Shiseido Company, Limited

2026 Q2 Financial Results Briefing

August 5, 2026

Event Summary

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[Number of Speakers]	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

Presentation

Fujiwara: I am Fujiwara, President and CEO. Before we begin today's earnings presentation, I would like to address the Kumamoto earthquake that occurred on July 28. I wish to express my sincere condolences to those who lost their lives in the earthquake and to extend my heartfelt sympathies to everyone affected by the disaster.

Regarding our company situation, we have confirmed the safety of all employees working in the afflicted areas. There has been no damage to our offices, factories, or distribution centers in the Kyushu region, and operations are continuing as usual. We sincerely hope for a swift recovery in the affected areas and have donated JPY10 million in disaster relief funds and supplies through the Japan Red Cross Society. We will continue to monitor the situation on the ground and provide necessary support in the assistance.

Now, let me move on to today's presentation.

First, our CFO, Ms. Hirofuji, will explain our financial results for Q2, followed by my presentation on the progress of the growth strategy. Hand over to you, Ms. Hirofuji.

Key Highlights of 1H 2026 Results Briefing

Growth momentum accelerated in Q2, while profit growth strengthened
Stepping up investments behind growth drivers to fuel growth in 2H and beyond
Maintaining FY guidance; targeting profit outperformance

- **1H Net Sales: ¥499.0 bn (YoY LfL% 1H: flat, Q1: －3%, Q2: +2%)**
  - Returned to LfL sales growth in Q2
    - Growth momentum improved across major brands, led by *ELIXIR* and *narciso rodriguez*
    - Growth acceleration expanded across regions, including Japan, China & Travel Retail, Asia Pacific, and EMEA
  - Convert key launches and marketing investments into stronger 2H growth
- **1H Core Operating Profit: ¥44.4 bn (YoY: +¥21.1 bn)**
  - Structural reform benefits, particularly in Americas, and disciplined cost management drove significant profit growth
- **Geopolitical risks**
  - Japan–China relations: FY impact level unchanged from Q1. Capturing diversified global tourist demand while pursuing opportunities in evolving Chinese traveler flows
  - Middle East situation: FY impact expected to ease, supported by improving supply conditions and alternative sourcing
- **Full-year forecasts: unchanged**
  - Net Sales: While mindful of downside risks in EMEA and Americas, accelerate focused investments in high-growth opportunities to build on momentum
  - Core Operating Profit: Targeting outperformance while maintaining investment discipline

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Hirofuji: I am Hirofuji, the CFO. I will provide details on our Q2 results and the situation in each region. The first point is the improvement in the sales momentum. Sales for H1 totaled JPY499 billion. The organic growth rate was on par with the previous year, marking a turnaround from a minus 3% in Q1 to a plus 2% increase in Q2.

Excluding the impact on the decline following the initial shipment of new NARS products, all major products showed improvement, especially ELIXIR and narciso rodriguez fragrance line.

By region, Japan, China, travel retail, Asia Pacific, and Europe all shifted to positive growth in Q2, with momentum accelerating across the board.

The second point in improvement in profitability. Core operating profit for H1 was JPY44.4 billion, a significant increase of JPY21.1 billion YoY. This reflects the benefits of structural reforms, particularly in the Americas region, as well as company-wide cost management efforts that are effectively translating into profit.

The third point is the increased likelihood of achieving our full-year targets. In addition to our H1 progress, the business environment is largely unfolding as expected, and our full-year performance is proceeding steadily, accelerating according to the plan.

Regarding the geopolitical risks, the impact of the heightened tensions between Japan and China remains the same from the previous earnings briefing. As for the situation of the Middle East, the raw materials procurement condition is improving. Consequently, the risks on production and rising costs are expected to be lower than the previous forecast. Given these circumstances, we are maintaining our full-year outlook at this time.

Regarding net sales, we recognize a certain risk of underperformance in EMEA and Americas. Therefore, we will invest in marketing and brand enhancement to capitalize on growth opportunities in H2. Core operating profit, however, based on H1 progress and currency trend, the likelihood of achieving our full-year targets has increased, and even aiming to exceed our initial plan.

Overview of 2026 1H Results

(Billion yen)	2025 1H	% of Net Sales	2026 1H	% of Net Sales	YoY Change	YoY %	YoY FX-Neutral %	YoY LfL %
Net Sales	469.8	100%	499.0	100%	+29.1	+6%	−1%	−0%
Core Operating Profit	23.4	5.0%	44.4	8.9%	+21.1	+90%		
Non-recurring Items	−5.3	−1.1%	−2.5	−0.5%	+2.8	-		
Operating Profit (Loss)	18.1	3.8%	41.9	8.4%	+23.8	+132%		
Profit (Loss) before Tax	19.2	4.1%	44.2	8.9%	+25.0	+130%		
Income Tax Expense	10.1	2.2%	15.2	3.0%	+5.1	+50%		
Profit (Loss) Attributable to Owners of Parent	9.5	2.0%	29.7	6.0%	+20.2	+211%		
EBITDA	48.5	10.3%	70.0	14.0%	+21.5	+44%		
Free Cash Flow	17.5	+3.7%	22.5	+4.5%	+5.0	+29%		

FX rate for 2026 1H:
USD/JPY: 158.1 yen,
EUR/JPY: 184.4 yen
CNY/JPY: 23.0 yen

(Same period of the previous year)
USD/JPY: 148.5 yen
EUR/JPY: 162.1 yen
CNY/JPY: 20.5 yen

Net Sales	: YoY LfL %	Flat	Organic revenue growth turned positive in Q2, with 1H net sales flat YoY
Core Operating Profit	: YoY Change	+¥21.1 bn	Strong profit growth achieved through structural reforms and company-wide cost management
Free Cash Flow	: YoY Change	+¥5.0 bn	Increase in cash outflows from the early retirement program at Global HQ etc was offset by higher profit before tax

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Page four, overall summary.

Net sales increased by 6% YoY, driven by the weaker yen. On a like-for-like basis, the growth remained flat compared to the previous year.

Core operating profit stood at JPY44.4 billion. Even excluding approximately JPY3 billion impact on exchange rate, profitability improved significantly in just H1, generating profit comparable to the entire previous year. The core operating profit margin was approximately 9%, exceeding the full-year target of 7%, showing steady growth towards achieving our target.

Nonrecurring items totaled JPY2.5 billion, primarily due to structural reform costs. The full-year forecast remains unchanged from the initial plan, with projected cost of JPY10 billion.

