**Shiseido Develops Medium-to-Long-Term Strategy**

**“WIN 2023 and Beyond”**

-Toward full recovery in 2023-

Shiseido Company, Limited (“Shiseido”) has developed “WIN 2023,” summarizing basic strategy for the three years from 2021 to 2023, and its VISION for 2030 and beyond. Through this strategy, we will continue to aim to “Be a Global Winner with Our Heritage” and evolve for further growth and development.

**Goals and Objectives of WIN 2023 (2021-2023)**

We will carry out a fundamental business transformation with Skin Beauty as our core business, and aim to become the world’s No. 1 company in this field by 2030. In the midst of a rapidly changing external environment, we will shift our focus from business growth via sales expansion to profitability and cash flow during the three-year period from 2021 to 2023, and implement the following initiatives to solidify our foundation as a “Skin Beauty Company.”

First of all, we will designate 2021 as a period of “Groundwork”, focusing on structural reforms centered on reviewing our business portfolio and strengthening our financial base, while responding to and preparing for current and post-COVID-19 markets. The year 2022, which marks the 150th anniversary of the company’s founding, will be positioned as a year to get “Back on Growth Track” accelerating the growth of our global brands and DX initiatives along with recovery of inbound business. The year 2023, the final year of the WIN 2023 strategy, will be a year of “Full Recovery” as we aim to achieve sales of approximately 1 trillion yen and operating profit margin of 15% as a Skin Beauty Company. Furthermore, we will continue to aggressively invest in our brands, innovation, supply network, DX, and our talent and organization until 2030.

**WIN 2023 Initiatives -Shiseido United Transformation-**

1. **Key Strategies**
   1) Improve profitability
      1) Rebuild profit structure through fundamental reforms
      2) Increase cost competitiveness and improve factory productivity
      3) Accelerate growth in Asia, especially China
   2) Focus on Skin Beauty
      1) Build a powerful portfolio centered on Skin Beauty Brands
      2) Accelerate innovation through external collaborations
      3) Develop the inner beauty category
   3) Rebuild Business Foundation
      1) Become a truly sustainability-focused company
      2) Strengthen brands through innovate marketing and robust organization
      3) Build a digitally driven business model and organization
      4) Enhance talent and organization through diversity and upskilling
2. Financial strategies

(1) Financial KPIs

We have positioned the three-year period through 2023 as a phase of rebuilding the foundation to build financial muscle through structural reforms and generate stable cash flow. In the process, we will improve operating profit and EBITDA and raise the profitability of the business itself by strengthening the Skin Beauty business, which is our core business, and structural reforms to rebuild business foundation. In 2023, we aim for sales of approximately 1 trillion yen, an operating profit margin of 15%, an EBITDA margin above 20%, and free cash flow of approximately 100 billion yen. Regarding capital efficiency, we aim to achieve 14% for ROIC and 18% for ROE while paying attention to NPV*1 and pay-back rate*2.

*1 NPV: Net Present Value
*2 Pay-back rate: The minimum yield required to make an investment

(2) Cash Flow Structural Reforms and Strategic Investment Allocation

We will generate cash inflow of more than 500 billion yen over the next three years by (1) Improving the underlying profitability through focus on Skin Beauty and structural reforms, (2) Cash flow reforms such as increased inventory efficiency and reduced supply chain lead time, and (3) Reviewing our portfolio. To maximize corporate value, we will allocate this cash for structural reforms to rebuild the business foundation, for growth investment including talent development, for marketing in our core Skin Beauty field, future growth areas such as digital, IT, and factories, and for debt reduction, as well as to strengthen shareholder returns.

(3) Return to shareholders

Our total shareholder return policy emphasizes maximizing returns to shareholders through direct means, in addition to generating medium- and long-term share price gains. Focusing on free cash flow, we will achieve long-term stable and continuous returns with a capital dividend-on-equity ratio (DOE) of 2.5% or higher. With WIN 2023, we aim to achieve a stable dividend increase at DOE of 2.5% or higher regardless of business environment. Thereafter, we will pay dividends in line with EPS growth over the medium to long term.

VISION toward 2030

By 2030, Shiseido aims to be a “PERSONAL BEAUTY WELLNESS COMPANY” that supports people in realizing unique beauty and wellness throughout their lives. At the same time, we aim to become the world’s No.1 Skin Beauty Company toward the realization of a sustainable society, as we provide opportunities to 200 million people around the world to experience happiness through our core beauty business, and set a target of 2 trillion yen in sales and an operating profit margin of 18%. Through these achievements we will realize our corporate mission, “BEAUTY INNOVATIONS FOR A BETTER WORLD”.