achieved 40%+ growth, supported by the successful <i>Zadig EDP</i>^{*1} launch 	<p>2025 Net Sales: – 8%^{*4} (2H: – 15%)</p> <ul style="list-style-type: none"> ● Intensifying competition in the hero product, Peels and Masks ● Declining conversion rates in e-commerce 
<p>2026 Net Sales Forecast: +HSD%^{*2}</p> <ul style="list-style-type: none"> ● <i>narciso rodriguez</i>: Nurture for-her line, the brand's iconic offering with a new line: for her Pure Musc Blanc ● <i>ISSEY MIYAKE PARFUMS</i>: Expand the target audience with Lumière d'Issey, while consolidating Le Sel success with a new Parfum ● <i>Zadig&Voltaire</i>: Launch of a new olfactive variation with <i>Zadig EDP</i>^{*3} ● <i>Max Mara</i>: Launch globally in 2H 2026 	<p>2026 Net Sales Forecast: +MSD%</p> <ul style="list-style-type: none"> ● Prioritize investment in Peels and Masks to defend category leadership ● Drive high-impact activations with Sephora via a 360° campaign and birthday gift partnership ● Allocate resources on fewer, priority growth product launches ● Elevate clinical brand image and create consistency worldwide 

^{*1} Eau De Parfum ^{*2} Including *Max Mara* ^{*3} Eau De Parfum Intense ^{*4} Excluding the impact of sales prior to the acquisition of *Dr. Dennis Gross Skincare* in 2024 and its corresponding period in 2025

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Next is the exciting category of fragrances.

Last year, new products from *Zadig&Voltaire* contributed significantly to growth, driving overall fragrance growth of 6%. In H2, as China & Travel Retail bottomed out, we achieved a strong 12% growth. This year, each brand is preparing powerful new products, and *Max Mara* will finally launch a product in H2 this year.

Dr. Dennis Gross Skincare faced a challenging environment last year, particularly due to increased competition in the hero PO and LED mask categories. However, this year, we aim to steadily return to growth by focusing resources on carefully selected product launches and partnering with retailers.

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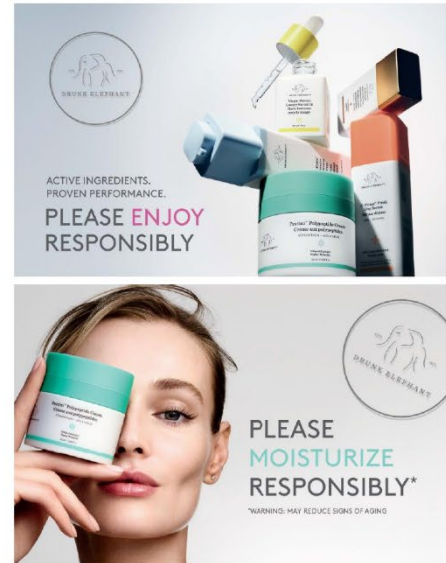
Drunk Elephant Turnaround

- **Actions in 2025**

- Completed inventory normalization across key regions and retailers within 2025
- Completed cost structure reform actions in the Americas

- **Steadily advancing brand repositioning**

- Initiate a new brand campaign aimed at the core target segment
- Build emotional connection and expand brand support through collaborations with brand ambassadors and creators
- Rebuild presence at key retailers



29

Next, Drunk Elephant, as previously explained, in preparation for this year's rebranding, we prioritized inventory optimization and cost reduction last year, and both efforts were progressing smoothly. Starting in January this year, we launched a new campaign aimed at our core target demographic, further deepening trust with existing customers and expanding our reach to new customers, strengthening the presence of our key SKUs while driving growth acceleration.

We would like you to visit our Instagram etc., to confirm our strategy to leverage the strength of our existing products, while completely revamping our marketing strategies. We are creating a new worldview by shifting our brand communication to focus more on efficacy and value, enhancing our brand value through multifaceted activities, including strengthening our social media and online presence, revamping our in-store visuals, implementing media and creative initiatives. We have already received significant media exposure and positive feedback from retailers and feel confident our new strategy is working. We will continue to work on rebuilding our brand so that we can have more concrete results in the upcoming financial briefing.

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Adopt Cutting-Edge Bold Science / Technology Across Brands; Building a Category-Focused Growth Model



30

Next, let me talk about innovation.

Our medium-term management strategy stated the rapid transformation of our in-house technology into value with scale as core of our growth. Between 2026 and 2028, we will incorporate more than 10 cutting-edge technologies into our core brands and across the brands to establish a growth model that leverages economies of scales, and it should not be just a temporary hit. Last year, we incorporated seven core technologies into new products, winning numbers of awards and contributed to sales growth of each brand.

