



# INTEGRATED REPORT 2023

The Fiscal Year Ended Dec. 31, 2023

OUR MISSION is  
BEAUTY INNOVATIONS FOR A BETTER WORLD

OUR MISSION is  
**BEAUTY INNOVATIONS**  
FOR A BETTER WORLD



## THE SHISEIDO PHILOSOPHY

# THE SHISEIDO PHILOSOPHY

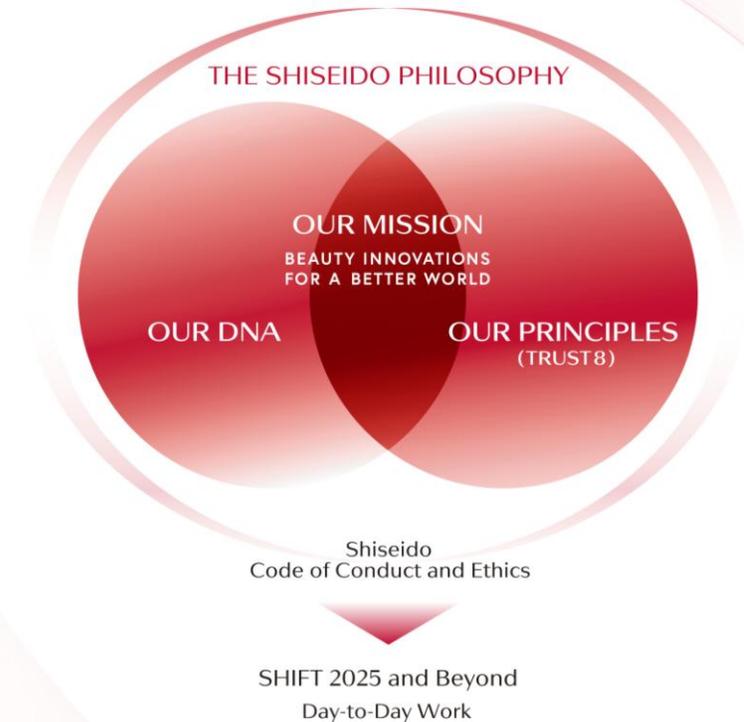
In our quest to become the most trusted beauty company in the world and remain vital for the next 100 years and beyond, THE SHISEIDO PHILOSOPHY is our guiding light.

For each and every member of the global Shiseido family, THE SHISEIDO PHILOSOPHY is at the heart of everything we do as we strive to be a global winner with our heritage.

THE SHISEIDO PHILOSOPHY consists of:

1. **OUR MISSION**, which is the reason we exist since our founding.
2. **OUR DNA** embodies our unique heritage of over 150 years.
3. **OUR PRINCIPLES** serve as the working principles we live by.

[THE SHISEIDO PHILOSOPHY](#)



OUR MISSION is  
**BEAUTY INNOVATIONS FOR A BETTER WORLD**

We believe beauty inspires hope and empowers happiness, contributing to a world of wellness and a lifetime of fulfillment for all things living.

Since our founding, we have expanded the possibilities of beauty through innovations to discover and create new value.

With the power of beauty, we strive to create a better, more sustainable world for all.



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## Key Visual Concept

### ~Uplifting~

The pursuit of diversity drives the evolution of beauty. Shiseido is the catalyst behind this movement, continuously broadening the definition of beauty. We envision a world where mutual respect enables everyone to become the leading figure in their own journey of beauty. We are committed to shaping such a bright future filled with vibrant brush stroke colors and dynamic uplifting expressions.



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# About this Report

## Publication of Integrated Report 2023

At Shiseido, we are currently engaged in fundamental reforms across various aspects of the business, which include expanding the beauty category with skin care at its core, transforming our profit structure, and restructuring our business portfolio. Under our corporate mission, BEAUTY INNOVATIONS FOR A BETTER WORLD, we are aiming to become the world's No.1 in skin beauty by 2030, while being increasingly challenged by the effects of rapid environmental changes. We strive to evolve into an organization that can quickly and flexibly adapt to these changes, staying ahead of the competition to make people around the world enjoy a lifetime of happiness through the power of beauty.

In addition to the executive officers, brand officers, and external directors, the Integrated Report 2023 features the voices of employees working on the reforms to help our readers understand these reforms towards value creation. The report also introduces initiatives to enhance the value of “Brands,” “Innovation,” and “People,” which are the source of Shiseido’s unique value creation and “Value Creation Drivers”.

Based on feedback from our investors, we've moved from an online report to a primarily PDF format, to ensure accessibility of the content on screens of your computers.

We would appreciate any feedback you may have about this report.

[Shiseido Integrated Report Feedback](#)



CFO, CIEO and IR dep. Integrated Report team

## Disclaimer

### Notes on Consolidated Financial Statements

For the relevant financial information, please refer to [Annual Securities Report](#), which is available in the Investor section of the Shiseido Group corporate information website.

### Notes on Forecasts

In this report, statements other than historical facts are forward-looking statements that reflect our plans and expectations. These forward-looking statements involve risks, uncertainties, and other factors that may cause actual results and achievements to differ from those anticipated in these statements.

## Editorial Policy

### Scope of Report and Reference Guidelines

<b>Reporting Period</b>	January 2023 – December 2023 Some information may refer to organizational structures and initiatives for 2024 if those have been recently updated.
<b>Organization</b>	Shiseido Company, Limited and its consolidated subsidiaries (collectively, the Shiseido Group)
<b>Reference Guidelines</b>	In the section of this report concerning Shiseido’s value creation, we have referred to the International Integrated Reporting Framework of the International Financial Reporting Standards Foundation and the Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation of the Ministry of Economy, Trade and Industry of Japan. 
<b>Date of Issue</b>	April 2024

## Information Disclosure

Pre-Financial Information ← **Report** → Financial Information

<b>Report</b>	
<b>Integrated Report</b>	
<a href="#">Sustainability Report</a>	
<a href="#">Corporate Governance Report</a>	
	<a href="#">Annual Securities Report</a>
<b>Briefing</b>	
<a href="#">Innovation Conference</a>	<a href="#">Financial Results Briefings</a>
	<a href="#">Individual Investor Briefings (Japanese Only)</a>
	<a href="#">IR Events</a>
<b>Corporate Website</b>	
<a href="#">R&amp;D / Supply Network</a>	<a href="#">IR Library</a>
<a href="#">Corporate Governance</a>	<a href="#">Stock and Bond Information</a>
<a href="#">Sustainability</a>	

## The Power of Our Brands: Three Years of Growth and Revitalization from 2021 to 2023

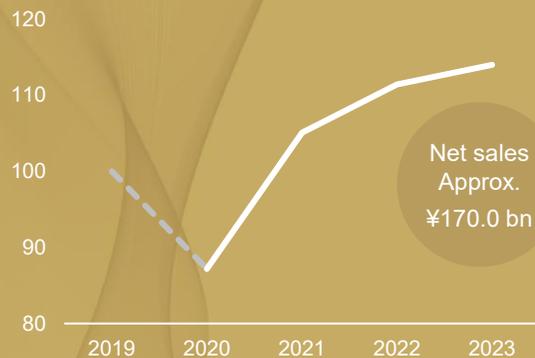
Since the outbreak of COVID-19 in 2020, our brands have been working to maximize their strengths and adapt their strategies to the new environment. These efforts have continued to propel many brands toward growth, and others toward their revitalization.

### Brand Growth



- Sustained growth in Japan and China, the brand's primary operational regions
- Expanded presence in EMEA through entry into new markets
- Secured growth trajectory through cutting-edge science and a dedicated, loyal consumer base

Sales Trends Since 2020 (Indexed to 100 in 2019)



In 2021, *Clé de Peau Beauté* surpassed its 2019 sales in China and the Travel Retail Business amid a recovery trend in the high-prestige market. Despite challenges like lockdowns and consumer hesitancy towards Japanese products in China, the brand exhibited deep resilience, maintaining its growth trajectory. In 2023, the brand expanded its global business scope by entering new markets in Europe including France and Switzerland, while sustaining growth in Asian markets such as Japan and China. Since 2019, the brand has also been actively promoting gender equality for girls and women's empowerment through educational initiatives, including the Power of Radiance Awards philanthropic program and a global partnership with UNICEF.



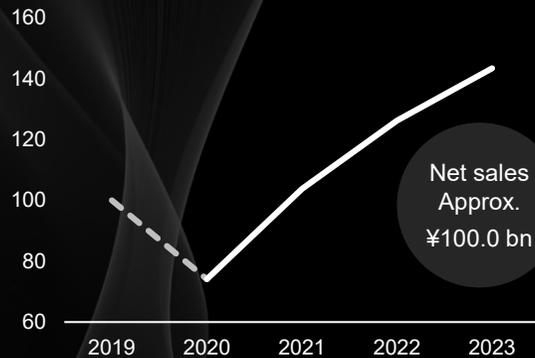
## The Power of Our Brands: Three Years of Growth and Revitalization from 2021 to 2023

### Brand Growth



- Achieved three consecutive years of double-digit growth since 2021
- Light Reflecting Foundation has been the key driver of global success by unlocking the power of skin beauty in the makeup category
- Growth across all regions through our cutting-edge digital strategies and innovation

### Sales Trends Since 2020 (Indexed to 100 in 2019)



NARS sales returned to growth in 2021, outpacing 2019 driven by its bold, provocative brand image, while benefiting from post-COVID growth particularly in key markets across regions. The launch of Light Reflecting Foundation in 2022, leveraging our expertise and technology in skin beauty, drove remarkable success worldwide. NARS continues its strong growth trajectory across all regions accelerated by our cutting-edge digital strategies and innovation, emerging as Shiseido's third powerful prestige beauty brand to achieve net sales of over 100.0 billion yen in 2023.



## The Power of Our Brands: Three Years of Growth and Revitalization from 2021 to 2023

### Brand Revitalization



- Recovered through revamp of hero products made with proprietary technologies
- Achieved strong performance in the high-prestige market despite the effects of deteriorating market conditions in the China Business, which accounts for a large proportion of sales
- Focused on further expansion of sales in the Japan, Americas, and EMEA Businesses

Sales Trends Since 2020 (Indexed to 100 in 2019)



In 2021, China's markets saw a rapid recovery and performed well, leading to a sharp turnaround in sales. Since 2022, the brand was severely affected by the lockdowns, consumer reluctance to buy Japanese products, and deteriorating market conditions in the China and Travel Retail Businesses, which account for a large share of sales. Despite this, in Japan, the brand realized growth exceeding 20% in 2023. Efforts are focused on further expanding sales in the Japan, Americas, and EMEA Businesses by promoting groundbreaking innovations and strengthening marketing.



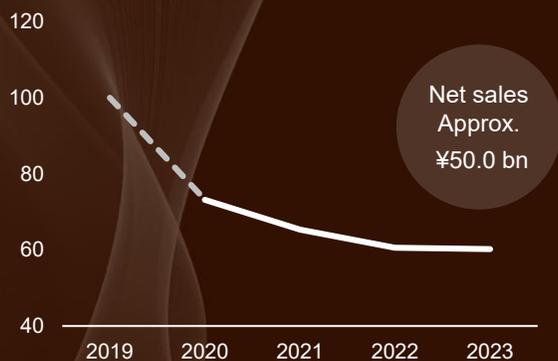
## The Power of Our Brands: Three Years of Growth and Revitalization from 2021 to 2023

### Brand Revitalization

# ELIXIR

- Directly impacted from the rapid decline and polarization of the Japanese market
- Achieved success with the new strategy revamped in 2022 by creating hero products through new launches and the continuous renovation of existing products based on the latest collagen science
- Delivered strong recovery in the Japan Business in 2023, highlighting the brand's 40th anniversary

### Sales Trends Since 2020 (Indexed to 100 in 2019)



Since 2020, the Japanese market, which accounts for the majority of sales, has continued to stagnate. The skincare sector, in particular, has seen a notable shift of consumers from mid-price range to more affordable products. This has directly impacted *ELIXIR*. After revamping its strategy in the fall of 2022, the brand has returned to growth trajectory in Japan. This was achieved through new launches and the continuous renovation of existing products based on the world-leading collagen science, starting with the renewal of its lotions and emulsions.

In 2023, the brand delivered strong growth by achieving the highest sales in the industry<sup>\*1,2,3</sup> in the three strategic categories: lotion and emulsion, facial cream, and anti-wrinkle skincare.

\*1 INTAGE SLI skincare market. Lotions and emulsions category (excluding UV-blocking items). Main series ranking (Estimated sales for January to December 2023)

\*2 INTAGE SLI skincare market. Creams category (excluding all-in-one and wrinkle improvement items). Main series ranking (Estimated sales for January to December 2023)

\*3 INTAGE SLI skincare market. Wrinkle improvement category. Main series ranking (Estimated sales for January to December 2023)





# Message from the CEO

**Under our mission, BEAUTY INNOVATIONS FOR A BETTER WORLD, Shiseido is committed to delivering high-added-value products and services tailored to individual needs of consumers, which will in turn create social and economic values. Based on the philosophy that people are the most fundamental source of corporate value, we will further accelerate investments in our people.**

Director  
Representative Corporate Executive Officer  
Chairman and CEO

**Masahiko Uotani**

## Message from the CEO

### By Taking Our Results in 2023 Seriously, We are Utterly Committed to Rebuilding Trust from Our Stakeholders

Shiseido's earnings results for 2023 turned out to be a great disappointment, substantially falling short of our initial expectations as the business was severely affected by the rapidly changing external environment. In particular, the reluctance of Chinese consumers to purchase Japanese products in retaliation for the release of treated water into ocean from the Fukushima nuclear plant in the latter half of the year had a substantial impact on our results of operations. Currently, we are all united in our efforts to bring us back on a growth trajectory, with a strong commitment to rebuilding trust with our stakeholders by delivering a strong earnings recovery as the earliest possible.

