

## Shiseido Launches Medium-Term Strategy “SHIFT 2025 and Beyond” - Shift for New Growth-

Shiseido Company, Limited (hereafter, “the Company”) hereby notifies that it has launched “SHIFT 2025 and Beyond,” a medium-term strategy centered on the three years from 2023 to 2025. With “SHIFT 2025 and Beyond”, the Company will take the next three years under a new management structure to shift itself from “Defense” to “Offense” and ensure further growth to “Be a Global Winner with Our Heritage.”

### Achievements made under WIN 2023 and Beyond

With the medium-to-long-term strategy "WIN 2023 and Beyond" that we launched in 2021, we were able to deliver many results despite the severe impact of COVID-19. First, the Company implemented "selection and concentration" to increase profitability. We carried out structural reforms around the world that required extremely tough decisions, such as the divestiture of the Personal Care Business and makeup brands. In addition, we improved profitability in the Americas and EMEA businesses, which had been an ongoing challenge. We also steadily increased the sales ratio of Skin beauty products company-wide. Further, we also accelerated digital transformation (DX) to respond quickly to the ever-changing market environment, invested in FOCUS<sup>\*1</sup>, and built new factories and logistics systems equipped with cutting-edge technology to achieve high quality and productivity. By strongly implementing these various initiatives, we were able to establish a solid financial base with high profitability.

<sup>\*1</sup> An internal project that promotes the global standardization of business processes and the deployment of an integrated core systems to accelerate and improve productivity across our businesses.

### Goals and Key Areas of SHIFT 2025 and Beyond

"SHIFT 2025 and Beyond" aims to first regain the growth of the Japan business, which is the remaining challenge of "WIN 2023 and Beyond." We will achieve core operating profit exceeding 50 billion yen in the Japan business by 2025 through fundamental reforms over a three-year period from 2023. During the same period, we will implement reforms to improve sustainable sales growth and profitability, aspiring to become a Personal Skin Beauty & Wellness Company. As we aim for long-term growth, we are strengthening investment in the three priority areas of brand, innovation, and people, and plan to achieve our core operating margin of 12% by 2025 and 15% in the plan’s final year of 2027.

We will continue to aspire to realize a sustainable world where everyone can enjoy a lifetime of happiness through the power of beauty through our corporate mission, BEAUTY INNOVATIONS FOR A BETTER WORLD.

#### 1. Key Areas for Sustainable Growth

##### (1) Enhance Brand Equity

In addition to global brands such as “SHISEIDO” and “Clé de Peau Beauté”, we will also focus on brands such as “ELIXIR” expanding in Asia, fragrance brands, men brands, and strategically developed new brands. We will invest an additional 100 billion yen<sup>\*2</sup> over three years in marketing investment.

\*2 Cumulative total increase over 2023-2025 compared to 2022.

## (2) Continuously Invest in Innovation

We will further strengthen collaboration between research centers in each region by taking advantage of our global structure. We will evolve our R&D processes, such as expanding research areas and developing consumer benefits. In addition, we will combine our knowledge with technologies gained by external joint research, inter-company collaboration, and M&A to create new products and services. To further accelerate innovation, we will invest in R&D at 3% of sales.

## (3) Strengthen Global Talent and Leadership

Based on our management philosophy "PEOPLE FIRST", we have been actively invested in talent development. We will continue this investment in our people, who are the drivers of our growth. This will include selective programs and voluntary career development support for future leadership candidates, acceleration of global talent allocation, and establishment of compensation structures. Furthermore, to commemorate the 150th anniversary of our founding, we will open "Shiseido Future University" to develop the next leaders. This is based in Ginza, Japan where our company was founded, and Masahiko Uotani, Chairman and CEO, will serve as the first president.

## 2. Core Initiatives by Region

Achieve continuous growth and shift to a highly profitable structure through active investment.

- 1) Japan: Strengthen brands and organization. Rebuild earnings base by bringing back growth
- 2) China: Expand brand portfolio and develop new areas
- 3) Asia Pacific: Establish a business foundation in a promising market for the future
- 4) Travel Retail: Create unique value for travelers
- 5) Americas: Build a foundation for growth as the next growth pillar
- 6) EMEA: Achieve profitable growth after past structural reforms

## 3. Financial Strategy

### (1) Targets

Leveraging the solid financial base we have built through our structural reforms, we will accelerate strategic growth investments from 2023 onwards to achieve sustainable sales expansion, reduce costs, and strengthen profitability and cash generation. We aim to achieve a CAGR\*<sup>3</sup> in net sales of 8% over the three years from 2023 to 2025(compared to 2022) and 6% over the two years from 2026 to 2027(compared to 2025). We aim to achieve a core operating margin of 12% in 2025 and 15% in 2027 through both strong sales growth and cost reduction measures. The Company aims to achieve free cash flow of 100 billion yen in 2025, and EBITDA\*<sup>4</sup> margin of 18% in 2025 and 20% in 2027. For capital efficiency, we will achieve 12% in ROIC and 14% in ROE by 2025.

\*3 Compound Annual Growth Rate excluding impact of foreign exchange translation and business transfers

\*4 Core Operating Profit+Depreciation and Amortization (excl. amortization of right of use)

## (2) Cash Allocation

We will generate cash inflow of more than 400 billion yen over the next three years by investing in (1) Brand marketing, (2) Innovation and (3) People. To build a virtuous cycle for maximizing corporate value over the medium to long term, we will allocate this cash generated to IT and Digital Transformation (DX) initiatives such as FOCUS and capital investment such as the introduction of energy-saving equipment in factories, and growth investment in M&A.

## (3) Shareholder Returns

Our total shareholder return policy emphasizes maximizing returns to shareholders through direct means, in addition to generating medium-to-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.