We achieved a profit growth across the board, not only on the core operating profit, but also operating profit, profit before tax, and profit attributable to owners of the parent. We continue to focus on increasing EPS.

Core Operating Profit: Structural Reform Benefits and Cost Discipline Drove Profit Growth, Improving Profit Structure Supports the Transition to Growth

(Excluding Non-recurring Items) (Billion yen)	2025 1H	% of Net Sales	2026 1H	% of Net Sales	YoY Change	YoY %	Pts Difference
Net Sales	469.8	100%	499.0	100%	+29.1	+6.2%	-
COGS	106.1	22.6%	105.1	21.1%	−1.0	−1.0%	−1.5pts
Gross Profit	363.7	77.4%	393.9	78.9%	+30.2	+8.3%	+1.5pts
SG&A	342.9	73.0%	354.8	71.1%	+11.8	+3.5%	−1.9pts
Marketing investments	135.3	28.8%	146.2	29.3%	+10.9	+8.1%	+0.5pts
Brand development / R&D	17.7	3.8%	16.7	3.4%	−1.0	−5.4%	−0.4pts
Personnel expenses*	108.1	23.0%	110.3	22.1%	+2.2	+2.0%	−0.9pts
Other SG&A	81.8	17.4%	81.5	16.3%	−0.3	−0.4%	−1.1pts
Other Operating Income / Expenses	2.6	0.6%	5.3	1.1%	+2.7	+104.7%	+0.5pts
Core Operating Profit	23.4	5.0%	44.4	8.9%	+21.1	+90.1%	+3.9pts

COGS	: COGS ratio improved, partly driven by reversal of inventory provisions
SG&A	: Reduced on an FX-neutral basis
Marketing investments	: Focused investments to accelerate growth of key brands and new products
Personnel expenses*	: Reduced through structural reform benefits and natural attrition, offsetting salary increases
Other SG&A	: Lower outsourcing costs and depreciation driven by structural reforms, together with disciplined cost management
Other Operating Income / Expenses	: Including provision reversals

* Including POS personnel expenses

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Next, page five.

COGS ratio was 21.1%, down 1.5 percentage points YoY. Contributing factors included the reversal of unevenly distributed inventory provisions, which had been at a high level last year, an improvement, as well as the brand mix.

SG&A expenses decreased overall, excluding the currency effects. In addition to benefit of structural reforms, we are contributing agile cost management. Regarding the P&L structure, while ratio for personnel and other expenses declined, marketing spend increased by 0.5 points YoY.

By reallocating resources generated through structural reforms to priority brands and growth opportunities, we will achieve more balanced management for growth and profitability.

Net Sales by Reportable Segment: Q2 Growth Reaccelerated Across Most Regions

YoY LfL	2025 (vs. 2024)					2026 (vs. 2025)		
	Q1	Q2	Q3	Q4	FY	Q1	Q2	1H
Japan	−2%	+2%	+2%	+2%	+1%	−4%	+3%	−0%
China & Travel Retail	−14%	−7%	+8%	+2%	−3%	−1%	+1%	−0%
Asia Pacific	−1%	−0%	−2%	+9%	+2%	−1%	+5%	+2%
Americas	−19%	+4%	−9%	−10%	−9%	+5%	−8%	−1%
EMEA	−9%	+2%	+22%	+1%	+3%	−10%	+9%	−1%
Total	−9%	−3%	+4%	+1%	−2%	−3%	+2%	−0%

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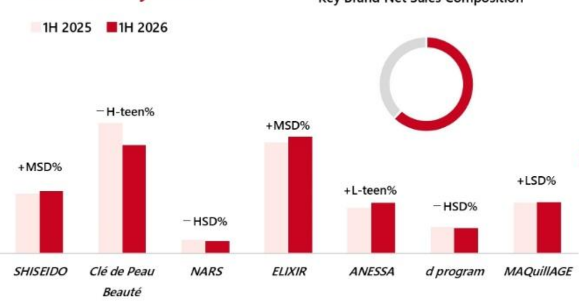
Next, please turn to page six for net sales by reportable segment.

On a global basis, net sales returned to growth, improving from minus 3% in Q1 to positive 2% in Q2. Momentum improved across all regions except the Americas, demonstrating that our growth is becoming increasingly broad-based. Going forward, we will continue to pursue well-balanced growth across regions while further strengthening our business foundation.

Japan: Diversified Growth Drivers Supported Resilient Growth and Profitability

(Billion yen)	2025 1H	2026 1H	YoY Change	YoY %*
Net Sales	145.9	144.7	−1.2	−0.4%
Core Operating Profit	19.5	20.9	+1.4	+7.2%
Core OPM	13.3%	14.4%	-	+1.1pts

Net Sales by Brand



Q2 Market

- Local: Modest growth continued
- Inbound: Chinese visitors continued to decline, market growth continued to moderate

Q2 Consumer Purchases

- −LSD%
  - Local: +LSD%
    - *ELIXIR and ANESSA:* Double-digit growth
    - *SHISEIDO* accelerated new consumer acquisition, performed strongly
    - *Clé de Peau Beauté* continued to face headwinds, while continuing efforts to rebuild its loyal customer base
  - Inbound: −M-teen%
    - Inbound customer base diversified further, particularly through visitors from Thailand, Taiwan, South Korea and other regions; decline narrowed

1H Net Sales & Core Operating Profit

- Continued reductions in COGS and personnel expense ratios, along with increased marketing investments, drove steady and sustainable profitability improvement
- Profitability improved despite the decline in inbound sales

* Net Sales YoY% means Net Sales YoY LfL%

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Next is the regional review, starting with Japan on page seven.

Despite the continued sharp decline in Chinese tourist traffic, H1 sales remained broadly in line with the previous year. Performance also improved from Q1 to Q2.

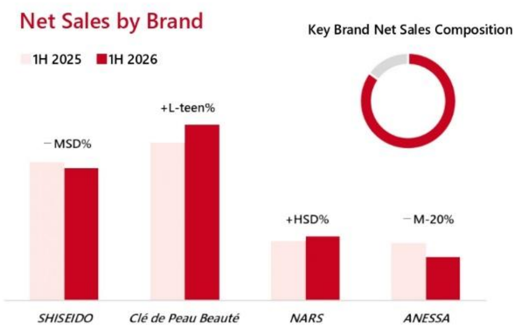
Among local consumers, our focus brands continue to drive growth, with SHISEIDO making solid progress in acquiring new customers.

In particular, ELIXIR and ANESSA have not only attracted new customers through successful product launches, but have also achieved strong repeat purchases, creating a virtuous cycle that continues to support sustainable growth.