Our medium-term strategy, "SHIFT 2025 and Beyond," will continue to evolve in response to these changes in the external environment as we strive to achieve long-term sustainable growth which will allow us to further reinforce investments in the three key focus areas: Brands, Innovation, and People.

### Our Mission: BEAUTY INNOVATIONS FOR A BETTER WORLD

In a world facing numerous challenges amid growing instability arising from infectious diseases, natural disasters, and geopolitical risks, Shiseido has always been focused on what we can accomplish through the power of

beauty, which has always been at the core of our business.

The term "cosmetics" is believed to be originated from the Greek word *kosmos*, meaning "universe" or "harmony." Since the dawn of time, humanity has always found joy in decorating their face and heads, pursuing beauty as an innate desire. While cosmetics may not be essential like foods, they fulfill a fundamental human desire and offer profound value through beauty, which can impact our well-being, health, and social interactions. The daily practice of applying cosmetics is more than a routine; it is a ritual that lies at the very center of our lives. Even in times of disaster, we have repeatedly seen people pursuing emotional fulfillment through the power of beauty on their way back to normality to live a peaceful and energetic life again, and cosmetics certainly play a significant role in such process. This has proven the power of beauty to make us all believe that cosmetics not only enhance our appearances but also replenish our souls, unlocking eternal potential for a better world.

To realize our mission, Shiseido realizes a sustainable world where everyone can enjoy a lifetime of happiness through the power of beauty towards 2030. We are dedicated to fostering diversity and inclusion in our society where every individual is respected and can thrive—a world where people can fully enjoy beauty in harmony with a flourishing natural environment. We take particular pride in our focus on diversity, equity and inclusion (DE&I). Beauty is founded on individuality, thrives on diversity, is free from discrimination, and has the power to unite people. This principle is one of Shiseido's core values, which is

why we believe the Company should not only cultivate diversity within our organization, but also take the lead in promoting greater diversity in Japanese society as a whole. As of January 2024, women hold 40% of management positions within Shiseido Group in Japan. As of April 2024, women comprise 45% of the board of directors, and over 30% of the leadership team comprised of executive officers and regional CEOs are foreign nationals. In this way, our diverse and dynamic workforce is one of our greatest assets, attracting world-class talent seeking new careers.

Moreover, we are actively involved in collecting and researching cases where implementing DE&I leads to improve corporate performance, and we aim to disseminate the findings through our activities of the Shiseido DE&I Lab. We will disseminate these internal insights obtained through our activities throughout society while taking proactive approaches to other companies. I will play a critical role in such process as the Chairman of the Diversity Promotion Committee in the Japan Business Federation (*Keidanren*) and as the Chair of the 30% Club Japan in order to contribute to the transformation of the Japanese society. ( → [Further Evolving DE&I at Shiseido](#) )

Furthermore, it is also our mission to lead the industry in environmental initiatives aiming to realize a sustainable society. In April 2023, we launched the circular model BeauRing Project to collect and recycle plastic containers and began a pilot test with POLA ORBIS HOLDINGS INC.

This is just one example of how we are advancing

## Message from the CEO

sustainability through the power of beauty, as we aim to become the most trusted beauty company in the world.

### Uniting Skin Beauty and Wellness to Become a Lifelong Partner

Just as every individual is unique, there are various perspectives on beauty. Beauty comes in different forms and is being shaped by different values. Guided by this philosophy, Shiseido set its target on becoming a “Personal Beauty Wellness Company” by 2030, integrating skin beauty with wellness to make enduring contributions to the genuine health and beauty of individuals over their lifetime.

To achieve our vision, we have shifted our focus from defense against the pandemic to offense for new growth under our medium-term strategy “SHIFT 2025 and Beyond,” and have been engaging in proactive investments. In light of the changes in market environment during the last year, we have reset our goals but remain committed to long-term investments in areas that drive value creation to ensure sustainable growth in the future. Our strategic investments focus on R&D, quality of our products, digital marketing, innovation, and people, who are the driving force of the shift towards growth. In 2016, we built and launched a global matrix management structure integrated by regions and brand categories based on our “Think Global, Act Local” concept, delegating broad responsibility and authority to each regional headquarters to further promote localized value creation. While maintaining Japan’s aesthetic values, we

understand that the values and experiences people seek vary from one region to another. In the Americas, cosmetics are often seen as a form of self-expression, while in Europe, fragrance is closely linked to beauty, catering to the unique beauty needs of each of our consumers requires region-specific innovation. In Europe, we launched the prestige skincare brand *Ulé*, and in 2023, for the first time, a researcher from our Europe Innovation Center received accolades at the world’s largest cosmetic technology conference, the IFSCC. In the Americas, our US M&A team successfully led the acquisition of the dermatology-based prestige skincare brand *Dr. Dennis Gross Skincare*.

In order to strengthen these brands and accelerate innovation, we will enhance investments in our people furthermore. I deeply value our PEOPLE FIRST principle, which is at the heart of my own philosophy of management. I firmly believe that the creation of new value depends on the well-being and motivation of our people, who are the



driving force behind innovation. When our employees take their futures into their own hands to build a business for a better society and bring value to both consumers and the wider community, the company can generate the revenue and cash needed to reinvest in innovation. This creates a virtuous cycle of value creation by returning these benefits to our shareholders. In November 2023, we opened the Shiseido Future University in Ginza, Tokyo, where Shiseido was originally founded, with the aim of training the leaders who will drive Shiseido’s future. As its founding dean, I will personally help lead the development of talents with a sensitivity attuned to beauty, emotional depth, and cutting-edge global business insights.

### Business Transformation Towards Greater Agility and Resilience

To ensure future growth, it is necessary for us to fundamentally reassess the reality of the challenging business environment. The delay in the recovery of Japan’s cosmetics market, changing market landscape in China, and the release of treated water have all adversely affected the Company’s business performance. However, the business environment is always evolving. Global geopolitical risks demand vigilant attention, and emerging technologies such as generative AI are reshaping market scenarios. It is crucial for us to deeply understand and delve into the ever-changing market conditions to always stay ahead of the trends. Adapting to these shifts involves a comprehensive review of our business domains and portfolio while executing strategic selection and concentration.

## Message from the CEO

Following the completion of our global business restructuring in response to the COVID-19, a further structural transformation is necessary. To address this, I have established and led the “Global Transformation Committee” in 2024.

With nine task force teams, the committee is designed to clarify responsibilities across regions and categories more than ever before, ensuring effective execution. To avoid stagnation, we will continue to invest in value creation drivers. We will also promote further company-wide cost reductions to achieve sustainable, stable growth. For our Americas and EMEA Businesses, which achieved an improved profitability through business divestitures, will further accelerate growth through brand equity enhancement, improved R&D capabilities at regional research centers as well as mergers and acquisitions.

As a global company, we aim to reach a crucial benchmark of 15% in core operating profit margin to maintain a cycle of growth and investment to remain globally competitive.

### **Towards Sustainable Profitability and Long-term Corporate Value Enhancement**

In order to ensure and expedite the implementation of our initiatives for growth, we have changed our corporate governance structure by transitioning to a “Company with Three Statutory Committees.” Shiseido has been committed to advancing governance reforms aligned with the “monitoring board-type system” where the board is

placing more focus on management oversight to ensure transparency and fairness in governance, while implementing effective strategic planning and timely execution of the business. This change in governance structure is intended to further the progress towards our goals by allowing the board of directors to focus on long-term vision and strategic planning and management oversight, while delegating corporate executive officers a significant authority for execution of the Company’s business to ensure greater flexibility and accelerated decision-making processes. I believe this framework will bolster effectiveness of our strategies amidst growing uncertainty in the business environment, while enhancing transparency of business for our shareholders and investors.

( → [Features of Shiseido’s Corporate Governance](#) )

Ten years ago, when I became president of Shiseido, I recall holding *KAKUGO* (strong commitment) in two key management policies as an expression of my resolve: one, to grow this magnificent company, often referred to as “Japan’s treasure,” into a global powerhouse, elevating its presence worldwide; and, two, to strengthen its foundations from a long-term perspective, ensuring Shiseido continues to shine for the next hundred years and beyond.

This year marks my final year as CEO. I will continue collaborating with President and COO Fujiwara, my successor, to achieve our management strategy and restore healthy growth. In addition, I would like to spend time visiting our retail locations, sales offices, research

centers, factories, and locations worldwide to directly meet with our dedicated employees. I want to talk with them, listen to their insights, provide inspiration, and devote as much time as I can to nurture the people who will shape Shiseido’s future.

Through these endeavors, we are committed to unlocking Shiseido’s intrinsic resilience—our innovative R&D, the power of our brands, and the expertise of our people—to ensure growth and exceed the expectations of all stakeholders. I am deeply grateful for your unwavering support and invite you to join us with excitement as we embark on the next chapter of Shiseido’s journey.

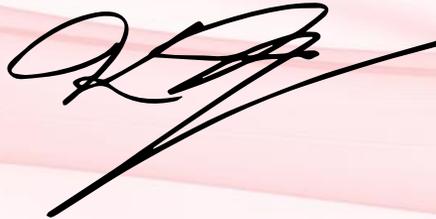


Our site visit in the Americas region in February 2024

**To ensure sustainable growth, we must focus on our core strengths to succeed in key strategic areas.  
We will transform our business globally to become highly profitable and innovative to keep thriving as a pioneer in shaping a new culture of beauty.**

Director  
Representative Corporate Executive Officer,  
President and COO

**Kentaro Fujiwara**



# Message from the COO



## Message from the COO

### Embracing Challenges as Opportunities for Transformation

I have spent the past year as President and COO of Shiseido reflecting deeply on the rapid shifts within our business environment and their profound impacts. This period highlighted the importance of strengthening our core business, not only to survive but to thrive in such a rapidly changing external environment.

In 2023, we faced significant challenges, with core operating profit declining by 22% year-on-year to 39.8 billion yen. The backlash against Japanese products following the treated water release had substantial impact on our business, particularly in the China and Travel Retail Businesses. This has highlighted the urgency to diversify our regional footprint by accelerating growth in other regions to address the vulnerabilities in our business stemming from heavy reliance on China, which has been an ongoing issue for some time. Throughout the Company, we instilled a strong sense of urgency and shared understanding of the imperative for our desired evolution. The management team is now more determined than ever in embracing these challenges as opportunities for transformative change.

On a positive note, I am encouraged to see that we are driving robust growth in the Americas, EMEA, and Asia Pacific Businesses, while delivering steady results in the Japan Business through strategic initiatives.

Revitalizing the Japan Business is not only vital for

ensuring profitability but also for the overall value creation within the company. In September 2023, I assumed another role as Chairman of Shiseido Japan to take the lead in our business transformation process, emphasizing the need for radical and unconstrained change as part of our group-wide reform. Upon managing the Shiseido Japan organization myself, I recognized that the complex operations and dispersed resource allocation were hindering the efficiency of our business and posing challenges to our profit structure. By sharing my observation with the team and through extensive communication amongst ourselves, we are bound together with a renewed commitment to execute fundamental structural reforms. As a result, 2023 marked a year of growth, with successful market share expansion in key focus areas and a substantial improvement in earnings, leading to shift towards profitable growth. Additionally, our Americas and EMEA Businesses, which had previously faced challenges, have returned to profitability through divestitures and other strategic initiatives. These regions are now positioned for growth and enjoying operating leverage. We have sharper investment focus to accelerate growth of the key brands, leading to double-digit year-on-year growth in net sales in both regions, significantly accelerating our growth momentum in 2023.

### Focusing on Structural Reforms and Sustainable Growth Initiatives

In 2023, we launched our medium-term strategy, “SHIFT 2025 and Beyond.” Despite the shift in business landscape,

our strategic framework remains unchanged, though we have had to adjust our numerical targets accordingly. The key to Shiseido’s sustained growth lies in our selection and concentration in focus areas. To continue investing in and effectively managing these areas, it is essential to streamline our operations and reduce costs to transition to a highly profitable structure. Now is the time to embark on decisive structural reforms.

Through this transformation, we aim to “Be a Global Winner with Our Heritage.” In order to achieve a core operating profit margin of 15%, which is one of the indicators of our aim, we must establish a revenue stream that can continuously drive a virtuous cycle of investment and growth as soon as possible. Our initial milestone is to reach 9% by 2025. As our top priority, we will complete structural reforms and build a business framework that allows for sustainable growth and profit expansion, with over 40.0 billion yen in global cost reduction. Detailed plans have been formulated and executed across all regions with all major actions expected to be completed in the first half of 2024.

In addition, we are building an operational structure that can consistently generate profits amid an uncertain and volatile business environment. Our goal is to maximize gross profit not only through volume increase, but also by enhancing brand and product mix and implementing strategic pricing. Shiseido’s core areas are in the mid-to-high price range, a sector that grows by enhancing added value. Therefore, investments in our innovation, brands, and people are indispensable to realize such gross profit

## Message from the COO

expansion through value addition.

Based on these ideas, we are committed to establishing a “value-added business model” that sets us apart from other companies, with a strong emphasis on unprecedented value creation. To construct this model, we believe it is necessary to redefine the concept of “added value.” Currently, we are engaging in discussions with leaders across each category and brand to validate KPIs that contribute to sustainable growth—including non-financial (pre-financial) indicators. I believe that our ability to create new value is precisely why Shiseido has endured for more than 150 years. We aim to create a model of Shiseido’s value creation by visualizing idea generation based on consumer insights, R&D, and professional development.