The main reason behind our confidence on our growth for FY2026 onwards is that our proprietary technologies will not be limited to a single kit, but we will maximize the scale within the entire group and establish a winning formula that will generate sustainable, not temporary growth. Serum First technology is a symbolic example. This is an innovative technology platform that overturns the conventional concepts of makeup by enveloping foundation ingredients in serum and continuously permeating the skin-contacting surface with serum.

In 2023, we simultaneously adopted this technology to MAQuillAGE and SHISEIDO with different a customer base to benefit from economies of scale that allows us to dominate the market. Growth continued in FY2024 onwards through a consistent technology-based communication. We have maintained high sales even in the second year since the launch. Last year, we rolled this technology into new products as well, elevating into brand asset.

Under the next medium-term management strategy starting 2026, we will model after the case for success with launching powerful technologies into the market. So, in FY2026, we have completed preparations for cross-border deployment of five robust cutting-edge technologies, which we call second and third Serum First technologies, to make sure to have the highest probability to capture a great hit, fully utilizing the knowledge that we gained in the past successes, which technology when and to which brand, to optimally adopt. By deploying technology across our company-wide portfolio rather than relying on a specific brand, we will implement a total more than 10 cutting-edge technologies between 2026 to 2028.

We will accelerate the cycle and efficiently converted R&D investment into profits. Rather than simply launching new products, the core of our growth scenario of 2026 onwards is expanding our proven success

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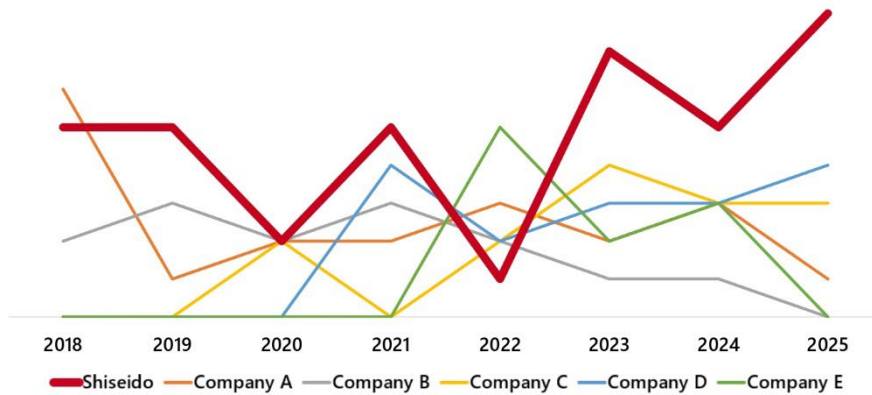
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model. Technology strengthens brands, and brands scale technology. We will drive sustainable enhancement of corporate value by continuing this cycle.

Horizontal Deployment of Technologies Leading to Tangible Results

No.1 in Best Cosmetics Awards from Japan’s Big Three Beauty Magazines for Three Straight Years



* Total number of 1st-3rd place awards in the Overall, Skincare, and Makeup categories in the first-half and second-half rankings of MAQUIA, VOCE, and BITEKI

Our approach of deploying strong technologies across brands and directly linking them to sales and profits has already yielded. You can see the best cosmetics awards is the proof of this. While our wins in the past were unstable, the tides have completely changed since we changed our strategy in 2023, dominating number one for three consecutive years. We have solidified our market dominance, achieving the Triple Crown for three consecutive years. Our technology is no longer a temporary fad. It has now become a market standard.

Winning awards is not just about attaining recognition. Our innovative technology leads to highly regarded recognition, which in turn directly leads to consumer trust and purchases. This revenue acceleration cycle is a mechanism that maximizes the efficiency in turning our innovations into profits, so we will further upgrade this unbeatable approach. We are confident that the five cutting-edge technologies to be introduced will once again dominate the market appreciation and lay a solid foundation towards 2028 without losing momentum.

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Creating Sustainable Social Value through Business Growth

People Strategy Sustainability Strategy

- Percentage of Women Managers^{*1}
Global : 60.3% Japan : 43.3%
- The Shiseido Way – our value, mindset and actions that shape how we work towards 2030 VISION



The Shiseido Philosophy

Our Mission
BEAUTY INNOVATIONS FOR A BETTER WORLD

Vision
By connecting with people, we pursue, create, and share new beauty, enriching everyone's life.