Inbound sales remained in the mid-teens, but the rate of decline narrowed. Demand from travelers from Thailand, Taiwan, South Korea, and other markets increased, resulting in a more diversified inbound customer mix. Despite the headwind of lower inbound sales, we continue to make steady progress in improving profitability on a sustainable basis.

China & Travel Retail: Profitability Improved as China Returned to Growth and Gained Market Share on Strong 618 Performance

(Billion yen)	2025 1H	2026 1H	YoY Change	YoY %*
Net Sales	173.9	191.4	+17.5	−0.1%
Core Operating Profit	38.8	47.6	+8.8	+22.7%
Core OPM	22.1%	24.6%	-	+2.5pts



Q2 Market
- China: The overall prestige market demonstrated solid growth
- Travel Retail: Negative impact continued with ongoing concession realignment in Chinese Mainland

Q2 Consumer Purchases
- China: +LSD% Offline: +MSD% EC: +LSD%
  - 618 performance benefited from focused investments in hero products
  - *Clé de Peau Beauté* and *NARS* accelerated, *ANESSA*'s decline narrowed
- Travel Retail: −HSD%
  - Chinese Mainland: Revenue remained impacted by concession realignment, with a moderating decline
  - Hainan: Recovery momentum continued

1H Net Sales & Core Operating Profit
- Strengthening price discipline across brands
- Profit increased through improved labor productivity etc.

* Net Sales YoY% means Net Sales YoY LfL%

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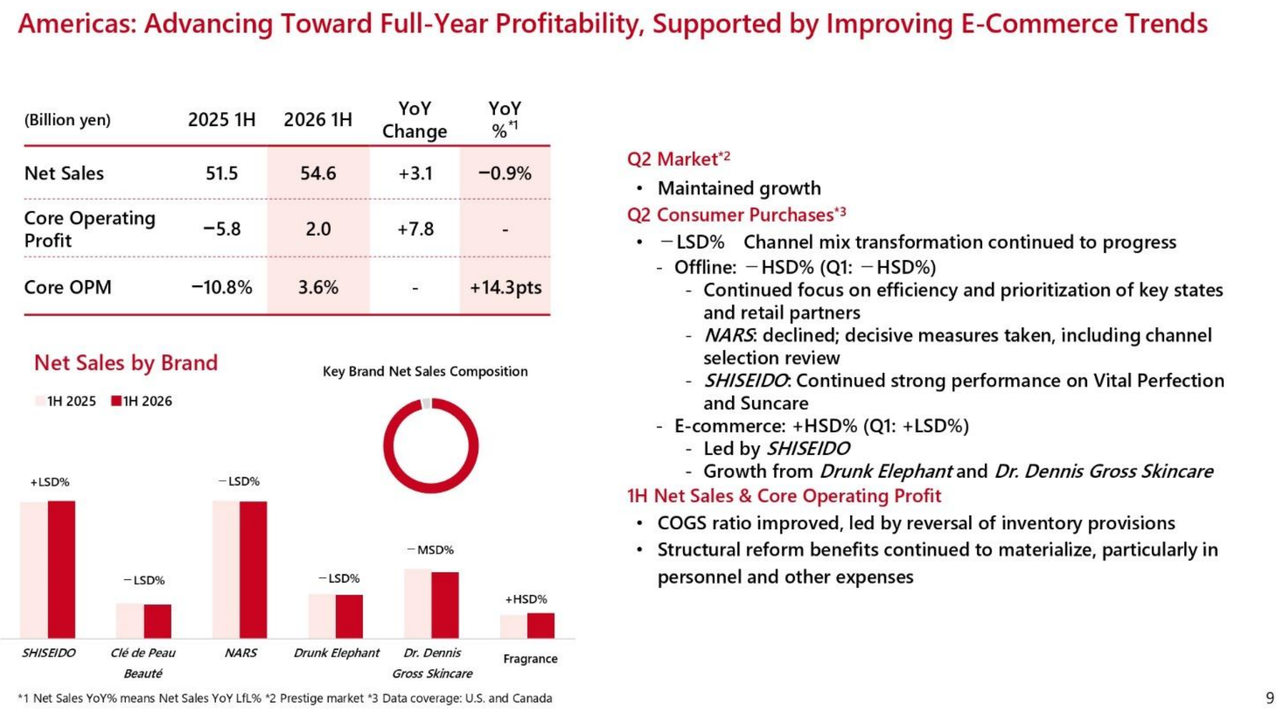
Next, please turn to page eight for our China and travel retail businesses.

China's prestige beauty market continued to grow.

In travel retail, the negative impact of retailer restructuring in Mainland China narrowed, while the recovery in Hainan Islands continued, resulting in an overall improving market environment.

Customer purchases of our products also returned to growth in Mainland China during Q2, allowing us to further expand our share in the prestige market. During the 618 shopping promotion, we concentrated our investment on high-growth categories and brands, and SKUs where we have a strong competitive advantage. This strategy delivered strong growth led by Clé de Peau Beauté and NARS. For ANESSA, sales continued to decline as we advanced inventory adjustments and worked to restore a healthier market environment. We are strengthening pricing discipline and governance to optimize distribution with the aim of enhancing the brand's long-term value.

Core operating profit increased by JPY8.8 billion, with the margin reaching 24.6%. Even when excluding the one-time factors, profitability improved through higher workforce productivity and disciplined business management through selection and concentration.