### Building a Business Portfolio That Can Win in Areas Each Region Excels

Our business portfolio must be built on a balanced regional structure, resilient enough to adapt to the ever-evolving business landscape. In the Japan Business, we are executing a business transformative initiative called “Mirai Shift NIPPON 2025,” aiming to build a profitable foundation. One major theme of the plan is “self-innovation,” a principle I deeply cherish. Our focus is on fostering brand growth, optimizing touchpoints, and transforming human capital to achieve sustainable growth, build a profitable foundation, and become more consumer-centric. Our human capital transformation involves future career plans that align with each employee’s aspirations,

backed by proactive investment in training programs and early retirement support to ease their career transitions. We will complete these reforms so we can expand our value from Japan to the world. ( → [Key Strategies ②](#) )



Briefing session on strategic reforms of the Japan Business

The China and Travel Retail Businesses remain critical markets for us. While we view the consumer pull back on Japanese products after the treated water release as temporary, the change of consumer behavior and the diversification and complexity of the market are structural. Therefore, we will focus more on investing in high-prestige brands such as *THE GINZA* and *Clé de Peau Beauté*, as well as a diversified portfolio of brands including *NARS* and *Drunk Elephant*. Our goal is to win in focus areas and concentrate on a more profitable business structure.

In the Americas, in addition to *NARS* and *Drunk Elephant*,

we have further strengthened our brand portfolio by acquiring *Dr. Dennis Gross Skincare*, marking our entry into the derma cosmetics area. The EMEA Business has established a virtuous cycle of reinvestment in skincare brands, fueled by the profitability of fragrance brands. The Asia Pacific market, while although the size of each country or region is not very large, holds significant growth potential with a solid market share and a robust digital foundation. I am confident that these three regions will further accelerate growth through proactive investments.

### Continuing Transformation for 2030 and Beyond

Through our reforms, we will continue to challenge ourselves on pioneering new beauty values to realize our vision of becoming a leading “Personal Beauty Wellness Company.” However, to realize our vision and continue to succeed, transformation efforts need to continue beyond our plan of “SHIFT 2025 and Beyond.” We are working hard towards reaching our core operating profit margin goal of 15% between 2028 and 2029, yet we are determined to mobilize the collective wisdom and execution capabilities of the entire company to achieve this goal even sooner.

First, we will further accelerate the growth of our existing businesses, targeting a robust CAGR of over 5% in net sales starting from 2026. Next, in terms of costs, we will continue to refine our cost structures to sharpen our competitive advantage. Our growth trajectory will also be fueled by strategic M&As and collaboration with other

## Message from the COO

companies, as we venture into new categories. At Shiseido, we are not participants but trailblazers in the beauty industry, continuously venturing into uncharted territories with our globally acclaimed technologies and expertise. We are at the forefront of skincare market creation, leveraging IFSCC\* award-winning technology to combat skin sagging as well as our cutting-edge foundation serum technology. We are also developing advanced “Second Skin” technology, which redefines the boundaries of skin and beauty. With the full-scale launch of our Inner Beauty business, we will create new markets with new healthy beauty habits based on our unique beauty insights.



## Realizing a Sustainable Society Through Our Unique Initiatives

At Shiseido, we envision a sustainable society in 2030, where everyone can experience happiness through the power of beauty. Our commitment to integrating sustainability into every facet of our operations is unwavering, as we align our business strategies with sustainable practices across the globe. We recognize the pressing expectations for environmental stewardship and are dedicated to minimizing our environmental footprint, advancing sustainable innovation, and ensuring responsible sourcing. Yet, my focus extends beyond these critical areas to encompass the entire value chain. Addressing climate change, with a particular emphasis on Scope 3 emissions, is at the forefront of our agenda. I am committed to fostering collaboration with other companies and to lead the industry. As a beauty company, we are equally passionate about cultivating an inclusive society where gender equality, human rights, and empowerment flourish with the power of beauty. In the wake of the Noto Peninsula earthquake in January 2024, Shiseido extended beauty support activities, offering hand care, healing touch services, and skincare products to those impacted by the disaster. During my tenure in China, the COVID-19 lockdowns led to stress among our employees and their families, who were unable to leave their homes. Our Beauty Creation Center provided a much-needed lift by sharing videos on how parents could enjoy hair styling at home with their children. Our dedication to sustainability is

unparalleled, and we are poised to make an indelible impact in ways that other companies cannot match. ( → [Sustainability](#) )

## My Commitment

As the COO, my foremost duty is to successfully navigate Shiseido through “SHIFT 2025 and Beyond,” and to bring us back on a growth trajectory. It is essential that we not only improve our current situation, but also boldly design the future, integrating social viewpoints into our management strategies to achieve a strong transformation. I am dedicated to foster open dialogues with our investors, and share the strategic vision and direction, while simultaneously developing a bold and nimble management structure.

I am eager to surpass your expectations in terms of transformation, growth, and value creation. I humbly ask for your ongoing understanding and support as we embark on this journey.

\* The International Federation of Societies of Cosmetic Chemists (IFSCC): An international organization where cosmetic engineers from around the world gather for the development of safer and more beneficial cosmetic technologies.

# About Shiseido



# Facts & Figures

## Corporate Information

Founded

1872

Position amongst Global Beauty Companies\*1

No.8

Position amongst Japan and Asia Beauty Companies\*1

No.1



## Global Expansion\*2

Countries and Regions Served

Approx. 120

Production Sites

11

R&D Sites

6



## Employees

Employees\*3

Approx. 36,000

Nationalities Employed\*4

Approx. 100

Percentage of Women Managers\*5

58.8%      Japan 40.0%      Overseas 72.0%



## Innovation

Awards Received at IFSCC\*6 Congresses And Conferences\*7

31

R&D Investments

¥27.6 bn      Ratio to Net Sales 2.8%

Number of researchers\*8

Approx. 1,200



\*1 WWD Beauty Inc's 2023's The 2023 Top 100 Beauty Companies \*2 As of April 2024 \*3 The number of employees includes full-time employees and temporary employees. Temporary employees refer to contract employees and part-time workers and exclude dispatched employees

\*4 As of January 2024 \*5 As of January 1, 2024 for Japan; as of December 31, 2023 for overseas

\*6 The International Federation of Societies of Cosmetic Chemists, an international organization where cosmetic engineers from around the world gather for the development of safer and more beneficial cosmetic technologies

\*7 As of December 2023. Total number of top awards and honorable mentions. Figures include awards received at the IFSCC Conference, which was held in odd-numbered years before 2023 \*8 As of the end of December 2023 (including research staff)

## Facts & Figures

### 2023 Results

Net Sales **¥973.0 bn**

Core Operating Profit **¥39.8 bn**

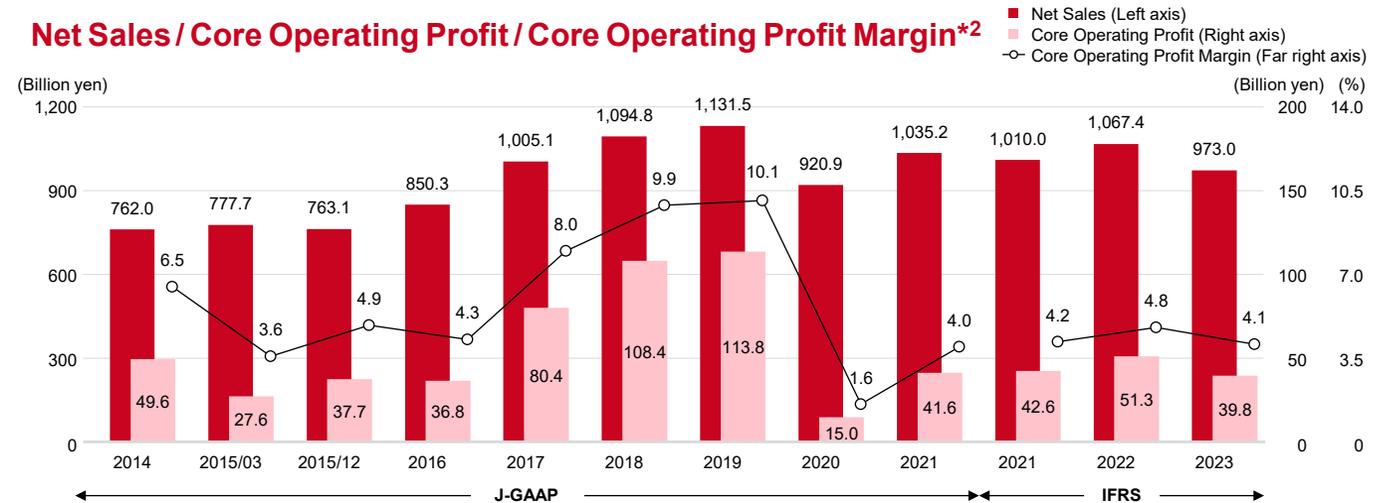
Core Operating Profit Margin **4.1%**

EBITDA Margin\*1 **9.4%**

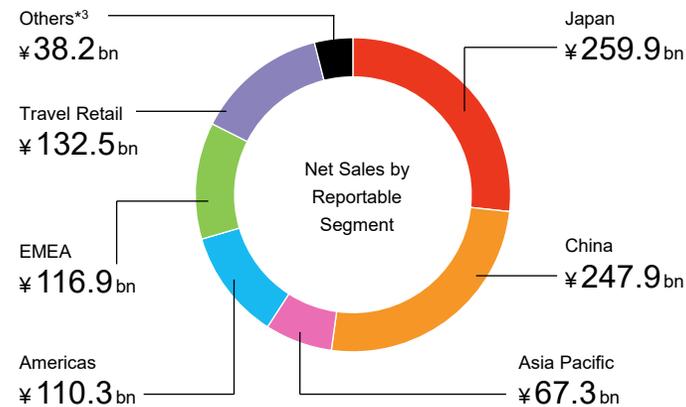
ROIC **4.0%**

ROE **3.6%**

### Net Sales / Core Operating Profit / Core Operating Profit Margin\*2



### Net Sales by Reportable Segment



### Focus Growth Areas

Prestige Sales Ratio

**61%**

EC Sales Ratio

**33%**

\*1 Core Operating Profit + Depreciation and Amortization (excl. depreciation of right of use assets)

\*2 The fiscal year ended December 31, 2015 is the nine months from April 1, 2015 to December 31, 2015 for Shiseido and its consolidated subsidiaries in Japan and the 12 months from January 1, 2015 to December 31, 2015 for all other subsidiaries. Adopted IFRS in lieu of the previously applied Japanese GAAP since the first quarter of the fiscal year ended December 31, 2022 (J-GAAP - Operating Profit, IFRS - Core Operating Profit)

\*3 Includes HQ functions, IPSA, manufacturing business, Shiseido Parlour, and other businesses

# Evolution of Shiseido

**Founded**

**1872**

Founded in Ginza, Tokyo as Japan's first private Western-style pharmacy

Value creation at Shiseido centers around three important business resources: Brands, Innovation and People.

These resources have never ceased evolving throughout our history and are indispensable sources of our value creation as well as value drivers for further growth.

Management	Brands	Innovation	People
<p>1897 Stepped into the cosmetics business</p> <p>1910s–30s Established the foundation of the business</p> <p>1950s– Established regional footprints across the globe</p> 	<p>1897 Launched Eudermine, the long-selling skin lotion</p>  <p>1982 Established <i>Clé de Peau Beauté</i></p> <p>1983 Established <i>ELIXIR</i></p> <p>2000 Acquired <i>NARS</i></p>	<p>1916– Established the foundation of research</p> <p>1948– Developed cosmetics embracing the realm of modern science</p> <p>1960s– Focused on physical chemistry, dermatology, and hair research</p> 	<p>1934 Launched Miss Shiseido promotional campaign as a forerunner of today's beauty consultants</p> <p>1980s– Improved work environment to encourage active participation of women employees as well as their diverse working styles</p> 
<b>2015– Medium-to-long-term strategy VISION 2020</b>			
<p>Launched a global matrix management system, cross-matching regions and brands</p> <p>2019 Introduced THE SHISEIDO PHILOSOPHY</p>	<p>Focused on global prestige categories</p> <p>2019 Acquired <i>Drunk Elephant</i></p>	<p>Strengthened Beauty Wellness domain</p> <p>Enhanced use of digital and AI</p>	<p>2017 Women manager ratio in Japan reached 30%</p> <p>2018 English became the official language at Global Headquarters</p>
<b>2021– Medium-to-long-term strategy WIN 2023 and Beyond</b>			
<p>Rebuilt business foundation for growth</p>	<p>Focused on Skin Beauty</p>	<p>Established DYNAMIC HARMONY</p> 	<p>Strengthened investments in people</p>
<b>2023– Medium-term strategy SHIFT 2025 and Beyond</b>			

**2030 Personal Beauty Wellness Company**

# Value Creation Process

OUR MISSION is  
**BEAUTY INNOVATIONS  
 FOR A BETTER WORLD**

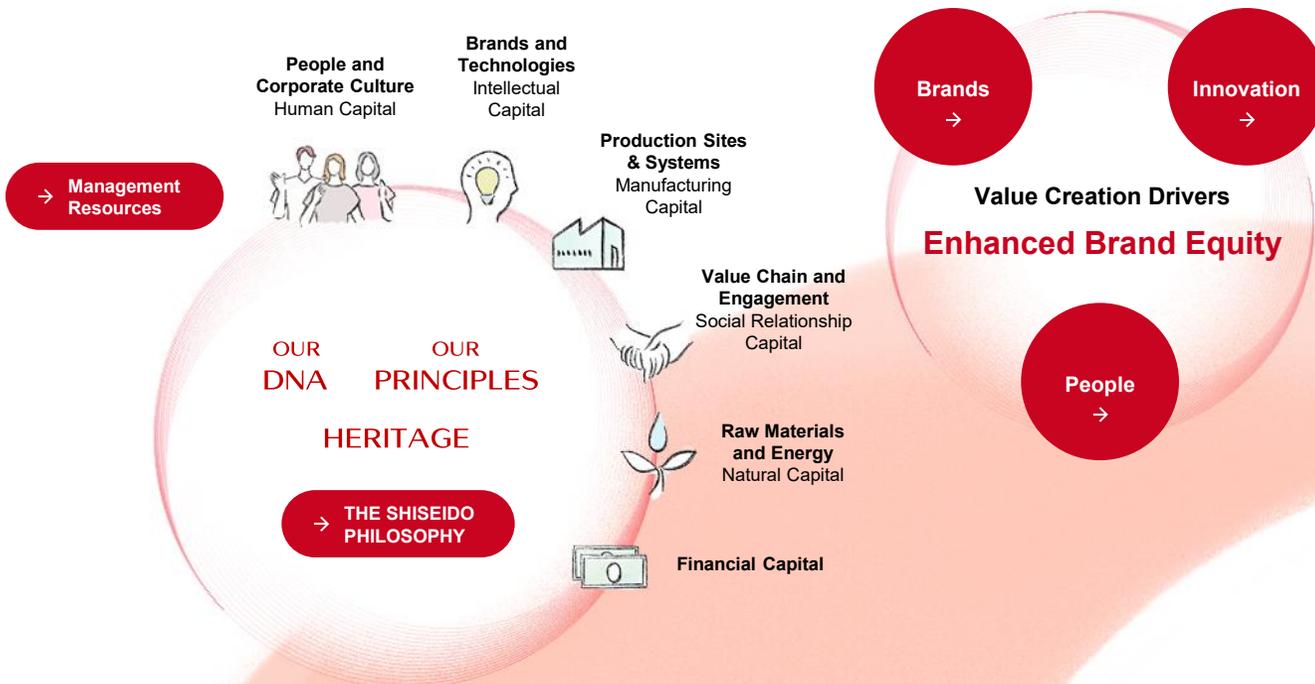


2030 VISION

## Personal Beauty Wellness Company

Realize a sustainable world where everyone can enjoy  
 a lifetime of happiness through the power of beauty

No.1 in Skin Beauty



## SHIFT 2025 and Beyond

Expand the Skin Beauty Category  
 Aggressive Investment in Brands, Innovation, and People  
 Further Global Growth Acceleration  
 Continuous DX Acceleration

→ Business Strategy

# Management Resources

In promoting our value creation strategy, we have summarized Shiseido's key and distinctive management resources in the table below.

