

Shiseido Japan announces ‘Mirai Shift NIPPON 2025’ Accelerating growth and enacting full-scale reform of the Japan business

Shiseido Company, Limited (“Shiseido”) has announced a new business transformation plan called “Mirai Shift NIPPON 2025.” This is part of a process led since August 2023 by President and COO*¹ Kentaro Fujiwara to comprehensively review and carry out a structural reform of the Japan business, whose early recovery of profitability is positioned as the most important management issue. The plan is the result of extensive discussions that also included Chairman and CEO*² Masahiko Uotani and the Board of Directors, and the resolution was adopted today by the Board.

*¹ Official title is Representative Director, President and COO, Shiseido Company, Limited.

From September 2023, he concurrently served as Representative Director, Chairman of Shiseido Japan Company, Limited and since January 2024, he is concurrently serving as Representative Director, President and CEO, Shiseido Japan Company, Limited.

*² Official title is Representative Director, Chairman and CEO, Shiseido Company, Limited.

Overview of Mirai Shift NIPPON 2025

In recent years, consumer awareness and purchasing behavior in the Japanese cosmetics market have been diversifying at an accelerated pace. To realize steady growth, Shiseido has been further advancing efforts to create new value and new markets based on the perspectives of consumers. At the same time, through implementing bold “selection and concentration,” the company will achieve sustainable growth as well as improved profitability by focusing on areas where it has a competitive advantage and need to be strengthened. Based on this, Shiseido Japan is implementing a new business transformation plan called Mirai Shift NIPPON 2025, which consists of three pillars – sustainable growth, building a profitable foundation, and human capital transformation.

Pillar 1: Sustainable growth

To achieve sustainable growth, Shiseido Japan will concentrate its activities on brands, products, and touchpoints with high growth potential and profitability, strengthening brand and touchpoint strategy. The brand strategy revolves around two pillars: the company will leverage Shiseido’s technological advantages and R&D capabilities to enhance brands and products that are overwhelmingly loved by consumers, while creating new categories of beauty that capture the changing insights of consumers. The touchpoint strategy similarly focuses on the integration of two pillars for consumer experience: in-person services that leverage strengths in *omotenashi* (hospitality) cultivated in Japan and cutting-edge digital expertise gained from operations in regions such as China and the Americas. This will allow consumers to experience the brand through both in-person and digital channels, enabling them to choose freely. Digital initiatives will include strengthening collaboration with retailers’ e-commerce sites and Omise+, while also working on renewing Shiseido’s e-commerce site Watashi Plus, aiming to expand the domestic e-commerce sales ratio from the current low 10% range to 30%.

Pillar 2: Building a profitable foundation

To build a profitable foundation, in addition to the transformation into a high-profit base through the aforementioned brand strategy and touchpoint strategy, Shiseido Japan will be optimizing efficiency in terms of cost of goods sold, marketing investments, and other expenses, expecting a reduction of 25 billion yen*³ over the next two years.

*³ For details, refer to page 18 of the presentation materials of Shiseido’s 2023 Q3 results.

Pillar 3: Human capital transformation: “Mirai Career Plan” for establishing people and organizations committed to self-innovation

To simultaneously achieve sustainable growth and build a profitable foundation, Shiseido Japan will, at an early stage, establish people and organizations that continue to self-innovate^{*4}. Shiseido Japan President and CEO^{*1} Kentaro Fujiwara has expressed a strong desire for people to self-innovate. Accordingly, Shiseido Japan will introduce the “Mirai Career Plan” in 2024 to support the career growth of each employee in Shiseido Japan. This plan aims to provide the optimal and best support for employees who are committed to work together for the future transformation of Shiseido, as well as for employees who choose to pursue external career opportunities. Specifically, as part of the Mirai Career Plan, Shiseido Japan will actively invest in employees who are dedicated to such transformation, who are seeking to acquire skills for self-innovation and reskilling. At the same time, for employees considering alternative career options, an early retirement incentive plan^{*5} will be offered.

^{*4} Qualities that demonstrate the ability to self-innovate

- Stay curious, capture consumer values and trends, and create new value
- The ability to understand issues and policies of our business partners to create collaborative initiatives that drive mutual growth
- The ability to understand digital tools and utilize them for growth, increased profitability, and productivity improvement
- The ability to maximize returns for all resources
- The ability to act while prioritizing consumer perspectives, regardless of the organization or position
- The ability for each individual to take ownership of reform, fearlessly take risks, and cause others to relate to change

^{*5} About the early retirement incentive plan

After Covid-19 and with the Japanese economy starting to recover, there has been an increase in opportunities to examine new career options, while reconsidering factors such as working styles and life plans. Amidst that background, Shiseido Japan will implement significant reforms, which will support those employees exploring alternative opportunities beyond the company. In particular, the company will add to the existing early retirement incentive plan by providing special additional benefits and reemployment support to employees who wish to utilize the experience and skills gained at Shiseido Japan in their next career.

Overview

(1) Eligible employees	Employees currently with Shiseido Japan who meet certain age and length of employment requirements
(2) Estimated number of applicants	Approx. 1,500
(3) Application period	April 17, 2024 to May 8, 2024
(4) Applicants' date of retirement	September 30, 2024
(5) Support plan and benefits	1) Special additional benefits based on the retirement age added to the regular retirement allowance 2) Reemployment support to those who wish to use it