The Shiseido Way

Shiseido
Code of Conduct and Ethics

The Shiseido Way

Our Foundation
Inspired by nature, attentive to everyone

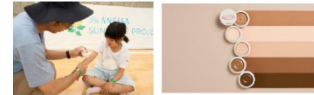
Our Work
Let the product speak for itself

Our Evolving Style
Keep changing to remain true to ourselves

Our Approach
Appreciate dilemmas while rising to achieve brilliance

Our Belief in Beauty
Richness in everything

- Society**
- Advancing Gender Equality 0.95 million people^{*2}
 - Empowering people through the power of beauty 0.40 million people^{*3}



- Environment**
- Awarded Double A List Recognition (Climate Change and Water Security) from CDP for second consecutive years
 - Extending the adoption of sustainable packaging using LiquiForm®; Won the highest prize at JAPAN PACKAGING CONTEST
 - Strengthening traceability to promote responsible procurement; Palm oil: 73% at the mill level, 59% at the plantation level^{*4}



^{*1} As of January 2026, preliminary figures ^{*2} Direct outreach through the support for girls' education through *Clé de Peau Beauté* and Shiseido DE&I Lab, etc ^{*3} Direct outreach through Shiseido Life Quality Makeup activities and ANESSA Sunshine Project, etc ^{*4} Based on palm oil equivalent weight

Next, page 32 regarding our progress in creating sustainable social value.

As for our people strategy, the ratio of women as manager, an important KPI for our people strategy, is steadily progressing towards the 2030 target of 50%. Toward achieving our medium-term management strategy, we have recently formulated The Shiseido Way as a guide for each employee to behave, including the values and mindset we cherish by sharing and instilling The Shiseido Way, united as a group to create a new value and realize our 2030 VISION, even amidst significant market changes.

For the society part, we are advancing gender equality and fostering a sense of self-efficacy through our business activities, thereby enhancing our brand value and creating social value. For the environment part, progress was made to reduce the environmental impact by achieving an AA rating from CDP, accelerating efforts on the sustainable packaging and containers, and strengthening raw material traceability.

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Governance Enhancement: Foundations for Maximizing Corporate Value

● Newly Elected Candidates for External Directors



- **Mr. Andrew House**
 - Nominating Committee / Compensation Committee
 - Extensive experience as the global head of the entertainment business
 - High level of knowledge in brand marketing and overseas markets, particularly in North America



- **Mr. Takuya Nakata**
 - Nominating Committee / Compensation Committee
 - Vast experience a CEO of a publicly listed manufacturing company with global operations, leading overseas businesses
 - Deep expertise in corporate governance applied in the establishment and operation of governance structures



- **Ms. Keiko Kaneko**
 - Audit Committee
 - Extensive experience in the field of global corporate law as a lawyer, including M&A
 - Deep expertise in management through participation in the management of their law firm

● Skills Matrix after the Ordinary General Meeting of Shareholders in March 2026 (Planned)

	Experience as top management of a listed company	Corporate management experience	Experience in BtoC, neighboring industries	Brand marketing	Legal affairs and risk management	Finance, accounting, financial systems
Kentaro Fujiwara	●	●	●	●		
Ayako Hirofuji		●	●			●
Hiromi Anno		●	●		●	
Hitoshi Okamoto		●	●	●	●	
Mariko Tokuno		●	●	●		
Yoshihiko Hatanaka	●	●	●			●
Ritsuko Nonomiya		●				●
Andrew House		●	●	●		●
Takuya Nakata	●	●	●	●		
Yasuko Gotoh		●				●
Yasuhiro Nakajima		●			●	●
Keiko Kaneko		●			●	

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Next, our Board of Directors structure, we have selected three external director candidates. Of course, that will be discussed at the next month's AGM, Mr. House, Mr. Nakata, and Ms. Kaneko. By further enhancing the diversity of our Board, including the CEO experience in B2B business and global companies, and M&A experience and expertise, we will improve the effectiveness of the Board and enhance our corporate value.