We have identified challenges based on the current situations inside and outside of the Company, and demonstrated the direction of resource allocation to increase the value created.

	Critical Themes	Related Indicators*1	Challenges	Direction of Resource Allocation
<b>People and Corporate Culture (Human Capital)</b> 	Diverse Professionals	<ul style="list-style-type: none"> <li>Employees : <b>Approx. 36,000</b></li> <li>Nationality of Employees : <b>Approx. 100</b></li> <li>Women at management level : <b>58.8%*2</b> (Japan: 40.0%, Overseas: 72.0%)</li> </ul>	<ul style="list-style-type: none"> <li>Develop people and organizations</li> <li>Accelerating the development, empowerment, and recruitment of global leaders and highly specialized people</li> </ul>	<ul style="list-style-type: none"> <li>Developing professional talent who can work on a global scale</li> <li>Building a common global infrastructure for talent development and recruitment</li> </ul> <p>→ People Strategy</p>
	Professional Development and Recruitment Infrastructure	<ul style="list-style-type: none"> <li>LinkedIn Learning global participants : <b>Approx. 14,000</b></li> <li>Digital Academy participants : <b>9,600</b> (27% of all employees)</li> </ul>		
	Employee Engagement	<ul style="list-style-type: none"> <li>Global overall engagement score (positive): <b>65%*3</b></li> </ul>		
<b>Brands and Technologies (Intellectual Capital)</b> 	Global R&D Structure	<ul style="list-style-type: none"> <li>R&amp;D bases : <b>6</b></li> <li>Number of researchers*4 : <b>Approx. 1,200</b></li> </ul>	<ul style="list-style-type: none"> <li>Enhancing the value of existing brands</li> <li>Challenges in new areas</li> <li>Optimizing the GIC, RICs*9, and brand collaboration</li> <li>Strengthening CRM and integrating consumer data and touchpoints</li> </ul>	<ul style="list-style-type: none"> <li>R&amp;D in the skin beauty category</li> <li>R&amp;D in the inner beauty category</li> <li>Establishing and promoting a multi-hub network</li> </ul> <p>→ Beauty Innovation Strategy</p> <p>→ Messages from the Brand Heads</p>
	Solidifying Our Position in Cosmetics and Creating the Foundation for Future Growth	<ul style="list-style-type: none"> <li>Awards Received at IFSCC*5 Congresses and Conferences*6 : <b>31</b></li> <li>R&amp;D expense ratio : <b>2.8%</b></li> </ul>		
	Brand Marketing and Consumer Insights	<ul style="list-style-type: none"> <li><b>No.1</b> selling products in Japan: <i>ELIXIR</i>*7, <i>ANESSA</i>*8</li> <li>Accumulation of Consumer profile</li> </ul>		
<b>Production Sites and Structure (Manufacturing Capital)</b> 	The Highest Standard of Uncompromising Shiseido Quality	<ul style="list-style-type: none"> <li>Product recalls from consumers or distributors: <b>0</b></li> <li>Audits: <b>76</b> (64 at sites manufacturing pharmaceuticals, quasi-drugs, and cosmetics; 12 other)</li> </ul>	<ul style="list-style-type: none"> <li>Establishing a global system for quality, safety, and sustainability</li> <li>Improving the overall accuracy of supply-demand forecasts</li> <li>Improving productivity</li> <li>Shortening lead time</li> </ul>	<ul style="list-style-type: none"> <li>Improving productivity through DX-enhanced operations</li> <li>Establishing and developing a global occupational health and safety management system</li> <li>Optimizing global logistics and production systems</li> </ul> <p>→ Supply Network</p>
	Flexible and Agile Product Supply and Productivity Efficiency	<ul style="list-style-type: none"> <li>COGS ratio : 26.7% (<b>23.1%*10</b>)</li> <li>Days Sales of Inventory : 197 days (<b>235 days*11</b>)</li> </ul>		
	Global Production Network	<ul style="list-style-type: none"> <li>Production sites: <b>11</b></li> </ul>		

\*1 As of December 31, 2023, or 2023 full year results

\*2 As of January 1, 2024, for Japan; as of December 31, 2023, for overseas

\*3 2022 results. Survey conducted every two years

\*4 As of the end of December, 2023 (including research staff)

\*5 IFSCC: International Federation of Societies of Cosmetic Chemists, an international organization where cosmetic engineers from around the world gather for the development of safer and more beneficial cosmetic technologies

\*6 As of December 2023. Total number of top awards and honorable mentions. Figures include awards received at the IFSCC Conference, which was held in odd-numbered years before 2023

\*7 INTAGE SLI skincare market. Main series ranking, January-December 2023 (Estimated sales amount)

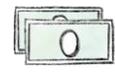
\*8 INTAGE SRI+ sunscreen (milk type) Value share, January-December 2023

\*9 GIC: Global Innovation Center RIC: Regional Innovation Center

\*10 Excludes impacts from product supply due to business transfer and from impairment loss

\*11 Excludes impacts from product supply due to business transfer and from impairment loss (estimation)

## Management Resources

	Critical Themes	Related Indicators*1	Challenges	Direction of Resource Allocation
<b>Value Chain and Engagement</b> (Social Relationship Capital) 	Consumer Engagement	<ul style="list-style-type: none"> <li>Brand flagship stores: <b>141</b></li> <li>Cultivating self-efficacy through the power of beauty LAVENDER RING MAKEUP &amp; PHOTOS WITH SMILES (supporting people living with cancer): <b>5 countries/regions 30 events 653 participants</b></li> <li>Shiseido Life Quality Makeup activities: <b>4 countries/regions 43,562 people</b></li> </ul>	<ul style="list-style-type: none"> <li>Building a circular model for co-creating consumer value</li> <li>Procuring raw materials sustainably and responsibly</li> </ul>	<ul style="list-style-type: none"> <li>Providing the best beauty experience for each individual based on data</li> <li>Strengthening problem-solving collaboration with other companies, institutions, and organizations</li> </ul> <p>→ Continuous DX Acceleration</p> <p>→ Further Evolving DE&amp;I at Shiseido</p>
	Open Innovation	<ul style="list-style-type: none"> <li>Shiseido DE&amp;I Lab: Researching the relationship between diverse talent and corporate growth</li> <li>Promoted joint research projects with multiple academic partners</li> </ul>		
	Supplier Engagement	<ul style="list-style-type: none"> <li>% of Tier 1 suppliers assessed : <b>99%</b></li> <li>% of strategic suppliers assessed : <b>100%</b></li> </ul>		
<b>Raw Materials and Energy</b> (Natural Capital) 	Energy and CO <sub>2</sub>	<ul style="list-style-type: none"> <li>CO<sub>2</sub> emissions reduction: SBTi, Scope 1 + 2*2 : Plan to disclose in 2025*4</li> <li>CO<sub>2</sub> emissions reduction: SBTi, Scope 3*3 : Plan to disclose in 2025*4</li> </ul>	<ul style="list-style-type: none"> <li>Reducing environmental impact (CO<sub>2</sub>, water, waste)</li> <li>Reducing the use of single-use plastics</li> </ul>	<ul style="list-style-type: none"> <li>Upgrading facilities to reduce environmental impact</li> <li>Developing eco-friendly formulas and packaging</li> </ul> <p>→ Sustainability</p>
	Resource Usage (Water, Waste Management)	<ul style="list-style-type: none"> <li>Water consumption reduction*5 : <b>46%</b></li> </ul>		
	Resource Usage (Raw Materials)	<ul style="list-style-type: none"> <li>Switching to sustainable packaging*6 : <b>69%</b></li> <li>Replacement with sustainable palm oil*7 : <b>51%</b></li> <li>Replacement with sustainable paper*8 : <b>100%</b></li> </ul>		
<b>Financial Capital</b> 	Profit Structure	<ul style="list-style-type: none"> <li>Core operating margin : <b>4.1%</b></li> <li>Prestige sales ratio : <b>61%*9</b></li> </ul>	<ul style="list-style-type: none"> <li>Improving profitability</li> <li>Increasing marketing ROI</li> <li>Enhancing inventory turnover ratio</li> </ul>	<ul style="list-style-type: none"> <li>Pursuing M&amp;A and investing in new areas</li> <li>Further improving working capital</li> </ul> <p>→ Financial Strategy</p>
	Financial Base and Cash Position	<ul style="list-style-type: none"> <li>EBITDA margin : <b>9.4%</b></li> <li>Net debt-to-equity ratio : <b>0.06x</b></li> </ul>		
	Capital Efficiency	<ul style="list-style-type: none"> <li>ROIC : <b>4.0%</b></li> <li>ROE : <b>3.6%</b></li> </ul>		

\*1 As of December 31, 2023, or 2023 full year results

\*2 At all our sites (compared to 2019)

\*3 Throughout our value chain, excluding Shiseido sites, economic intensity target (compared to 2019)

\*4 Target revision application in progress due to transfer of business

\*5 For all our sites, intensity per sales (compared with 2014)

\*6 For sale of products with plastic packaging

\*7 Certified based on RSPO's physical supply chain model: identity preserved, segregation, and/or mass balance, palm oil equivalent basis

\*8 Such as certified paper and recycled paper, paper weight basis

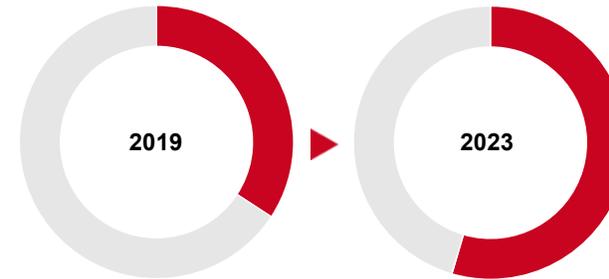
\*9 Excludes FX and business transfer impacts

# Value Creation Drivers

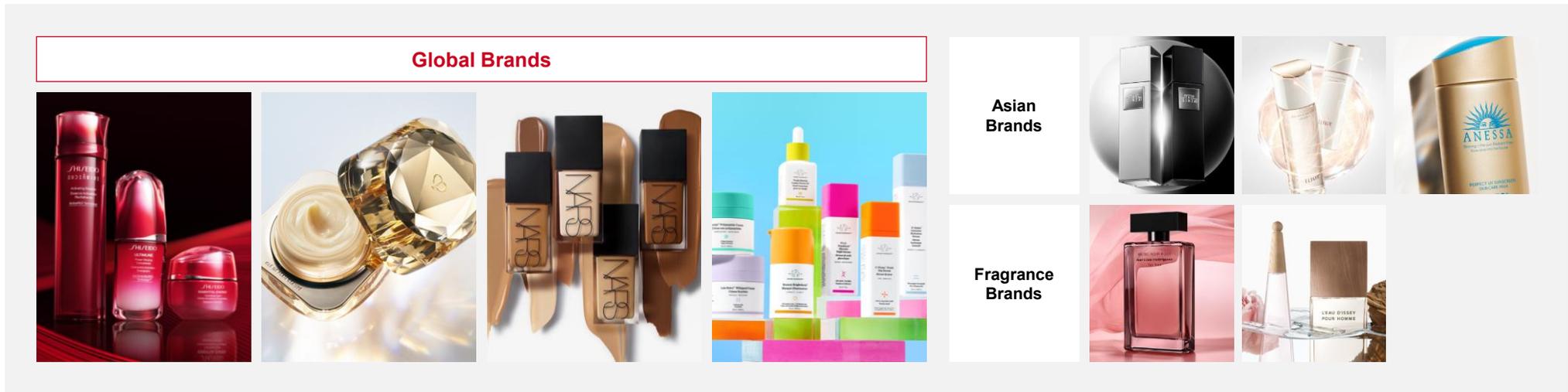
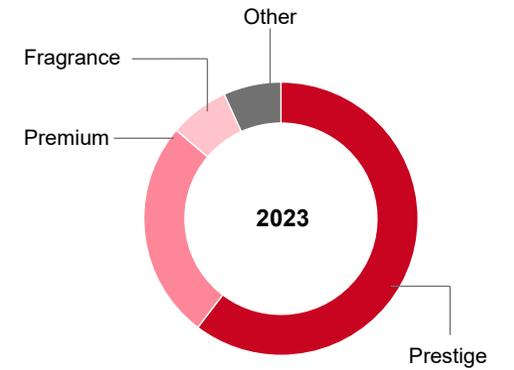
## Brands

As we work towards realizing our corporate mission and vision for 2030, brand enhancement is not only fundamental to our value creation but also vital to our existence since it directly impacts consumers and society. Under the strategic positioning of each brand in our portfolio, Shiseido is concentrating resources on its mainstay skin beauty category, a sector where market growth is expected. Based on a thorough understanding of consumer insights, we create ideas and build brands that resonate with consumers' sensibilities, aiming to continuously create high-value-added brands unique to Shiseido.