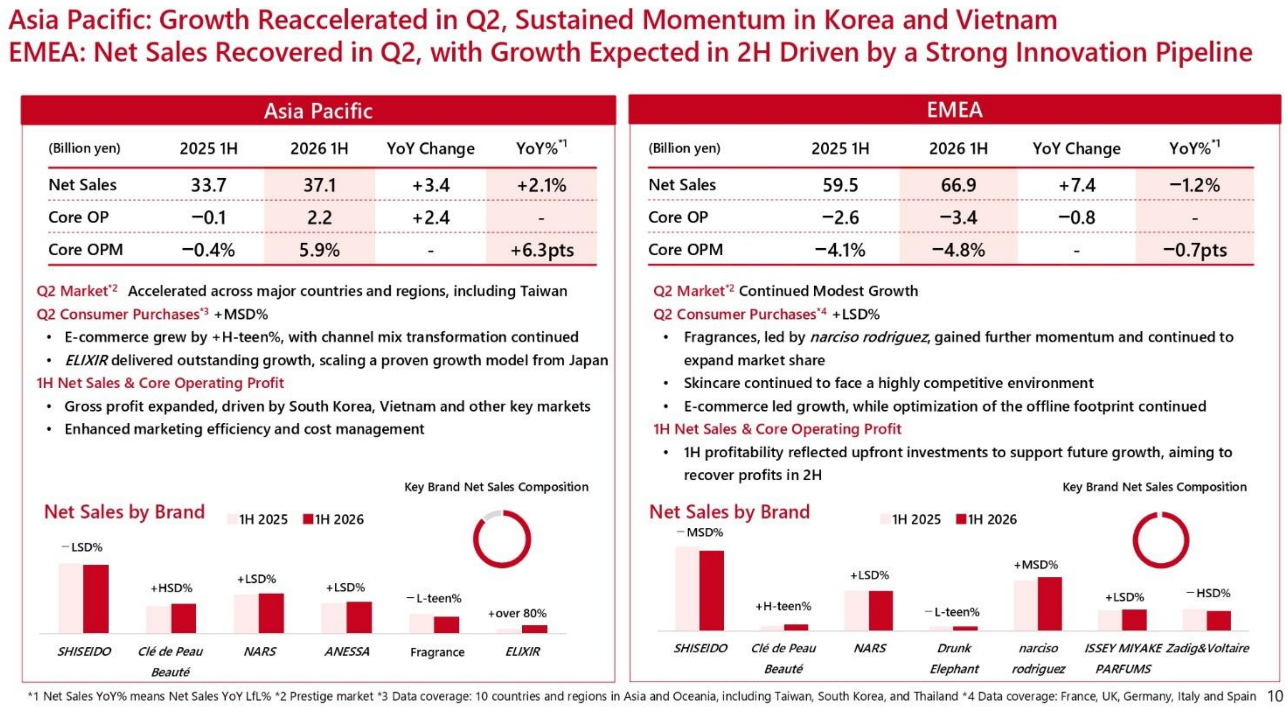
Next, turning to page nine.

Our structural reforms in the Americas continued to deliver steady improvements in profitability.

Core operating profit improved by JPY7.8 billion, returning to a positive JPY2 billion, in line with our plan to strengthen the earnings foundation. On the other hand, H1 revenue declined by 1%, slightly below our plan. However, this represents a significant improvement from the 9% decline recorded for the full year last year.

Customer purchases also returned to growth in June, indicating early signs of recovery in demand. E-commerce, one of our strategic priorities, continued to deliver strong growth. At the same time, we further improved the quality of our business by focusing offline investments on priority brands and key retail partners.

In H2, we will convert these early signs of demand recovery into sales growth and remain committed to achieving full-year profitability.



Asia Pacific: Growth Reaccelerated in Q2, Sustained Momentum in Korea and Vietnam
EMEA: Net Sales Recovered in Q2, with Growth Expected in 2H Driven by a Strong Innovation Pipeline

Asia Pacific

(Billion yen)	2025 1H	2026 1H	YoY Change	YoY%[*1]
Net Sales	33.7	37.1	+3.4	+2.1%
Core OP	−0.1	2.2	+2.4	-
Core OPM	−0.4%	5.9%	-	+6.3pts

Q2 Market[*2] Accelerated across major countries and regions, including Taiwan

Q2 Consumer Purchases[*3] +MSD%

- E-commerce grew by +H-teen%, with channel mix transformation continued
- *ELIXIR* delivered outstanding growth, scaling a proven growth model from Japan

1H Net Sales & Core Operating Profit

- Gross profit expanded, driven by South Korea, Vietnam and other key markets
- Enhanced marketing efficiency and cost management

EMEA

(Billion yen)	2025 1H	2026 1H	YoY Change	YoY%[*1]
Net Sales	59.5	66.9	+7.4	−1.2%
Core OP	−2.6	−3.4	−0.8	-
Core OPM	−4.1%	−4.8%	-	−0.7pts

Q2 Market[*2] Continued Modest Growth

Q2 Consumer Purchases[*4] +LSD%

- Fragrances, led by *narciso rodriguez*, gained further momentum and continued to expand market share
- Skincare continued to face a highly competitive environment
- E-commerce led growth, while optimization of the offline footprint continued

1H Net Sales & Core Operating Profit

- 1H profitability reflected upfront investments to support future growth, aiming to recover profits in 2H

*1 Net Sales YoY% means Net Sales YoY LfL% *2 Prestige market *3 Data coverage: 10 countries and regions in Asia and Oceania, including Taiwan, South Korea, and Thailand *4 Data coverage: France, UK, Germany, Italy and Spain 10

Next, please turn to page 10.

In Asia Pacific, key markets, including Taiwan, delivered positive growth, and the region returned to sales growth in Q2. Multiple markets led by South Korea and Vietnam contributed to sales growth, sustaining strong momentum across the region. This has been supported by expanding customer engagement through e-commerce as well as the successful rollout of our proven brand-building model from Japan to other markets. ELIXIR is a prime example, delivering growth of more than 80% in H1.

Core operating profit also improved significantly. We are building a virtuous cycle of growth and profitability and remain on track to achieve higher earnings for the full year.

In EMEA, while competition from emerging brands remains intense, our fragrance business continued to outperform the market and gain share, led by the strong performance of narciso rodriguez. Although the business recorded a temporary operating loss in H1 due to upfront marketing investments to support future growth, we expect these investments to translate into stronger sales in H2 and remain on track to achieve full-year profitability and earnings growth.

Full-Year Outlook Unchanged: Monitoring Sales Risks While Leveraging a Stronger Profit Structure to Deliver Sustainable Earnings Growth

- **1H Results:**
  - **Net Sales: Below plan; intensified competition in EMEA and Americas, and continued challenges in selected brands**
  - **Core Operating Profit: Above plan; supported by Group-wide cost management and FX**

- **Full-Year Outlook: Increased investments in 2H to accelerate top-line growth, while targeting Core Operating Profit above plan**

  （+） **Accelerating growth through targeted resource reallocation**
  （+） **Group-wide cost discipline**
  （+） **Favorable FX impact from yen depreciation**
  （−） **Downside sales risk in EMEA and Americas**
  （−） **Continued uncertainty in China and Travel Retail**

Delivering on Our Commitments

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Turning to page 11. Let me discuss the full-year outlook.

With regard to the net sales, the competitive environment remains challenging, particularly in EMEA and the Americas, and some brands continue to face challenges. As a result, we remain careful on our sales outlook. At the same time, we will continue to invest aggressively in marketing during H2 in areas where we see significant growth opportunities with the aim of further improving sales momentum.