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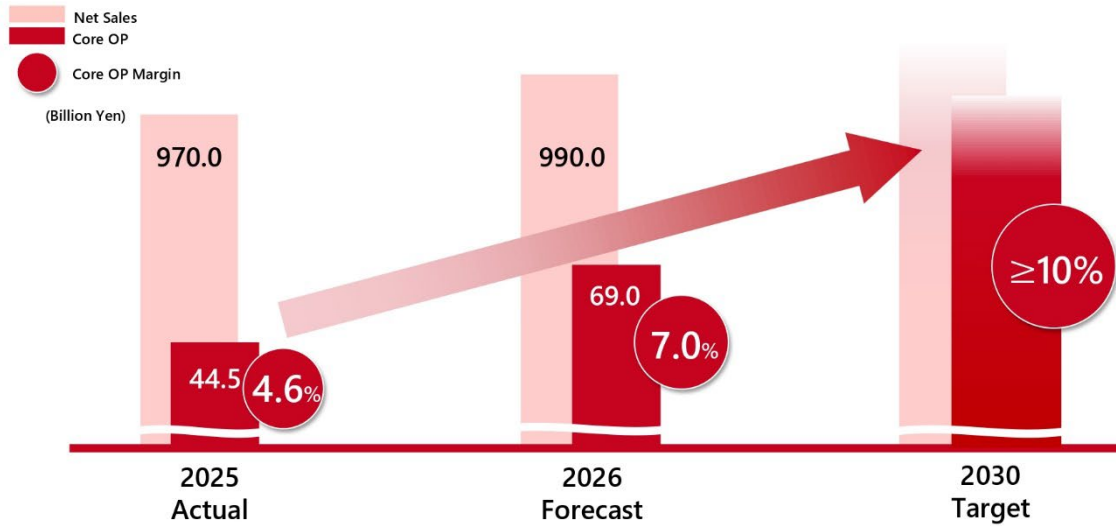
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**Strive to Achieve Targets for 2026:
Unwavering Commitment to Maximizing Corporate Value**



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2026 marks the first year of the 2030 medium-term management strategy. Despite the uncertain external environment, our reforms have made our regional and brand portfolio stronger and more balanced, and our management foundation more efficient and flexible. Based on our enhanced financial discipline, agility, and accountability, we will solidly achieve our FY2026 performance targets and move forward toward 2030 goals.

Please look forward to Shiseido's sustainable growth in the future. Thank you for listening.

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Question & Answer

Kuwahara [Q]: My name is Kuwahara from JPMorgan Securities. Thank you very much for explanation, including your cash flow forecast. I'm looking at page 5, and I would like to understand more about your 2026 outlook and expectations going forward.

First of all, as Mr. Fujiwara also said, there will be extensive innovation in place, but unfortunately, only 3% growth is expected for sales. What does it mean? At the time of the medium-term business plan, there was talk that the plan will outperform the market by 2%. Maybe there's China-related situations behind that or the Q1 impact. I would like to ask you about the background.

Also, regarding the contribution margin & price increases shown on the page 5. If you are expecting there's the increase of JPY20 billion in the revenue, then the margin of profit should also increase a bit more. I find it rather disappointing that the increase will be offset by inflation. Because you are finally returning to revenue growth, and yet the core OP will not be growing as much. What is the structural background behind this?

Fujiwara [A]: First, I would like to explain about how to look at the market. About the numbers and the structure, Ms. Hirofuji will explain after me. Regarding this year, there will be a lot of new launches, and we have a high expectation for them. On the other hand, based on the reflection of our past, there's always uncertainty in the market, and we have to be objective in terms of outlook.

Regarding the travel retail market, in order to continue to pursue quality growth, we need to reduce inventory for unauthorized sales. For China, we will control unofficial or irregular sales, so we have to put more effort for that while, at the same time, pursuing high growth.

So we will be aiming to deliver higher growth in other regions and that will offset the situation in travel retail market, landing at about 3% growth overall which seems to be achievable as a target. That's how we think. For Japan as well, there has been a deceleration in inbound market and we have to take that into consideration. So, 2026 will not be everything for us, really. In order to ensure growth towards 2030 under the medium-term strategy, we need to deliver solid growth without opting for short benefits while improving the quality of growth and that is the structure of our plan.

Hirofuji [A]: Regarding how the profit is structured, certainly, there's an impact of inflation which is quite significant, as well as the impact of salary and cost increases. Additionally, considering the impact of the salary increase in other regions which has not been achieved in 2025 which will be done this year, a half of structural reform benefits will be offset by that. That is definitely the situation here.

On the other hand, as for the marginal profit increase, we will leverage on the price increase as well and the impact will be roughly around JPY10 billion. On the other hand, there will be impact of volume decline, so this JPY10 billion will not be directly reflected in profitability.

Kuwahara [Q]: Understood. Then on page 5, in the total impact of contribution margin & price increases, there is about a JPY10 billion impact. By deducting that impact, from my understanding, it looks like there is around JPY20 to 30 billion impact from volume increase but with some reductions in certain items as well. That means, there has been an impact of COGS utilization as well as fixed costs which makes contribution margin looks lower, is that correct?