Global Brands Sales Ratio



Sales Ratio by Category

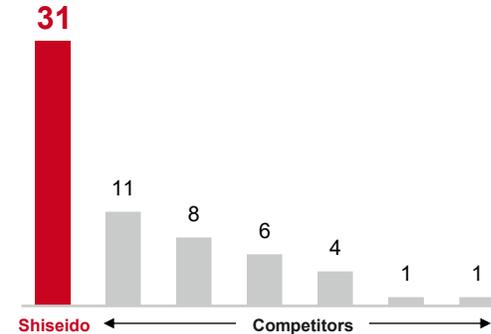


## Value Creation Drivers

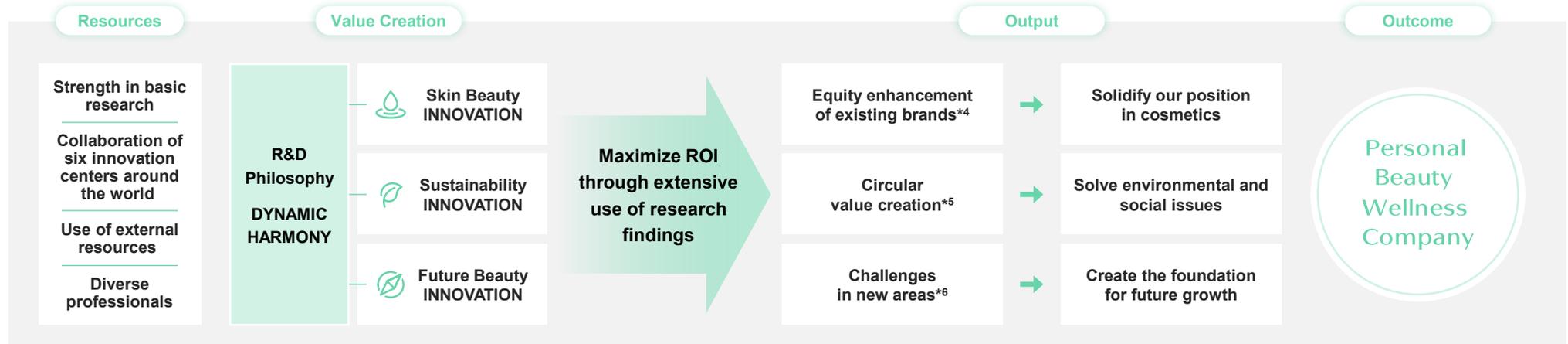
### Innovation

To realize our 2030 vision, it is essential to enhance brand value through innovation, create circular value creation, and take on challenges in new areas. Throughout its long history, Shiseido has established superiority in dermatology, material science, and *kansei*\*1 research while consistently pioneering new categories and markets such as aging care and ultraviolet (UV) protection, as proven by the awards received from the IFSCC\*2. Since 2021, we have been promoting brand innovation reforms to leverage these industry-leading R&D capabilities for brand growth. In addition to establishing our R&D philosophy of DYNAMIC HARMONY and reorganizing R&D functions and systems, we are working towards beauty innovation based on three pillars of innovation and the “De-monoculture (embracing change, preserving traditions)” approach.

### Awards Received at IFSCC\*2 Congresses and Conferences / Comparison with Domestic and International Competitors\*3



"IFSCC Congress 2023" in Barcelona



\*1 *Kansei* in cosmetics goes beyond mere response to stimuli. It aligns with aesthetics, arts and culture, and consumer values and lifestyles in an attempt to create new value that resonates with consumers on sensory (visual, olfactory, tactile), emotional, cognitive, and aesthetic levels

\*2 Stands for the International Federation of Societies of Cosmetic Chemists (IFSCC), an international organization where cosmetic engineers from around the world gather for the development of more functional and safer cosmetic technologies

\*3 As of December 2023. Total number of top awards and honorable mentions. Figures include awards received at the IFSCC Conference, which was held in odd-numbered years before 2023

\*4 Areas of competitive advantage, such as skincare, sun care, and base makeup / Areas where we can utilize and expand our existing strengths, including medical beauty and sensitive skincare

\*5 Sustainable raw materials, formulas, ingredients, and product development, etc.

\*6 Beauty devices and ingestible beauty such as supplements

## Value Creation Drivers

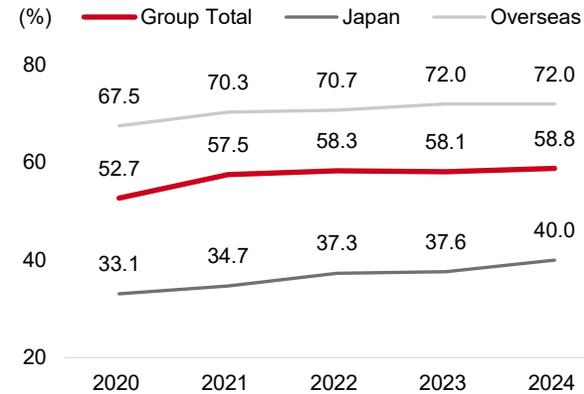
→ People Strategy

### People

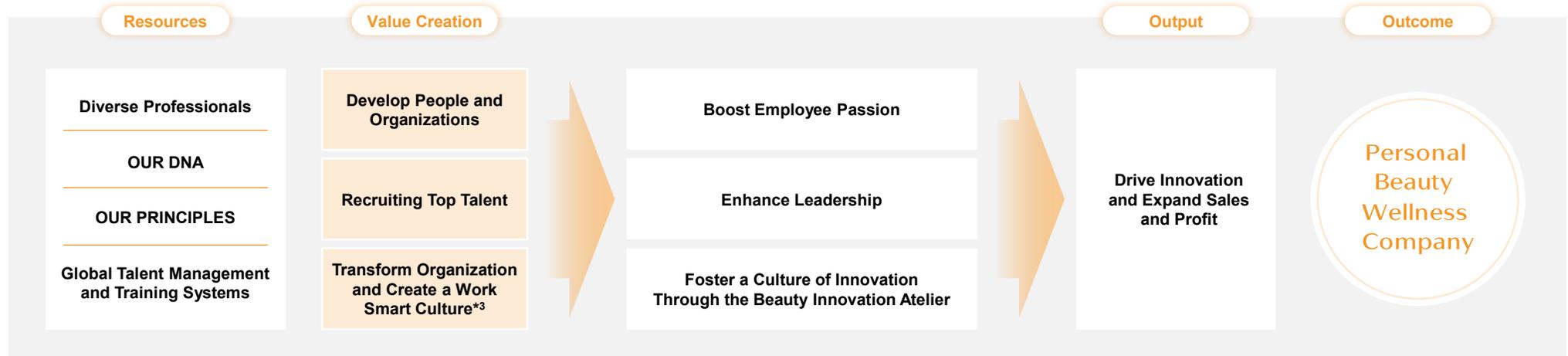
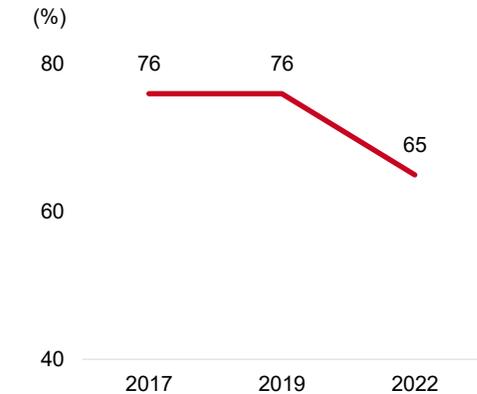
As emphasized in our PEOPLE FIRST strategy, at Shiseido, we have always believed that people are the source and driving force of value creation, making them our most important asset. We believe that our strengths in our heritage and culture respecting diversity enable diverse professionals to play an even more active role.

We envision our workplace and culture around the world as a “Beauty Innovation Atelier”—a hub for value creation. We are committed to transforming Shiseido in terms of people, culture, and organization.

### Percentage of Women Managers\*1



### Global Employee Engagement Survey\*2 Ratio of Positive Score



\*1 As of January 1 each year for Japan; as of December 31 of the previous year for overseas

\*2 Survey conducted every two years. We changed the survey questions from 2022 and plan to monitor trends regarding the scores based on the 2022 results

\*3 Leverage AI and IT tools to optimize our operations and create a highly productive organization

# Business Strategy



# Corporate Strategies

## VISION 2020 and WIN 2023

In 2015, Shiseido launched VISION 2020, our medium-to-long-term strategy, with the aim to “Be a Global Winner with Our Heritage.” We have been investing management resources in prestige brands, strengthening our foundation for growth, and establishing a matrix organization that broadly delegates responsibility and authority to each regional headquarters. As a result, we were able to reach the quantitative targets outlined in VISION 2020 ahead of schedule.

However, the impact of COVID-19 in 2020 brought to light various management issues. To address these issues, we formulated our vision for 2030 to become a “Personal Beauty Wellness Company” in 2021. We also launched the medium-to-long-term strategy WIN 2023 to achieve this vision. We carried out business restructuring to achieve an operating profit margin of 15%, worked to rebuild our business portfolio as well as boost productivity and efficiency. While we saw positive results through increasing the skin beauty sales ratio and improving profitability in the Americas and EMEA Businesses, outstanding issues to address remained, including a significant delay in the recovery of the Japan Business, geopolitical risks and inflation. To respond to this situation, we formulated a medium-term management strategy in 2023 that we are now carrying out -SHIFT 2025 and Beyond.

	VISION 2020 (First Phase)	VISION 2020 (Second Phase)	WIN 2023
	Rebuild Our Business Foundation	New Strategy to Accelerate Growth	Solidify Our Foundation as a Skin Beauty Company
	Reforms and Strong Performance		Drastic Changes to the Business Environment Due to COVID-19
	2020 target achieved ahead of schedule	2017 Net Sales of ¥1 tn 2018 Operating Profit of ¥100 bn 2019 Operating Margin of 10%	2023 SHIFT 2025 and Beyond Formulated
<b>Quantitative Targets</b>	2017 Targets / Results	2020 Targets / Results	2023 Targets
Net Sales	Over ¥900.0 bn / ¥1,005.1 bn	Over ¥1 tn / ¥920.9 bn	Approx. ¥1 tn
OP	¥50.0-60.0 bn / ¥80.4 bn	Over ¥100.0 bn / ¥15.0 bn	—
OPM	— / 8.0%	10% / 1.6%	15%
<b>Achievements</b>	<ul style="list-style-type: none"> <li>Grew global prestige brands and strengthened the portfolio</li> <li>Addressed and resolved negative legacies</li> <li>Built a global management model</li> </ul>	<ul style="list-style-type: none"> <li>Grew global prestige brands</li> <li>Expanded brand marketing investment, M&amp;A, improved gross profit margin, and reduced cost ratio</li> <li>Strengthened R&amp;D, supply network, and digital/IT investments</li> </ul>	<ul style="list-style-type: none"> <li>Executed a structural reform on a business scale of over 200.0 billion yen</li> <li>Accelerated digital transformation (DX) and introduced FOCUS</li> <li>Created state-of-the-art factories and logistics</li> <li>Established a strong financial base</li> </ul>
<b>Outstanding Points to Be Tackled</b>	<ul style="list-style-type: none"> <li>Establish a stable product supply system</li> <li>Improve profitability in the Americas and EMEA Businesses</li> </ul>	<ul style="list-style-type: none"> <li>Profit/loss structure with high SG&amp;A (fixed costs)</li> <li>Low profitability in Americas and EMEA</li> <li>High reliance on inbound sales in Japan</li> </ul>	<ul style="list-style-type: none"> <li>Considerable delay in growth recovery of the Japan Business</li> <li>Establish a foundation for growth in the China Business</li> <li>Review of organization and cost structures</li> <li>Inflation and geopolitical risks</li> </ul>
<b>Management Model</b>	<ul style="list-style-type: none"> <li>Launch a matrix organization to integrate regions and brands</li> <li>Introduce Centers of Excellence*</li> </ul>	<ul style="list-style-type: none"> <li>Accelerate our PEOPLE FIRST strategy</li> <li>Evolve our global management model</li> <li>Advance ESG management</li> </ul>	<ul style="list-style-type: none"> <li>Become a truly sustainability-focused company</li> <li>Shift to a digital-driven business model</li> <li>Further diversify our talent and organization</li> </ul>

\* The function leading our global strategy planning and product development in the most advanced regions of the world for each respective category, such as Japan for skincare, the Americas for makeup and digital, and EMEA for fragrance