On the core operating profit side, considering our solid H1 performance and the recent foreign exchange environment, we have greater confidence in achieving our full-year core OP target. Last year, we achieved our initial full-year plan for the first time in four years.

Going forward, we will continue to deliver on each of our commitments and earn your trust through consistent execution and tangible results.

This concludes my presentation. Thank you.

Fujiwara: Moving on, in addition to reviewing our Q2 financial results, I will explain how our growth strategy for 2030 is shifting from the concept to the execution and result generation phase.

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	
Our people and organizations to create beauty value Harmonization with nature (Circular Product Lifecycle Design)	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	

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First, page 13.

In the 2030 midterm strategy announced last November, we outlined our direction for achieving growth and enhancing corporate value by leveraging our inherent strength. Since then, we saw an improvement in growth momentum during H1, overachieving profitability target.

However, what I want to emphasize is not just the short-term improvement in figures, but the fact that Shiseido has begun to transform into a company that delivers growth through structural reform.

Over the past six months, we have translated our strategic initiatives into concrete actions, driving growth by strengthening our brands, establishing innovation mechanism to convert technology into growth, and focusing our resources through a select and concentrated approach on markets and areas where we can win.

As Ms. Hirofuji explained, there are risks regarding the net sales and environmental factors such as intensifying competitive landscape. Yet, in the face of these challenges, we carefully analyze the success or failure of strategic measures by brand and region, identify the root causes behind the numbers, and understand what is working, what is not working, and swiftly take corrective actions.

At the same time, brand and regions are united to make aggressive investment in areas where growth opportunities are clear. Such a mechanism is steadily progressing.

I will now explain the progress of those strategies by brand and region.

Implementing Brand-Centric Growth Strategy

Now, page 14 is the strategy by brand.

In our midterm strategy, we have positioned SHISEIDO, Clé de Peau Beauté, and NARS as core brands that drive both growth and profitability. Today, I will outline the vision for each brand over the midterm plan and shift the growth models required to achieve it.

During H1, we focused on hero products, strengthened our brand foundations and transition from fragmented regional initiatives to consistent brand global operations, and established a framework for brands and regions to work together as one team. While progress varies by brand, the key takeaway is that each brand now has a clear picture of exactly what areas and products will drive growth.

Now, page 15.

During the midterm, we aim to further evolve SHISEIDO as a global prestige brand originating from Japan. To this end, we are currently working to rebuild brand value through high brand-value-added offerings rather than just sales volume expansion.

Specifically, we are concentrating management resources on product lines destined to become hero franchise, such as ULTIMUNE or Vital Perfection, and that are enhancing their unique value by combining art and science. Although we are currently behind the full-year target of low single digits, the rate of the revenue decline narrowed between Q1 and Q2, indicating the results of these initiatives are yielding. ULTIMUNE, in particular, is contributing to broadening the brand's fans and attracting younger consumers.

Additionally, while revenue is still down in China and travel retail, the underlying quality of business is improving. This indicates a shift toward a model that achieves sustainable growth by enhancing brand value through the expansion of high-value-added products rather than relying on excessive promotion to drive sales.

In H2, we will intensify strategic investment in our global hero products and launch new items, including our foundation serum featuring core science and technology and new additions to the Vital Perfection line. Through these initiatives, we will further revitalize the brand and put SHISEIDO, the Group's iconic brand, back on a growth trajectory.

Next, please turn to page 16.

As our flagship luxury brand, Clé de Peau Beauté continues to strengthen its distinctive brand equity by combining cutting-edge science with luxury. During H1, the brand delivered strong growth in its largest market, China and travel retail, while maintaining discipline in pricing and distribution to protect and enhance brand value. Our hero products drove robust performance.

Our new brightening serum, powered by breakthrough science and technology, has also performed exceptionally well, demonstrating our ability to translate scientific innovation into brand value.

In addition, continued growth in premium-priced products and disciplined brand management focused on long-term brand value have enhanced not only sales performance, but also the overall quality of the brand.

In H2, we will build on the momentum generated by new product launches by strengthening promotions and accelerating cross-selling, further reinforcing our loyal customer base, one of the brand’s greatest strengths. By leveraging world-class dermatological science while delivering exceptional luxury experiences, we will continue to establish a differentiated value proposition that sets Clé de Peau Beauté apart from its competitors.

Next, please turn to page 17.

We position NARS as one of our core brands that should further strengthen its presence in the global makeup market.

Over the medium term, we expect NARS to become a key driver of the turnaround in the Americas. At the same time, we aim to evolve the brand beyond the makeup brand by making base makeup the core growth engine while strengthening the eye and cheek categories, enabling sustainable market share expansion.

In H1, we saw both encouraging progress and areas requiring improvement. The flagship light-reflecting series delivered strong growth and continued to attract new customers to the brand. On the other hand, our new Natural Matte Longwear Foundation fell short of our high expectations.

What matters most to us is not the short-term performance of any single product. Our focus is on building a business model that consistently converts innovation into sustainable growth.

Through our post-launch review, we identified opportunities to improve our investment allocation in light of the competitive environment, optimized channel deployment in selected markets, and sharpened our consumer value proposition. At the same time, the launch successfully increased brand awareness and drove store traffic while also creating positive synergies with existing products, including the light-reflecting series.

Strong momentum has continued at key retail partners, including in China and at ULTA in the Americas.

We are already taking action by refining our product messaging, strengthening sampling activities, and optimizing investment allocation toward priority markets. More importantly, we have begun incorporating these learnings into our next wave of innovation and future investment decisions. Our process does not end with a product launch. We rigorously evaluate outcomes, learn from them, and apply those insights to drive further growth.

This demonstrates that we are making steady progress toward the business model we aspire to build, one that generates sustainable growth through innovation.

Next, please turn to page 18.

In addition to our core brands, we are also cultivating the next generation of growth drivers.

ELIXIR is a prime example. Our strategic shift in 2021 to focus on five hero products has proven highly successful, making ELIXIR one of our most consistently growing brands while building exceptionally strong brand equity.

During H1, growth was driven by the renewal of our Brightening Lotion and Emulsion as well as the launch of a new shade to our Tone-Up UV Emulsion.

We also benefited from increased demand from travelers of diverse nationalities and the expansion of our open channel business across Asia Pacific. We have now entered the next phase, scaling the successful brand-building model we established in Japan to markets around the world.

Looking ahead to H2, we expect to accelerate growth further with the renewal of our V cream featuring our latest breakthrough science and technology.