Hirofuji [A]: The JPY10 billion is not directly reflected in the chart. The box for the contribution margin and price increases is structured on a net basis by excluding the impact of volume decline from JPY10 billion.

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Kuwahara [Q]: I understand. Basically, it is the amount in this box is lower than JPY10 billion then.

Hirofuji [A]: Yes, that is correct.

Kuwahara [Q]: Okay. I would like to confirm one more thing. Considering the impact of inflation, how much impact do you expect as a rebound from the cost management in 2025? I believe that you are going to spend JPY10 billion for cost structural reforms this year. While I suppose you cannot disclose actual numbers, out of the 3% improvement, to what extent do you expect improve? In other words, I don't think the impact of inflation will continue into 2026, 2027, 2028 throughout, so can you dive into that point a bit further?

Hirofuji [A]: As for the impact of bonus, I cannot disclose any exact numbers quantitatively, but out of the total inflation impact, I would say that roughly half of that is coming from the bonus. Therefore, as you have pointed out, that is not directly reflected.

Kuwahara [Q]: Understood, thank you.

Miyazaki [Q]: Goldman Sachs, Miyazaki speaking. Thank you very much for your explanation. I have a question about the China Business. In Q1, you've already factored in the impact of Japan-China tensions in your Q1 outlook. The Chinese government is also sending the message not to visit to Japan for their Chinese citizens. For FY2025, to what extent did it actually have on your business, if any, whether Mainland China, online, offline, or travel retail, or inbound, or inbound sales in Japan? What was the implication? Also, you have been watching the trend until January this year. How did you incorporate that impact into Q1 of FY2026?

Fujiwara [A]: The impact began in December last year. For Mainland China, in terms of last year's result, there was a little impact on the results in December as Double 11 had just ended, but since the sales in December is normally rather small, there's not really a significant impact on FY2025 sales. As for January, naturally, the inbound tourists are declining, so the travel retail Japan impact is inevitable. However, if we take a look at the details, the drop in sales from Chinese tourist is not purely reflected in sales. On the contrary, we are offsetting that impact by shifting our investments towards non-Chinese tourists. Another point is that since more travelers are visiting Hainan Island, the market environment there is actually improving. So, it depends on where the travelers are going, and we need to steadily capture that opportunity. By doing so, we will be able to mitigate the impact to some extent.

Next, in Mainland China, because of the overall trends, we saw a string of cancellation in KOL promotions a bit. Most recently, from the end of last year, we were planning this campaign for a new product launch in February, but it was canceled in January. It was postponed for a while. So, that kind of impact has been visibly reflected in our Q1 forecast.

That said, it is difficult to foresee how the impact will continue from now on. As I mentioned, the same as our example in travel retail, if there are any kind of dips in certain areas, we can find some other opportunities, so we can offset such negative impact by capturing other opportunities elsewhere.

Hirofuji [A]: In quantitative terms, combining the China & Travel Retail and Japan inbound, where the impact is most significant, we are factoring in the negative impact of around JPY10 billion in net sales and roughly JPY3 billion in profit, just in Q1.

The impact on profit reflects counter actions for the decline in sales including a range of initiatives such as accelerating a specific brand further or adjusting the schedule of promotions to offset the negative impact, and that has been reflected in our forecast on a quantitative basis up to the end of Q1 at this moment.

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Miyazaki [Q]: Well, thank you for providing the details. Are you assuming that the impact on Japan inbound will be limited and that has been factored into your estimates of JPY10 billion in net sales and JPY3 billion in profit? If you can achieve JPY3 billion in profit by taking counter actions, then you should be able to achieve core OP margin of a little over 7% if there is no impact from Japan-China relationship. So you are sending us the message that you are already eyeing on a specific margin for 2026, as you have made certain progress on your initiatives? Is that correct?

Hirofuji [A]: Well, as for the percentage, we are unable to provide any specific figures for net sales and profit as there will be an impact from other factors, but we do expect the impact on net sales will be bigger in the China & Travel Retail. In terms of profit, we expect that the impact will be roughly the same for the China & Travel Retail, Japan inbound which is reflected in our forecast.

Miyazaki [Q]: If there are no impacts of Japan-China relationship, the you are well positioned to generate core OP margin of over 7%?

Fujiwara [A]: Well, when we set this numeric target, we established this 7% core OP margin as our initial target that must be achieved. We actually prepared the plan based on this 7% core OP margin target from the first place, and considering the situation right now, we are kind of going through an overhaul on how we should approach to this target.