## Corporate Strategies

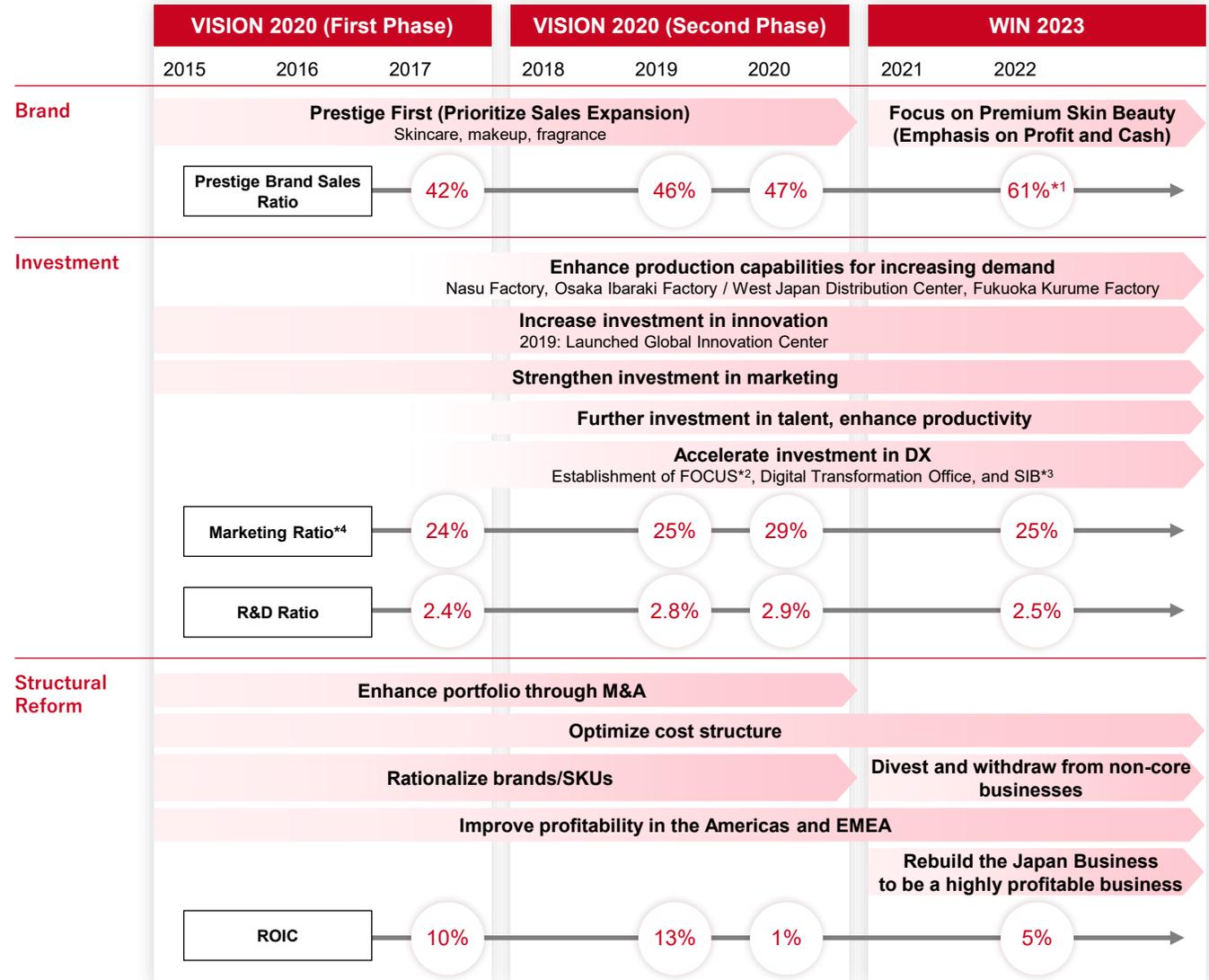
### Structural Reform

Since the launch of VISION 2020, Shiseido has made investments and structural reforms with an emphasis on selection, concentration, and speed of execution.

In terms of brands, continuing with the VISION 2020 Prestige First strategy, under WIN 2023, we concentrated resources on the premium skin beauty area.

As for investment, we started operations at three new domestic factories in Nasu, Osaka Ibaraki, and Fukuoka Kurume in order to strengthen our production and logistics pursuant to our growth strategy. For our innovation, investment on research facilities and R&D expenses was also increased. Additionally, we accelerated aggressive investment both on marketing to enhance brand equity over medium to long term and digital transformation including our global core system FOCUS\*2 implementation.

For the structural reforms, during the first three years of VISION 2020, we made efforts on addressing and resolving negative legacies by optimizing distribution inventories in China and Asia, as well as by integrating back offices and reforming cost structures in Americas and EMEA. By WIN 2023, we promoted global transformation with pillars of revision of our business portfolio, improvement of profitability and digital transformation. We have implemented structural reforms on a scale of over 200.0 billion yen in sales, successfully establishing a robust revenue base for future growth.



\*1 Excludes business transfer impacts \*2 Business transformation project through the establishment and introduction of an integrated core IT system

\*3 Shiseido Interactive Beauty \*4 Excludes POS personnel expenses

# SHIFT 2025 and Beyond

## Our Vision and the Background Behind Our Strategy

### Our Vision for 2030

With the aim to “Be a Global Winner with Our Heritage,” Shiseido is striving to become a “Personal Beauty Wellness Company,” one that combines skin beauty and wellness to improve the unique beauty and healthy appearance of each consumer, by 2030. To help create a sustainable community where everyone can enjoy happiness through the power of beauty, we strive to bring diversity in our society to ensure that every individual is respected and empowered to contribute—a world where people can enjoy beauty in a sustainable manner.

In terms of the prospects for change in consumer values going forward, we expect to see a growing interest in health and personal beauty, along with a heightened awareness around related issues such as skin health. Shiseido remains dedicated to science-based skincare at its heart, while accelerating our efforts to expand into new categories such as clean, natural, dermatological, and medical beauty products. We will leverage our skincare technologies including sun care, makeup, fragrances, and other products to create new categories for pushing the boundaries of skincare. We will also explore inner beauty to deliver innovative value in health and beauty.

### Background Behind the Strategy

Shiseido launched the medium-to-long-term strategy WIN 2023 and Beyond in 2021, aiming to achieve our vision for 2030. However, our Japan Business, which represents a significant portion of our sales and profits, was severely impacted by COVID-19. This has necessitated a fundamental reevaluation of our business model for its revival. Additionally, we must address the impact of global inflation and geopolitical risks, which have become even more critical. As a result, we launched our SHIFT 2025

and Beyond medium-term strategy in 2023, focusing on implementing reforms to achieve sustainable growth and improve profitability. However, in the second half of 2023, our China and Travel Retail Businesses experienced a rapid decline due to the consumer reluctance to purchase Japanese products following the release of ALPS-treated water into the ocean. In response to these rapid market changes, we have decided to reassess our targets and initiatives.



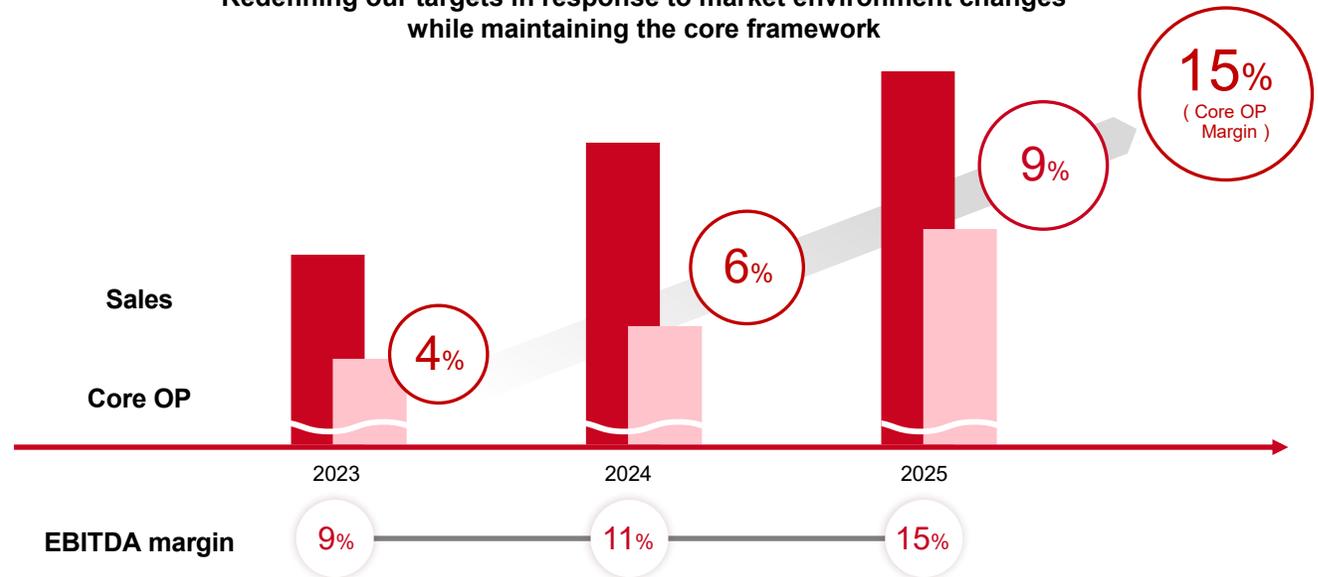
## SHIFT 2025 and Beyond

### Strategy Overview

SHIFT 2025 and Beyond maintains the strategic framework of WIN 2023 but redefines the targets in response to changes in the market environment. It aims to achieve sustainable profit growth and build a resilient business structure through a combination of growth strategies and structural reforms. The strategy includes company-wide cost reductions of over 40.0 billion yen as we will work on structural reforms in the Japan and China Businesses. At the same time, we will grow the Americas, EMEA, and Asia Pacific Businesses to create an appropriate regional portfolio. In addition, as we proceed with structural reform, we will focus our management resources on our brands, innovation, and people. Thus, we will establish a value-added management model that drives sustainable business growth and creates new beauty concepts by maximizing gross profit that will not only be achieved by higher sales volume and cost reductions.

As our numerical targets, we aim to achieve a core operating profit margin of 9% in 2025. In the medium term, we are targeting a core operating profit margin of 15%, which will allow us for sustainable reinvestment. Currently, we are aiming to achieve this medium-term target by 2028 or 2029. However, we are committed to achieving the target even sooner by, among other ways, accelerating growth across existing businesses, reforming the cost structure, expanding into new categories including M&As.

### Medium-Term Strategy SHIFT 2025 and Beyond Redefining our targets in response to market environment changes while maintaining the core framework



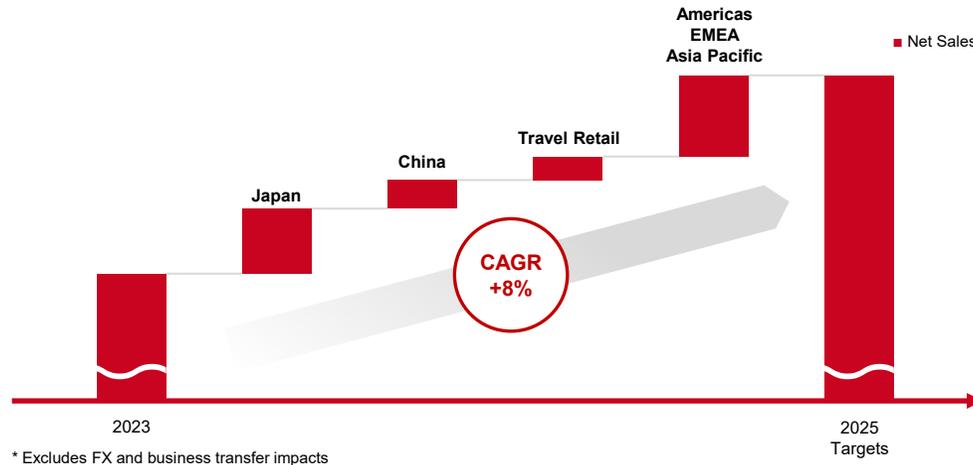
**Completion of business transformation between 2024 and 2025 through growth strategies and structural reform**

- Global cost reductions → Key Strategies ①
- Completion of structural reform and accelerate growth in Japan → Key Strategies ②
- Achieve high-quality sustainable growth in China and Travel Retail → Key Strategies ③
- Accelerate growth in the Americas, EMEA, and Asia Pacific
- Advance growth momentum of core brands
- Gross profit enhancement + Continuous DX acceleration → Key Strategies ④

## SHIFT 2025 and Beyond

### Our Business Portfolio & Structure

#### Attaining an Optimal Geographical Footprint



Under SHIFT 2025 and Beyond, we will build a resilient business portfolio based on the following growth strategies.

- **Japan :**  
Selection and concentration of brands and products, creation of new categories that capture the diverse consumer behaviors and preferences, and delivering brand experiences that leverage the strengths of each touchpoint
- **China :**  
Strengthening the high-prestige brands targeting affluent consumer base, targeted marketing for local consumers, and brand expansion into tier 3-5 cities targeting rising middle-class consumers
- **Asia Pacific :**  
Strengthening of prestige brand portfolio, enhancing and expanding our business in India
- **Americas :**  
Driving further growth of *NARS*, *SHISEIDO*, and *Drunk Elephant*, and expanding *Dr. Dennis Gross Skincare*
- **EMEA :**  
Expanding sales of *SHISEIDO*, *NARS*, *Drunk Elephant*, and *narciso rodriguez* while accelerating growth in the Middle East
- **Travel Retail :**  
Refocusing on travelers' growth by differentiating our brands and products through limited-edition exclusives

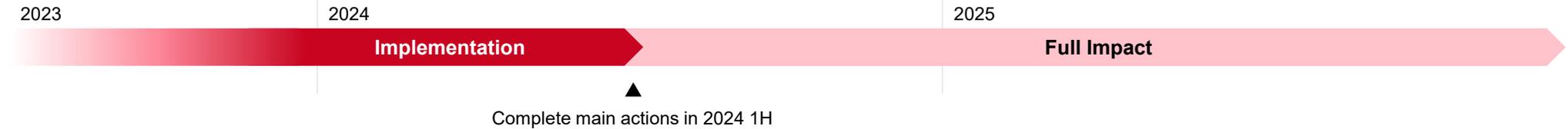
#### Gross Profit Enhancement

Topline Growth	Attractive innovation products and effective communication to enhance brand value
Price Harmonization	Periodic review on price, reduce price promotion, expand official route to market
Brand / SKU Mix	Strategic high growth for global brands and hero products, SKU rationalization
Channel Mix	Delivering exceptional customer experiences that leverage the strength of each channel, increase Japan EC sales ratio
COGS Improvement	Procurement, E&O reduction, inventory management, manufacturing utilization & productivity

We aim to expand our gross profit to maximize the profit contribution from sales growth. We seek to grow sales volume, refine our pricing strategies, optimize our mix of brands, products, and channels, reduce returns, and strengthen inventory management.