Next, page 19.

Our fragrance business, mainly in Europe, is making progress in both expanding market share and improving profitability. We are seeing results from a profitable growth model, which focuses on launching one major new product annually to efficiently generate consumer excitement rather than the traditional model of spreading investment across numerous new products.

We have built up a portfolio of large-scale SKU through major launches such as ISSEY MIYAKE in 2024 and Zadig&Voltaire in 2025. In H1, new products from narciso rodriguez and ISSEY MIYAKE were key contributors. Looking to H2, we have a major new product launch schedule for the MaxMara brand. By combining this with the continued investment in the successful models established in H1, we aim to further accelerate our growth momentum.

Next, approach to the innovation on page 20.

This is another critical section demonstrating how our growth strategy is now yielding. We are often told that while Shiseido possesses strong R&D capabilities, that strength has not necessarily translated into continuous sales growth. We believe the challenge lies not in our technical capabilities themselves, but in the lack of a sufficient mechanism to cultivate strong technologies into hero products and long-lasting brand assets, which should lead to the sustainable sales and profitability. We are now changing it. Instead of allowing R&D efforts to result merely in one-off hits, we are transforming technology into a sustainable and repeatable growth model by expanding from hero products and franchise development, SKU lineup, and global rollouts.

A prime example of this is SHISEIDO's serum foundation series. Since the launch of the foundation in 2023, we have expanded the lineup, everything from primer to powders that are centered around our serum First Technology. This is a growth model that goes beyond a one-off hit by expanding the product range around the core technology and driving cross-sell, and we aim to enhance customer value over the long term and generate both sales and profit.

In H2, we will launch a matte version of the serum foundation. The key is not simply to increase the number of new products, but to accelerate growth by leveraging our existing robust technological bases and customer assets.

Furthermore, our core science technology, such as the Serum First Technology, is already being deployed across multiple brands, and we plan to accelerate its adoption into international brands by 2028.

We are currently evolving from a company that simply commercialized R&D efforts into one that continuously validates and learns from the innovations outcome to fuel future growth. We believe that this structure of transformation serves as the foundation for converting Shiseido's strength, its scientific expertise, into sustainable and repeatable sales growth.

Now, moving to page 21, specific innovation initiative for 2026. The new product pipeline for H2 is even more exciting than that of H1. We will incorporate our core science and technology across multiple departments, such as Serum First and Anti-Gravity Science V, into new products.

In the fragrance category, we will continue to roll out our products with high growth potential, including MaxMara, which represent our most important initiative this year. Particularly, to ensure the success of these products, we are prioritizing the reallocation of investments toward brands, categories, and regions that have significant growth opportunities.

By combining the launch of new products featuring core science and technologies with prioritized investment, we aim to increase the certainty of growth in H2 beyond that of H1 and clearly demonstrate the results of sustained and repeatable growth model.

China & Travel Retail: Driving Quality Growth by Leveraging Consumer Trends

- **Shifting the product portfolio toward high-function premiumization**
  - Expanding the loyal user base and driving profitable growth by shifting resources to hero products
  - Nurturing next-generation hero products as future growth pillars
- **Elevating brand equity through marketing and consumer experience**
  - Strengthening ROI discipline and reducing discount reliance
  - Strengthening science- and tech-backed value proposition aligned with shifting consumer preferences toward essential value
  - Maximizing LTV by enhancing offline-exclusive treatment services and personalized experiences
- **Optimizing distribution control & channel structure**
  - Strengthening distribution and pricing discipline across China & Travel Retail
  - Stabilizing Travel Retail following concession realignment

22

Now, page 22.

I will now explain the regional initiatives focusing on China and Americas areas which need to further accelerate our efforts for H2.

Regarding China and travel retail, our focus is shifting from the short-term pursuit of market share to high-quality growth that prioritizes brand value and profitability. In H1, we prioritized strengthening price discipline and rebranding the brand equity, which are already seeing steady results in our key products.

Consumer purchasing behavior is also shifting these days towards seeking essential value, such as superior technical excellence and comfort in product use, and reliability. These are being reevaluated by Chinese consumers, which is a tailwind for our company.

Moving forward, we accelerate high-quality growth based on the three pillars: strengthening our product portfolio, evolving our marketing while moving from reliance on excessive discounting and the market, and maintaining appropriate channel control. Regarding the retailer restructuring in Mainland China and travel retail, which continues to revenue decline, we expect normalization in the return to positivity.

Now, please turn to page 23.

Our Americas business continued to make solid progress toward achieving full-year profitability in 2026.

Nearly all of the JPY7.5 billion effects expected from our structural reform has already been realized as planned. The Americas has now transitioned from a turnaround phase to a growth phase, having established a stronger earnings foundation through structural reforms. In H2, we will accelerate focused investment in priority areas.

One key initiative is our Power Duos strategy, which focuses resources on the combination of brands and retail partners that are most critical to driving both sales and profitability across the Americas.

At the same time, we are accelerating the expansion of our online business, particularly through Amazon and other e-commerce platforms. We view e-commerce as far more than just a sales channel. It is a strategic platform that integrates consumer insights, content, CRM, and conversion to strengthen both brand equity and profitability.

By combining our Power Duos strategy with a stronger e-commerce foundation, we will maximize the return on our investments, deepen customer engagement, and deliver sustainable, profitable growth.

Finally, please turn to page 24.

Let me update you on the progress we have made in the strengthening of corporate foundation in line with our midterm strategy.

The first pillar is to accelerate growth with brand power. As mentioned earlier, we are transforming our innovation process into a system that consistently converts innovation into growth. At the same time, we are upgrading our development capabilities and shortening lead times in fast-moving categories. We are also strengthening execution by bringing our brands and regions together as one team, creating a marketing foundation for the whole company to further strengthen our growth strategy.

The second pillar is to evolve global operations. We are embedding our new reporting structure across the organization while strengthening the governance and operating framework needed to optimize our brand and SKU portfolio. We have now moved firmly into the execution phase.

Thirdly and most importantly is the organization culture. To create value that is uniquely Shiseido, we are embedding the Shiseido way, not simply as a set of guiding principles, but as the foundation for our daily decision-making. By doing so, we are building a culture that responds quickly to change, embraces challenges, and continuously drives transformation.

Shiseido’s strategy has clearly progressed from structural reform to growth and from defining our strategy to delivering tangible results. We remain firmly committed to maintaining cost discipline and preserving the momentum of our transformation. We will have the courage to stop doing what no longer creates value, redirect those resources to our highest growth opportunities, and drive sustainable growth through thorough selection and concentration.