That is one of the actual results delivered through management reforms. In other words, even with a decline in the China & Travel Retail, we can still manage to close targets elsewhere. If we can continue to accumulate profits in such a manner, that means we are managing our business in a more stable and balanced manner. Of course, if there are any opportunities, we want to achieve more than 7% core OP margin but for now, we are taking into account a range of risks that are reflected in our forecast.

Miyake [Q]: Miyake from Morgan Stanley Securities, MUFG Securities. I would like to know about your analysis on the Japanese market as well as the fact that your outlook is exceeding that. In the earnings briefing in November, you provided insights from your analysis about the competitors that the overall trends are quite similar across all price range which suggests that there are no signs of deterioration in consumer sentiment in the market. However, given the current economic sentiment where consumers are cutting back their spending on food, I wonder if that is actually the case. It might be the case that consumer sentiment already got worsened a few years ago and has not improved, making it looks like it is not deteriorating. So, I would like you to explain your perspective about the trends in consumer demand for each price range.

That said, I think it is really good news that your Company is outperforming the market right now. Based on my analogical comparison in terms of the net sales, SHSEIDO has been performing very well by capturing a significant demand in domestic market, even compared to pre-COVID time when the demand was fairly strong already. Clé de Peau Beauté is continuing to perform quite well in the domestic market despite some negative factors including a bit of decline in inbound.

ELIXIR seems to be on a recovery trend but still in the middle of that process. I think ANESSA is also in a similar situation. How do you differentiate your strategies across the price range or the channels and what are working well? I would appreciate if you could give us some breakdown.

Fujiwara [A]: Thank you. I would like to explain about our current situation or how we look at the market. The pace of market growth is rather soft, and we do not have any feeling that it is growing strongly. The skin care products are sort of leading the market, while the makeup products are slightly lagging behind that. That is our perception of the market. When we break down the skincare by price range, while the low-price range skin care seems to be slightly decelerating, the mid-price range is starting to show some signs of recovery.

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Within such market context, one of the reasons that we are confident about achieving strong growth in the market is our strong brand portfolio which we have rebuilt so far. Over the past two years, we have been putting a strong focus on our core brands. Thanks to that, the growth of core brands such as Clé de Peau Beauté and SHISEIDO is beginning to generate solid profit.

In fact, last year, when the situation got worsened due to the unfavorable conditions in inbound market, Clé de Peau Beauté had disadvantage due to its broader product portfolio in Japan unlike other regions. Under such circumstances, we have brands like IHADA and AQUALABEL to offset the negative impact on Clé de Peau Beauté and deliver high growth. In other words, we have been able to manage our portfolio aligned with the change in market conditions which is very good news.

Under such circumstances, we have ELIXIR as a pillar of growth within the core brands. As low-price range skin care products continue to grow, we had long been questioned about ELIXIR, whether the brand will be able to grow, but it has been delivering strong growth every year, maintaining its number one position in the market for 19 years in a row.

We are aiming to drive strong growth of ELIXIR in drug store channels. We have implemented this strategy to expand its loyal consumer base by digital skin analytics tool launched in September last year which has been quite successful so that is also contributing to strong, sustainable growth of the brand.

Another thing, something that we are excited about is that we have been doing very well in terms of brand portfolio management but at the same time, we are aiming to create new value through innovations in Japan where the pace of growth has been slow. So, in last year, we finally launched blush and powder from ANESSA which we spent five years, and it made a big hit. Also, there is face wash gummy. This is quite innovative product, but we developed it within a limited time frame. So, we have been gaining strength in the Japan market by pursuing growth through new value creation.

Hirofuji [A]: I would like to add one more point. By looking at the pace of growth of local by market and by price range, the prestige brand is the one that is growing most strongly. So, while we are definitely in an inflationary environment, but still, high price range or high-end is still strong and I would like to emphasize that we have been able to outperform the market in this backdrop.

Miyake [Q]: Thank you. Another point I would like to confirm is that, we hope to see a turnaround in economic sentiment at one point, eventually, and when that happens, I think there is a possibility that the makeup category will regain quite a bit of momentum. In such scenario, considering that you have been focusing on your technology and skincare, and given the fact that you have such a diverse product portfolio, I would like to know if you are confident about winning market share in makeup by capturing opportunities amid market recovery. Could you please add a few points on that?

Fujiwara [A]: In Japan, we have NARS in the high price range, and for the middle price range, we have MAQuillAGE, and also Majolica in the lower price range. So we have been structuring a portfolio that can cover makeup category with these three brands.