## Key Strategies

# ① Global Cost Reductions



Cost Improvement Impact	(Billion yen)		
	2024	2025	Total
Japan	8.0	17.0	25.0
COGS	3.0	2.0	5.0
Marketing and Other Expenses	2.0	8.0	10.0
Organizational Productivity	3.0	7.0	10.0
China	5.0	3.0	8.0
Travel Retail	1.0	1.0	2.0
Asia Pacific, Americas, EMEA, Other (Global HQ)	1.0+	4.0+	5.0+
<b>Total</b>	<b>15.0+</b>	<b>25.0+</b>	<b>40.0+</b>

### [ Major initiatives ]

- ▶ SKU rationalization, focus on global/Asian brands, strategic price increases
- ▶ Optimize marketing promotional costs, streamline current IT systems, increase marketing ROI
- ▶ Optimize organization structure, special early retirement programs
- ▶ Optimize organization structure, reduce inventory and drive localization of samples, optimize marketing promotional costs
- ▶ Optimize brand portfolio, increase marketing ROI, optimize organization structure
- ▶ Improve productivity through FOCUS implementation, improve productivity at factories, SKU rationalization, optimize logistic networks and indirect procurement, streamline current IT systems, reduce IT outsource expenses (review and integrate systems, insource operations currently outsourced)

By building a resilient business structure to generate source of investment for sustainable growth, we will embark on extensive cost reduction measures on a global basis, targeting over 40.0 billion yen over the two-year period between 2024 and 2025. These measures aim to optimize cost structures aligned with market changes, targeting IT, logistics, procurement, offices, and operating expenses. We will promote cost reductions on a global scale across all areas, regions, and executive

responsibilities, thoroughly maximizing efficiency and productivity. Our goal is to complete main actions in the first half of 2024 and realize the full-year effects in 2025.

For the Japan Business, we will improve profitability by 25.0 billion yen, focusing on three areas: COGS, marketing and other expenses, and organizational productivity. In the China and Travel Retail Businesses, we will achieve a total cost reduction of 10.0 billion yen by

optimizing our brand portfolio and organizational structure to align with market changes, as well as reducing and streamlining marketing promotional expenses. In addition, in the Americas, EMEA, and Asia Pacific Businesses and our global headquarters, we will be targeting a cost reduction of over 5.0 billion yen through increased efficiency through the implementation of FOCUS, improvement in factory productivity, as well as reduction of indirect purchasing expenses.

## Key Strategies

### ② Completion of Structural Reform and Accelerate Growth in Japan



#### The Urgency of Business Transformation

In the past, our Japan Business accounted for a high proportion of consolidated net sales and profits and has been driving the profitability and brand innovation. However, due to the severe impact of COVID-19 coupled with delayed recovery of cosmetic market, net sales of the Japan Business had been on a downward trend since 2020. Consequently, our core operating profit turned to be red in 2022.

Revitalizing our Japan Business is crucial for Shiseido's growth. However, we faced the constraints of traditional business practices and longstanding relationships, along with the need for responses to rapidly changing market dynamics. These challenges lead to inefficiencies, including an increase in the number of brands, digital costs,

and a complex organizational structure, resulting in the heavier fixed costs. Therefore, in 2023, we embarked on a fundamental transformation of our business model, with a primary focus on self-innovation.

#### Our Targets and Three Pillars of Reform

Under the leadership of Kentaro Fujiwara, our President and COO who also serves as CEO of Shiseido Japan, we are embarking on a transformative journey. Our reform consists of three pillars: sustainable growth, building a profitable business foundation, and human capital transformation. We will proceed with fundamental reform of our earning structure, with the goal of achieving core operating profit of 50.0 billion yen in our Japan Business by 2025.

To achieve sustainable growth, we will shift to a consumer-driven business model by concentrating our activities on brands, products, and customer touchpoints with high growth potential and profitability. Specifically, we will strengthen our strategy for brands and touchpoints. In terms of brand strategy, we will leverage our strengths in technology and R&D to accelerate the launch of our overwhelmingly loved brands and products, as well as create new categories of beauty that capture consumer trends.

Our touchpoint strategy combines in-store service, which has been cultivated in Japan based on *omotenashi* hospitality, with the latest digital insights accumulated throughout our operations in China and the Americas, allowing customers to freely choose between online and offline experiences. With a particular emphasis on digital initiatives, we aim to achieve a 30% E-commerce sales ratio for our Japan Business by enhancing E-commerce platforms of retailers and “Omise+” for our specialty stores as well as revamping our own “Watashi+” platform.

For building a profitable foundation, our goal is to reduce costs by 25.0 billion yen, in costs, marketing investments and other SGA expenses, over the next two years to 2025 by improving efficiency through overall optimization. Specifically, we will reduce costs of 5.0 billion yen by reducing the number of SKUs, optimizing brand mix and implementing strategic pricing increases, and another 10.0 billion yen in marketing investments and other SGA

## Key Strategies ② Completion of Structural Reform and Accelerate Growth in Japan

expenses through the reduction and streamlining of promotional material costs, as well as monitoring and integration of existing systems. In addition, we will reduce 10.0 billion yen by optimizing personnel allocation and improving productivity.

To lead these reforms, we will work on human capital transformation and establish an organization of people committed to continuous self-innovation, at an early stage. As the market changes, we aim to be an organization where employees have the ability to think for themselves, make changes, and create the future of Shiseido. Based on this idea, Shiseido Japan has developed “Mirai Career Plan” to support the career growth of every employee.

For employees who are committed to working together toward the future transformation of Shiseido, we will proactively invest in reskilling and acquiring the skills required for self-innovation. Additionally, for those seeking to embark on their next career challenge amidst this transformative period, we will offer an early retirement incentive plan and provide tailored career assistance, ensuring the optimal outcome in every instance.

In 2023, we led a market recovery, achieving sales expansion beyond market growth and an increase in the number of loyal customers. In order to achieve regrowth as a highly profitable business, we will work to further accelerate reforms.

### Structural Reform—Progress and Confidence (from Marketing and Sales Departments)



#### Key Considerations to Strengthen Loyal User Base

**Matsumura** In the Marketing Department, we focus on identifying and understanding latent expectations of consumers in order to fully satisfy their needs and preferences. At brand *SHISEIDO*, which I am in charge of, acquisition of new consumers has been a long-standing challenge. To address this issue, we are steadily capturing the trend of consumers being more essence-oriented and putting more effort into providing products that leverage our technology and expertise, as well as enhancing the quality of in-store diagnostics and counseling.

**Kawaguchi** In our Sales Department, we place great importance on putting consumers at the center of all our activities. As there are still large numbers of potential consumers in E-commerce space, it is highly important for us to enhance our touchpoints in the market to attract consumers and cultivate enduring their loyalty. To achieve this end, we are currently implementing effective communication strategies leveraging our knowledge and data analytics to define different criteria for brand value proposition tailored to individual consumer needs.

#### Progress and Revitalization of the Japan Business

**Matsumura** In 2023, we launched some hero products, such

as the renewed beauty serum *ULTIMUNE* and foundation serum. Building on the successful launch of these products, we have been increasing our consumer base as well as our market share by effectively conveying the efficacy and functionality of brand *SHISEIDO*, including the existing products. Moving ahead, we will focus on developing our existing products, to further strengthen brand equity and improve ROI. We remain committed to our holistic approach unique to Shiseido and continue to deliver value propositions that foster emotional and physical well-being of our consumers.

**Kawaguchi** Currently, we are focusing on attracting new consumers by collaborating with our business partners on E-commerce platform to establish common goals and operational frameworks. In 2023, we were able to achieve significant growth in brands such as *ELIXIR* by significantly expanding our touchpoints, thanks to dedicated efforts in optimization of key brands and products. Our goal is to drive innovation through synergies among our brands, products and business partners, leveraging competitive advantages to revitalize our Japan Business.

## Key Strategies

### ③ Achieve High-Quality Sustainable Growth in China and Travel Retail

#### Strengthen Investments in Growth Opportunities

- Selection and concentration—Identify and generate growth categories
  - Clarify non-core brands and products
  - Focus on channel profitability
  - Rationalize SKUs
- Win in normal times, less reliance on large-scale events
- Invest in “high prestige” and “high-functionality and high-efficacy”
- Accelerate rollouts in tier 3-5 cities
- Strategic price increases
- Enhance enforcement against the gray market

#### Operational Reforms

- Samples: reduce inventory, drive localization
- Shift outsourced operations in-house
- Improve productivity of personnel in stores
- Optimize organization structure
- Stringent headcount management
- Drive synergy through an integrated approach for the China and the Travel Retail Businesses

100 million Consumer Database



Strong Brand Equity



Localized Innovation

#### Background to Structural Reforms

Shiseido entered the Beijing cosmetics market in 1981. Through our research on Asian skin, Shiseido had an advantage in China, and the market served as a symbol of our global expansion. However, the COVID-19 lockdowns, the rise of large-scale promotional events, and the growing influence and diversification of e-commerce platforms have had a major impact on this market. We have also faced intense competition, particularly in terms of pricing. Moreover, the consumer pull back on Japanese products after the treated water release and the market slowdown due to changes in consumer behavior have significantly affected our business in China and the Travel Retail

Business, which relies heavily on visitors from China.

Given this situation, we decided to embark on reforms to change our business structure in order to realize high-quality growth in a rapidly evolving business landscape. These reforms aim to bring transition into a resilient organization and profit structure. We have established several key premises for these reforms: the vast Chinese market remains a priority; further polarization of market needs between consumer; pragmatism focusing on functionality and efficacy and mere consumption; the rise of middle-class consumers in lower-tier cities, while the pace of growth is set to remain modest going forward.

#### Framework of the Reform

In the reform of our China Business, we will continue to strengthen investment in growth opportunities and reshape our business structure to achieve higher profitability amid changing environment. We will identify growth opportunities and focus on selection and concentration of brands, products, channels, and SKUs to achieve growth and efficiency. Also, we will further reduce our reliance on large-scale promotional events for generating revenue while strengthening our loyal customer base. We will prioritize the growth of high prestige brands such as *SHISEIDO Future Solution*, *Clé de Peau Beauté*, and *THE GINZA* catering to affluent consumers. Additionally, we will invest in the successful *NARS* brand and actively expand the sales of *Drunk Elephant*. To firmly capture growth opportunities in China, we will accelerate our efforts to create value and marketing assets specifically tailored for Chinese consumers while strengthening brand strategies targeting middle-class consumers in lower-tier cities.

To execute these growth strategies and win in China, we will also implement operational reforms to drive business transformation. We will refrain from participating in price promotions, but instead enhance enforcement against the gray market, strengthen brand equity management, and achieve cost reduction by optimizing offline outlets and stores. We will also make adjustments to streamline our organizational structure along with optimization of personnel allocation and productivity improvement.

## Key Strategies ③ Achieve High-Quality Sustainable Growth in China and Travel Retail

As duty-free shopping becomes one of the regular purchasing channel among Chinese consumers, we will further advance our strategic approach to the China and Travel Retail Businesses. We will reassign the reporting line of the Travel Retail Business to the CEO of Shiseido China. This will optimize our marketing operations and

investments across the region, while strengthening investments in key retailers in a cohesive manner.

By implementing these structural reforms, we will swiftly transform our revenue structure. At the same time, we will continue leveraging our consumer database in marketing,

with the goal of expanding our reach to 100 million people. Furthermore, we will also strengthen our brand equity, and maintain our investment in locally-driven innovations to ensure sustainable growth in this enormous market.

### Accelerating Digital Transformation for Our Chinese Consumer Business

Chief Digital Officer,  
Shiseido China

**Tina Chen**



2023 marked a pivotal turning point for our China Business. The pandemic accelerated digital transformation—Chinese consumers now spend many hours per day on mobile devices, absorbing information from multiple online and offline touchpoints, particularly social media. They have also become more sophisticated, seeking emotional value as well as authentic and innovative brand experiences.

Here are four strategic pillars to guide our digital transformation journey:

● **From Data Accumulation to Value Creation:** By the end of 2023, we had accumulated data on over 77 million Chinese consumers, and we are steadily approaching our target of 100

million by 2025. These data assets have empowered our brands to gain deeper insights, refine consumer acquisition strategies, optimize membership programs, and elevate the consumer experience. We will continuously leverage consumer data to further focus on key strategic targets and engage with consumers through tailor-made marketing approaches.

● **From E-Commerce to Social Commerce:** Social commerce, powered by a combination of consumer insights, social content, and livestreaming commerce, has grown exponentially in recent years. In 2023, our Douyin (TikTok) business more than doubled, contributing to this remarkable trend. To amplify authentic social content and enhance brand power, we also launched initiatives to empower our employees and brand enthusiasts to become key opinion consumers on social media.

● **From “One to Many” to “One to One” at Scale:** China’s vast and sophisticated consumers require brands to create individualized experiences at scale. To maximize consumer lifetime value, we piloted an advanced personalization solution for *Clé de Peau Beauté* with personalized communication and content, resulting in better engagement and repeat purchases.

● **From Product to Experience:** Brand *SHISEIDO* teamed up with Tencent to become the first in the industry to leverage AI-generated content to engage with consumers. The campaign successfully drew consumers into a brand-owned ecosystem with close to 200,000 AI paintings generated in merely one and a half months. To engage with post-millennial customers, we also launched a *NARS* metaverse community that uses immersive experiences to create a pioneering brand image.