While challenges do remain, we are becoming a stronger company, one that learns from those challenges, adapts quickly, and consistently delivers results. Shiseido is built on powerful assets, iconic brands developed over more than 150 years, world-class science and technology, and above all, a corporate culture that has always been deeply committed to enhancing people’s beauty and well-being.

The growth we aspire to achieve is not simply about expanding the size of our business. It is about delivering the unique value that only Shiseido can create to more consumers around the world and translating that value into corporate value. Which brands have the greatest growth potential? Which technologies will create the greatest value for our consumers in the future? In which markets and categories can Shiseido deliver the most distinctive value? These are the decisions we make, not by keeping everything from the past, but by looking at the future to maximize our future corporate value.

As a management team, we are committed to driving the transformation that will create Shiseido's next phase of growth by fully leveraging our brands, technologies, people, and corporate culture built over the past 150 years. We are confident that these efforts will unlock the full potential of Shiseido and maximize our corporate value over the medium- to long-term.

This concludes my presentation. Thank you.

Question & Answer

Moderator [M]: Now we'd like to open the floor for Q&A.

Kuwahara [M]: This is Kuwahara from JPMorgan. Do you hear me?

Moderator [M]: Yes, I can hear you.

Kuwahara [Q]: Only one question. Page 11. The net sales and the core operating profit—the achievement in H1—there was a slight gap between the two. I want to understand that.

Also, for H2, what is the guidance? In H1, the core operating profit was above the plan, it is driven by what? Also, there are some reasons behind them, but what is the FX impact and the cost management? What was the contribution for each category? I just want to understand in detail.

In terms of your guidance, the achievement rate operating profit is quite good, but still, you don't change your guidance, right? What was the reason behind it? What kind of risks are you taking in not changing the guidance? Then H2, it was very clear in your explanation by brand, but ANESSA in overseas, especially China, a little bit of a struggle in my view. If you can share some initiatives about that, that will be appreciated.

Hirofuji [A]: Thank you very much for your question. In terms of the gap between the plan, in H1, JPY5 billion or so uplift compared to the plan. For the details, we don't disclose the breakdown, but the cost as well as the product mix, and also the unevenly distributed inventory, there is some time difference in terms of the recognition of the sales or profit. YoY changes, especially the big US brand, the unevenly distributed inventory provisions we had, those are not recognized. It is now reversed. Therefore, that is contributing JPY5 billion. Also, the profit, JPY3 billion or so positive impact. That was the tailwind for H1.

Another highlight is that the profitability improvement by quality; we see good contribution coming from the structural reform. For each region and function, we do have a more cost-discipline approach, and we have more production improvement, and the GTC is going well. All kinds of structural reform initiatives are yielding results now. Based on that, we decided to keep the current guidance. The reason behind the net sales impact, and also the core operating profit and FX impact, was JPY3 billion or so, as I mentioned.

Those, overall, are a good sign. In order to achieve our guidance, it still needs to achieve quite aggressive net sales. In order to achieve that, we continue to monitor and also continue our efforts. It's not just operating profit guidance to uplift, but rather, we need to achieve the 7% operating profit margin guidance to be secured. This year's profitability structure, by 2030, that has to be continued because this year's effort will eventually contribute to the 2030 achievement. Therefore, we want to achieve, overachieve hopefully, the guidance, but that is the background why we decided not to change this time.

In terms of your question for ANESSA, you're right. The problem is in China. Q1, Q2, there is an improvement, but still there are structural reasons behind it. It's not just a growth momentum, but we need to take on some challenges in terms of the structural reform. Gold and other products—most of the products, Gold and others are sales through the agency. That is the big impact. There were some imports and so forth that negatively affected others for the price. It's not just a single SKU, but Japan and Asia—product lineup expansion to cope with daily needs. We need to reposition our ANESSA brand, especially in China. That is our initiative for H2.

Moderator [M]: Next question from Jefferies, Kawamoto-san.

Kawamoto [M]: Do you hear me?

Moderator [M]: Yes, we do hear you.

Kawamoto [Q]: From myself, for H2, what you've mentioned earlier—the investment for H2, Page 21. From next year and onwards, what kind of fruit will we be seeing from next fiscal year and onwards due to the investment in H2, specifically around the fragrance? You have here the photos of the products, detailed products here, but as we look at L'Oréal and Prada, they have a long-term license. There's competition like that. How do you see the differentiation in the fragrance? Are you going to focus on areas where you're really strong in? If you can reexplain to us about your fragrance strategy. In the midterm, what kind of impact are you seeing? What kind of profitability will you be planning for the midterm plan?

Fujiwara [A]: Thank you very much. I will start with the growth model for myself, and then afterwards, the CFO will add on with some numbers.

First of all, in the presentation, I have touched upon this point, but fragrance. As for the fragrance area, we make a focused investment in one major product per year. We will focus it, make it as franchises, and grow it. In year two and year three onwards, we continue to develop it. That has been the business model of fragrance. This has really been successful for us. In H1, too, we did have a very strong growth. Therefore, we feel that we have a very good competitive advantage in how we have structured our business model.

Looking at EMEA, which is the core area for the fragrance sales, for H1, within the top 10 fragrances for women, narciso rodriguez has been ranked at the top. As the overall market has been growing, and we have been investing heavily and increasing our investment in it, we were able to capture the biggest growth. Overall, we are very confident in what we have built in the fragrance business model, and we want to continue with that.

That said, will this model always be advanced investment? It does always follow with profit. Looking at the brand and the brand franchise, we want to make sure that there is a brand franchise that grows along with our investment.

Hirofuji [A]: Regarding some of the numbers, we have realized a double-digit growth in the fragrance category. H2, we have a very strong pipeline that will be added to the mix of MaxMara. Along with that, we can foresee that there will be a stable growth base with the profit. Profit by brand, we do not disclose, but looking at, for example, narciso rodriguez, H1 was very strong. Overall, the profitability base is growing, and we were able to capture a good one in H1, too. For these brands with high potential, we will continue to pursue further growth and use leverage whatever we can to further grow these strong brands within the fragrance category.

Moderator [M]: Goldman Sachs, Miyazaki-san. The floor is yours.

Miyazaki [Q]: This is Miyazaki from Goldman Sachs. Thank you very much for taking my question. My question is: how do we see the results of Q1 and H1, and H2? You said like JPY5 billion or so up in H1, JPY39 billion or so. That was the original guidance, right? The original plan already had big potential or bigger than H2. Was it your original assumptions? If so, why? Is there any decline potentially in H2? Marketing investment will go up aggressively, or some uplift in H1 was just one-off. Then, H2, that profit will be gone in H2. How should I read that?