And among makeup products, foundation products are particularly influenced by skinification which is the latest global trend to pursue healthier makeup for the skin. This is a trend where our technological strength will be fully leveraged. Makeup is not something of lower priority for us at all. In any areas where our technology is recognized by consumers, where we can take advantage of our uniqueness, we will reinforce those areas, leading that to growth.

Kawamoto [Q]: Jefferies Securities, Kawamoto speaking. I want to ask you the reason for exceeding the core OP target. JPY8 billion is fairly large. While high-margin products are selling well in inbound, I was a little concerned about the mix. On page 16, you mentioned that there was an uplift of JPY2.0 billion. What was

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the specific reason for overshooting the initial target and where is that remaining JPY6.0 billion coming from? I would appreciate it if you could provide the details as much as possible, as to whether we can expect you to beat the next target again, or as to whether the uplift was due to internal or external factors, or factors in domestic or overseas market. Could you please elaborate on that?

Hirofuji [A]: By region, China & Travel Retail and cost reduction benefits at the headquarters were the main reasons for the uplift. However, at the same time, internal factors also had significant impact as we have been strengthening investment discipline through structural reforms, being highly selective in a wide range of areas, including Capex. Our efforts have led to reduction of cash expenditures as well as other costs and expenses which have resulted in a significant uplift in 2025. In terms of sustainability of such impact, JPY44.5 billion core OP is actually based on the continuous business, and excluding the impact of divestitures, etc. from that, we have achieved the highest profit since 2020.

This has not been driven by the tailwind in Q4 or in the market as we are definitely facing a headwind. Looking back from 2020, we faced several headwinds including de-leveraging associated with divestitures and in 2025, the profit has turned negative or even decreased by half of what it used to be in the Travel Retail where the margin is the highest. Overall, however, we have improved our profitability despite a range of pressures including bonus impact, etc.

So, the profit and loss structure itself has improved dramatically. As there were a few questions raised, still, there is ongoing uncertainties in the market environment. Therefore, we are still in the middle of rebuilding the profit structure toward 2030. We are not complacent for exceeding our targets, and will continue to make efforts on the structural reforms. We are kind of standing on the point where we are questioned about discipline. In that sense, our target right now is to steadily achieve 7% in 2026.

Kawamoto [Q]: Understood. Regarding JPY25 billion cost reduction benefit on page 16, do you see any possibility of exceeding this as well? Also, you are eyeing on a reduction of more than 3 percentage point in 2027. Is it correct to think that now you have more probability to achieve that?

Hirofuji [A]: Well, this JPY25 billion cost reduction benefit from global structural reforms shown in the table has already been steadily executed in 2025, so in 2026, we are now in the next phase to capture benefits from that and we are very much confident about the positive impact of structural reforms.

Kono [Q]: From Marathon Asset Management. Apart from the result briefing, in the current management framework, I think CEO and CFO system is a well-balanced structure to run an organization in the current phase of Shiseido to clearly separate the functions of strategic oversight and execution.

Now, for the question as to whether the operation is truly in control or not, the answer is reflected in earnings results this time including the 30% increase in productivity, implementation of brand portfolio, as well as the actual numbers. As to what CEO is doing, roles and responsibilities are assigned to each region. In order to maintain Shiseido's recovery momentum, I suppose that the current management framework is effective, but I do feel that there's a lot of burden on the shoulders for two of you. In light of that, what kind of risk factors are you aware of? Do you envisage that you may make the management a little bit more passive and focused, or put more focus on operation? Are there any things that you can do? Are you going to create a COO position as well? Maybe not so considering your historic background, so maybe this is just like a quiz, or food for thought. Do you have any ideas on how to incorporate operation into your management structure?

Fujiwara [A]: Well, in order for us to achieve the 2030 goal, the first thing that came to my mind was to what extent we need to be independent and drive the growth by way of structuring the management in such a manner to assist that. For that matter, we need to develop the management leaders who are not afraid of changing the corporate culture, and not just myself or Ms. Hirofuji, but we have another

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management team under new structure and/or membership. What I expect out of those leaders, this is my expectation for the management team, and I have listed about 8 things in bullet points to communicate to the management members. This is how we're going to drive the reform, and we will work as a team, a solid team. I think that is the most important thing in a world that is full of uncertainty.

The other day, we had a kickoff. Now, instead of a trust structural reform going forward, we need to increase the efficiency of our management to achieve the 3% margin increase. This will be achieved by cross-functional team. In order to do so, we will revisit the value chain to improve efficiency. At the same time, the management team will become one to drive the structural reform by way of executing our ideas. Through this exercise, we will be able to build a very strong management team. I would like to drive that.

In terms of the function, I will delegate more. On the other hand, we would like to foster members and the management with the good point of view. Outside of our titles, such as CEO, CFO, COO, developing the members for the sound management is important.

Hirofuji [A]: In addition to that, for the financial point of view, the ROIC management is something that we would like to permeate thoroughly. This is incorporated into KPIs for each top member. We hope this will truly change behaviors. It's not just about us acting as a brake or a range of screenings, investments, divestments, and monitoring through committees. We want to drive this forward more strongly by having the management team itself adopt the mindset and actively improve capital efficiency.

The changes to reporting lines we mentioned in the November earnings announcement are part of this effort. While it's difficult for headquarters to grasp every detail completely, we need to move forward together with management members who share this mindset, acting as eyes and ears, and translating that into action—working alongside management members who embody this approach is also an element which we need to strengthen in terms of our financial capabilities going forward.

Yamanaka [Q]: SMBC Nikko, Yamanaka speaking. I have one question regarding your commitment to growth overseas, particularly the Americas, as it seems somewhat weak considering the performance of your brands in 2025 as well as technological advantage.

I know that there are some initiatives for an acquired brand and other things earlier, but it seems that brands including SHISEIDO and Clé de Peau Beauté are lagging a bit behind the average of premium skincare market and your estimate for these brands are also weak.

Recently, Amore Pacific reported a very big leap in the U.S. and EMEA. In comparison, what kind of issues or challenges do you recognize, for example, not being able to appeal your technological edge enough or regulatory constraints? Also, what specific actions are taking? I just want to understand why it is not really successful in the Americas.

Fujiwara [A]: Well, for the US market, taking an example of SHISEIDO, first issue is the channel and the next issue will be setting priorities for lines within SHISEIDO which we will be working on going forward. First of all, regarding sales channels, SHISEIDO has been focused on department stores since it is a prestige brand. However, now it is online channels such as Sephora or Ulta that are leading the market. Therefore, the fact that we have not been able to establish strong presence there is our lessons learned.

Alberto who is leading the Americas now has experience of taking the lead and directory engaging in negotiations with Sephora in EMEA. So, he will reach out to Sephora in the U.S. right away, leading a round of negotiations, putting things in progress from this year. We are expecting a steady and quick turnaround in terms of shifting our focus towards online channels.

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In the Americas, our sun care technology is well received by consumers and therefore we have secured solid market share in sun care category. However, originally, we are intended to capture strong share in skincare and aging-care category but we have not been very successful in acquiring new consumers. We were focusing our priority on the products that we were selling well. Therefore, going forward, we want to shift our focus to the aging-care category. Blackpink Lisa is the key influencer for creating a buzz for SHISEIDO, but we also have Anne Hathaway has been appointed as an ambassador to take a strong lead in Vital Perfection (VPN) for aging-care skincare line. These two positives will be a tailwind in the Americas going forward.

In terms of Clé de Peau Beauté, the size of net sales is rather small, but the pace of growth rate has been remarkable. What we need to change in the Clé de Peau Beauté is majority of the sales is coming from the Saks Fifth Avenue because you know Saks Fifth Avenue is now having big trouble, so we are expecting some negative results at one point. The customers who are buying Clé de Peau Beauté at Saks Fifth Avenue, we would like to offer some other solutions and try to nurture them as the loyal customer. For Clé de Peau Beauté, we are expecting a significant impact this year by having a lot of issues to be solved with partners. However, Clé de Peau Beauté is still a luxury global brand, so we shouldn't rush to launch in Sephora or some other different channels. Rather, we would like to build a solid presence of this brand.

Yamanaka [Q]: SHISEIDO has long been selling at Sephora. What plans do you have in terms of exploiting Alberto's connections. Is he going to expand the shelves, or can we expect that you will be strengthening brand presence beyond sun care?

Fujiwara [A]: Yes, we will strengthen VPN for Vital Perfection line further. The other issue that we need to work on is to develop collaboration with retailers on Sephora which has not been very effective in many aspects. From what I discussed with Alberto, Sephora has been rolling out a range of promotions, but SHISEIDO has not been able to participate very well and we agreed that is one of the points that we need to strengthen. Going forward, we will focus on strengthening two things: shelf space in Sephora the initiatives to think together with the retailers.

Yamanaka [Q]: Thank you.

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