Hirofuji [A]: First of all, for H2, YoY, this will be, potentially, profit improvement is expected, but the profit driver, the nature will be slightly different from H1 versus H2. In H1, we expect JPY16 billion of GTC global transformation initiatives. That impact, and our prior-year initiatives, there was a reversal of the unevenly distributed inventory provisions in the US that is recognized last year, but there will be no impact on that. H2 that will be settled because in H2 of last year in the US, there was already structural reform impact. Then, the top line, for the gross profit, there will be some reduction.

In H2, there will be some productivity improvement and normalization of factory operations which incurred abnormal operational costs of around JPY 3 billion last year. Some cost of goods is also improving. The profit improvement is for structural reform to be more normalized. That will be the nature of the profit in H1 and H2.

Then, there will be some marketing spending, of course, generated, but H1 profit will be reallocated or invested in H2 of the marketing. That is how we want to achieve it.

Miyazaki [Q]: Maybe let me double-check. Marketing spending will be bigger than your original in the beginning of the year plan, or you've already taken that into consideration from the very beginning—bigger marketing spending in H2. Also, the marketing spending in H2 is, of course, maybe by design, but how you are evaluating that because the top line is not growing as you expect? If you continue to spend the marketing investment, how can you guarantee that source?

Fujiwara [A]: Well, for H2, I showed you the new product list to be launched in H2. Compared to H1, H2 will be more exciting in terms of the product launch. From that, we need to spend more on the marketing in H2 according to the launch. The fragrance category, MaxMara will be the big chunk of H2 investment. Especially fragrance, the initial year of the launch, we need to have more brand awareness. Therefore, we need to invest more marketing.

Then in H1, how we should evaluate the marketing ROI? We are making the review. For the large-scale new product launch, whether the result was according to our expectation, we are now reviewing that. As I mentioned, on NARS, H1, we expected the Natural Matte Longwear Foundation. That big launch was lower than our expectation in terms of H1 results. We are making the review and making some corrections in H2. That kind of review is very essential, and we continue to have that conversation and then make some corrections as needed. Then, that will continue to contribute to H2's success.

Moderator [M]: Next from Bank of America Ashley or Julia.

Wallace [Q]: I had a question on the natural foundation falling short of your expectations. Based on your post-launch review and as you prepare to launch the SHISEIDO matte foundation in H2, which of the learnings are most relevant? What gives you the confidence that the new SHISEIDO launch of foundation can deliver a stronger outcome?

Fujiwara [A]: In the case of the natural foundations, we reviewed the results of H1, and we found out that we need some adjustments. Those kinds of adjustments need to happen mainly for the US market. In the case of our SHISEIDO foundation, it's a very different story because we really leverage the current fundamentals as a basis to further accelerate our growth. Therefore, its underlying purpose is fundamentally different.

Moderator [M]: Next, Miyake-san from Morgan Stanley. The floor is yours.

Miyake [Q]: This is Miyake from Morgan Stanley. My question is about the net sales for H2. You already explained, but I would like to take a deep dive on that. The Americas region sees some more intensified competition. Can you clarify that? What is the direct impact on your company? What is the level of the impact?

Then, for my second question, China and travel retail: negative margin was narrowed in Q2. Whether that would lead to positive or breakeven? How much you can expect from that? Of course, it could be rather difficult to have visibility. Hainan Island, there was some slowdown compared to Q1 to Q2. What kind of channel strategy do you have for the Hainan Island or travel retail business?

Fujiwara [A]: For the EMEA, competition is now intensifying. There are two reasons or impacts.

Number one, the overall market is going down, and then there should be some dominant players. All the players are taking over the market share among the very crowded market. Then, as the price is now bipolarized, it is now becoming very challenging.

As we see, not just a brand-by-brand approach, but what will be the competitive edge? We have at each brand, and we are now taking some strategy on that. For example, EMEA brand versus retailers, we call it the Power Duos strategy, and we try to have a good strategy for the retailer and the brand and the best mix.

Also, skin care, we have a second-ranked position, quite a high ranking in the EMEA region for skin care. We want to maintain that. In H2, we have anti-aging and anti-sagging products. We would like to take another step, another leap on that.

Your second question, travel retail, especially for the Mainland, the decline in the Chinese Mainland, there was a retailer's resale. H1, it was not realized last year, but still, in H2, it will be recovering. Therefore, in H2, we expect recovery in a steady manner. TR retail channel, there is a lot of volatility still. We need to work toward the tourists mainly and then generate good, solid sales.

Then, daigou and others are not our focus. That is the structure that we need to build by the end of the year.

Miyake [Q]: Sorry, let me confirm one by one. In EMEA, so you say that the NARS Natural Matte Longwear Foundation was a little short compared to your expectation. Was that because of retailer competition or intensified competition? Was it because of such heated competition? At the retailer side, are there any inventory adjustments? That is not the reason behind it. Is that correct?

Fujiwara [A]: NARS in EMEA, excluding the UK, it works quite well, to be honest. No negative impact in EMEA, excluding the UK, for NARS. I mentioned earlier, the negative impact on Natural Matte Longwear Foundation is for US basically. There is no issue on the brand NARS. It's just a regional US issue.

Miyake [Q]: US retailers do not make any kind of inventory adjustment, correct? That is correct. No adjustment. Travel Retail, so there is a change of the operator. I understand the difficulty. The new operator you have e-commerce and other customer database. You need to build from scratch, right? You can expect that the traffic can be generated as you saw in the past. Do you see the good signs already?

Fujiwara [A]: Well, I don't say that the traffic will be the same as last year. I don't expect that big expectation now. Definitely, the recovery is ensured. The impact was not so small. Even the new operator is assigned, and we will resume our operations. We can return to normal trajectory, but not as good as last year's level.

Hirofuji [A]: Well, Chinese Mainland, travel retail plus Hainan Island Q1, Q2, the CP was progressing greatly. This is quite a good positive impact. Travel retail last year, H1 was very negative, but H2, we will be able to ship out, and also the positive signs is expected. Thank you.

Miyake [M]: Thank you very much.

Moderator [M]: We do have many of you raising your hands, but I do apologize. It is the scheduled time to finish this.

We would like to conclude the Q&A for today. We, from the IR division, will be following up to those of you on the call.

Thank you very much for your participation today.

[END]

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