SHISEIDO AI-Generated Content and Generated Images

2024 promises to be a year paved with unprecedented opportunities and challenges. By fully harnessing the power of digital transformation, we are dedicated to providing Chinese consumers with revolutionary beauty, health, and wellness experiences, both within the country and beyond.

## Key Strategies

### 4 Continuous DX Acceleration

#### CES2024

Shiseido continues to make steady progress in the use of digital technology. In January 2024, we exhibited for the first time at CES, one of the world's largest digital technology trade shows. During this event, we presented two groundbreaking experiences that combines beauty and technology. Firstly, we unveiled the Beauty AR Navigation app that helps users master the perfect skincare and beauty regimen. This app provides interactive support to users by using their smartphones and tablets, enabling remote support for individuals who are unable to receive in-person instructions. Secondly, we showcased a tool to predict future skin concerns based on nasal bone structure. By analyzing facial images, this technology can predict skin conditions including wrinkling, sagging, and even internal skin conditions. This technology is based on Shiseido's unique beauty algorithms by combining its research findings accumulated over the course of more than 100 years. Throughout the four-day duration of CES2024, we welcomed over 700 visitors. The trade show provided us with valuable feedback from many visitors with diverse backgrounds, fostering new avenues for open innovation. Going forward, we intend to leverage this feedback to develop research that visualizes the three invisible elements of inside of the body, mind, and time. We also plan to enhance our cycle of development and social implementation of digital technologies, utilizing science and technology, as our pillars of strength. These efforts

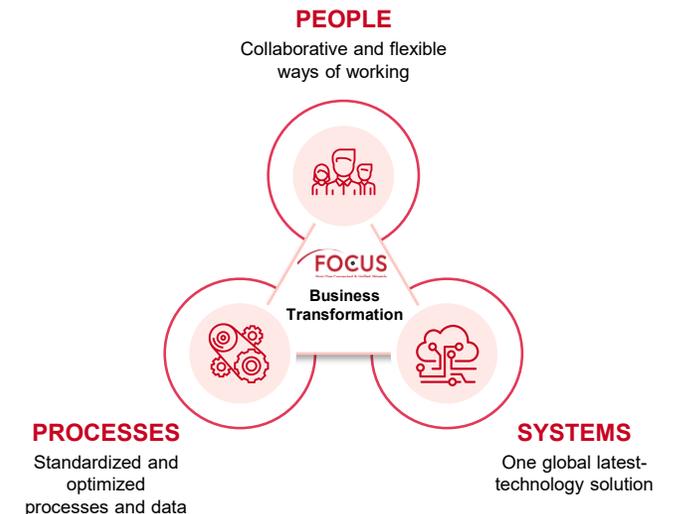
will accelerate our progress toward our vision of becoming a "Personal Beauty Wellness Company" by 2030.



#### FOCUS Implementation—Progress and Achievement

Our business transformation program FOCUS\* is on track with regional deployments in progress. Over 60% of sales, shipping and invoicing are now being processed through the FOCUS system—a single global platform for the entire Group. In 2023, we have realized significant progress in the Asia Pacific and China regions, including a 14%

improvement in forecast accuracy, an eight-day reduction in the number of days in inventory and a 16% improvement in accounts payable automation. In 2024, we plan to finalize the rollout of FOCUS for the Japan and EMEA regions, completing all global FOCUS deployments for planning, sales, logistics and finance. By having all regions live on FOCUS, we will further enhance work efficiency and productivity, while improving forecast accuracy and optimizing inventory utilizing real-time data. In addition to verifying value creation measurements and post-go-live monitoring for ongoing system improvements, we will also implement FOCUS in manufacturing and procurement starting in 2024.



\* First One Connected and Unified Shiseido

## Messages from the Brand Heads



Corporate Executive Officer  
Executive Officer  
Executive Vice President  
Chief Marketing &  
Innovation Officer (CM&IO)  
Chief Brand Officer - brand *SHISEIDO*  
**Yoshiaki Okabe**



Our flagship brand, *SHISEIDO*, is proudly sold in 88 countries and regions around the world. In 2023, we began rebranding of *SHISEIDO* in Japan ahead of other regions, leading to sales growth of over 20%. We drove the growth of the prestige brand market in Japan through continuous innovations and promotions. We started by evolving our EUDERMINE Activating Essence (the first cosmetic product launched in Shiseido in 1897) into something “much more than a lotion.” We also updated our brand’s iconic serum ULTIMUNE Power Infusing Concentrate, launched the Revitalessence Skin Glow Foundation, and accelerated growth in the men’s cosmetics market through the new promotion of *SHISEIDO MEN*.

In 2024, we will expand this rebranding around the world for further growth. Brand *SHISEIDO* believes that beauty is created through the holistic harmony of the skin, body, and mind. As a prestige brand representing Japan, we are committed to delivering true innovations and showcasing beauty that resonate with consumers worldwide. From Japan, to people all around the world.



Executive Officer  
Chief Brand Officer  
*Clé de Peau Beauté*  
**Mizuki Hashimoto**



Since its establishment in 1982, *Clé de Peau Beauté* has remained committed to meeting the discerning needs of consumers by leveraging cutting-edge research and an unwavering dedication to excellence. In 2023, despite challenges from the slowdown of the Travel Retail Business, we achieved a growth rates of over 20% in Japan, our home market, and approximately 10% in China. We also achieved a high growth rate in the EMEA markets, where we have now expanded to nine countries since 2019, including Italy, the UK, and Germany. Despite the impact of COVID-19, the luxury cosmetics market has maintained its high growth potential and is expected to continue to grow globally. *Clé de Peau Beauté*’s unique fusion of science and luxury drives our business growth through compelling products and services. Furthermore, our ongoing initiative to support girls’ education, launched in 2019, underscores our commitment as a globally recognized Japanese luxury brand to create meaningful value that resonates with consumers worldwide.

## Messages from the Brand Heads



President Global Brands  
NARS & Drunk Elephant  
**Barbara Calcagni**

NARS



NARS and Drunk Elephant delivered strong growth in 2023 as global consumers continued to seek high quality, innovative, and inclusive makeup and skincare products.

NARS experienced double-digit growth in 2023 and remains one of the top prestige global makeup brands. As we celebrate our 30th anniversary in 2024, we maintain a relentless focus on maximizing skin beauty while accelerating momentum in our iconic lip category. To ensure continued growth and value creation, we will amplify opportunities in key markets while leveraging our founder, François Nars, to build brand love.

Drunk Elephant remains focused on sharing our game-changing, ingredient-elimination philosophy and formulating skin-friendly, biocompatible products that deliver clinically proven results. Throughout 2023, we experienced high double-digit growth across regions, and reprioritized investments to fuel brand love—building our community of passionate, engaged consumers. In the coming years, while maintaining momentum in the U.S., we will continue to expand our business in all regions, tailoring innovation and messaging to meet local needs.

I am incredibly proud of what NARS and Drunk Elephant have achieved, and am excited for the future. These two brands continue to play a critical role in helping Shiseido become the world's No.1 skin beauty company.



Executive Officer  
Chief Brand Officer  
Global Premium Brands  
Assistant Chief DE&I Officer  
**Chiaki Tomita**

ELIXIR



The global premium brands ELIXIR and ANESSA have made significant advancements in Asia, leading the market as experts in their respective categories of anti-aging care\*1 and sun care.

ELIXIR, leveraging the latest collagen science, is the best-selling\*2 anti-aging care brand in the Japanese skincare market. In 2022, we successfully updated our strategy, delivering high teen growth in 2023 amid continued market polarization. Moving forward, we aim not only to strengthen growth in Japan but also expand our presence in Asia, aspiring to become the leading Japanese anti-aging care brand representing Asia.

ANESSA is No.1 sun care brand in Asia\*3 with the most powerful\*4 UV-blocking technology. As we strive towards a world where both people and the planet can feel free to shine infinitely under the sun, we are also actively engaged in CSR initiatives. These include education of UV rays for children and the donation of sunscreen products to patients with xeroderma pigmentosum (XP), an incurable disease that causes extreme sensitivity to UV rays. Looking ahead, we aim to become the world's leading sun care brand by enhancing both our market growth and social contributions.



\*1 Age-appropriate moisturizing skincare

\*2 INTAGE SLI, skincare market. Main series ranking (Estimated sales for January to December 2023)

\*3 Source: Euromonitor International Limited, Beauty and Personal Care 2024 edition, retail value sales, 2023 data, all retail channels. Asia as per Euromonitor's Asia Pacific definition

\*4 Rated SPF50+/PA++++, with the highest water-resistant effect in the ANESSA series

Beauty Innovation Strategy:

## Message from the CM&IO



Corporate Executive Officer  
Executive Officer  
Executive Vice President  
Chief Marketing & Innovation Officer (CM&IO)  
Chief Brand Officer - brand SHISEIDO

**Yoshiaki Okabe**

We stay abreast of shifts in consumer behavior and social trends, aspiring to be Shiseido’s engine behind high-value-added products that exceed consumer expectations. By maximizing the value of the seeds of basic research integrated into our products, we are committed to continuously delivering value to consumers in a sustainable manner.

### Reinventing Brand Innovation

Since our initiatives began in 2021 on reinventing brand innovation, our overarching theme has been to explore a treasure trove of ideas derived from basic research and implement them in ways that generate brand growth and consumer value. First, we analyzed the strengths of our research and development (R&D) and the factors that differentiate us from our competitors to create an approach unique to Shiseido that skillfully fuses seemingly conflicting values. We call this R&D philosophy [DYNAMIC HARMONY](#).

Today, this philosophy forms the DNA of all research and the language that all research staff now share to describe their work. The five research approaches we initially established, however, are the products of our past. But the pursuit of DYNAMIC HARMONY is a never-ending journey. With the addition of the sixth and seventh approaches, today our researchers are engaged in friendly rivalry to discover the best ways to drive our future forward.

In terms of structure, Shiseido has reorganized and integrated all of its R&D activities and created a one-stop system that links R&D to



<p><b>Inside/Outside</b></p> <p>Inside the body and skin</p>	<p><b>Functionality/ Japan Quality</b></p> <p>Thorough commitment to functionality, safety, stability, and usability</p>	<p><b>Science/ Creativity</b></p> <p>Human “subjectivity” and scientific “objectivity”</p>	<p><b>Premium/ Sustainability</b></p> <p>Add value (commitment) and response to / coexistence with the environment</p>	<p><b>Individual/ Universal</b></p> <p>Personal optimization based on comprehensive data</p>
<p>Emerging Approaches</p>		<p><b>Human/Earth:</b> A new relationship between people and the earth</p>		

## Beauty Innovation Strategy: Message from the CM&IO

### 2030 R&D VISION

1. Reinvent ourselves into an R&D organization that exceeds consumer expectations and continuously produces **innovations** with competitive advantages
2. Lead the industry to realize a sustainable society, through **circular value creation**
3. Create new businesses by taking on **new domains and categories** next to cosmetics
4. Build an R&D team by attracting the best global talent  
(**De-monoculture** (embracing change, preserving traditions))

We are the **engine** of BEAUTY INNOVATIONS.

our brands. We also recognize the importance of engaging in dialogue and collaborating with external parties to showcase the exceptional quality of our R&D. As such, we have been committed to visualizing the outcomes of our basic research and actively sharing our R&D findings with the public.

In 2022, we launched our 2030 R&D VISION to accelerate the reinvention of brand innovation. We must stay abreast of shifts in consumer behavior and social trends to provide high-value-added products that exceed consumer expectations, and R&D is the engine behind this effort.

### Overview of Our R&D Strategy and Progress

Under the 2030 R&D VISION, we have established the three pillars of innovation outlined below as our strategic structure, along with our approach of breaking free from the status quo which we call “De-monoculture.” The reforms that have been implemented are successfully transforming our product development and adding value to our consumers.

#### Skin Beauty INNOVATION

Based on Shiseido’s strengths and market position, our

strategic focus will be on skincare, sun care, and base makeup to establish our business foundation. In 2023, we successfully introduced multiple innovative technologies into the market, and our products received numerous accolades and recognition from the cosmetics industry. One significant success was *ELIXIR*’s creams, which incorporate advanced technologies for reducing sagging and wrinkles that gained immense reputation, solidifying its No.1 market share\*1. Additionally, *SHISEIDO* revamped *ULTIMUNE*, a serum developed from holistic research on sleep with an initial focus on skin immunity. Besides achieving significant sales growth, the product is also a testament to our ability to expedite product development, reaching the market in just six months.

#### Sustainability INNOVATION

Our aim is to solve environmental and social issues through circular value creation. This includes assuring sustainability across our raw materials, formulations, and packaging. “BeauRing” is one project making steady progress after its launch as a proof of concept in 2023. This initiative focuses on collecting and chemically converting plastic containers into recyclable resources. Additionally, our newly reimagined *EUDERMINE*, which was released in March 2023, became the world’s first cosmetic product to utilize the revolutionary *LiquiForm*®\*2 technology introduced in 2022. Not only has it demonstrated strong performance in the market, but has also received multiple beauty awards.

\*1 INTAGE SLI, Basic cosmetics (skincare) market Main series ranking, Estimated sales amount (January–December 2023)

\*2 A new technology that molds the container as it fills with liquid content. There is no need to transport empty containers prior to filling and no concerns of damaging or deforming containers during transport; it also allows thinner packaging designs and reduces CO<sub>2</sub> emissions and the amount of plastic used

## Beauty Innovation Strategy: Message from the CM&IO

### Future Beauty INNOVATION

To realize our goal of becoming a “Personal Beauty Wellness Company” and achieve medium-to-long-term growth, we are expanding into “inner beauty” and other new cosmetics-adjacent domains and categories, such as new skin beauty experiences based on data science and measurements. In February 2024, we launched the new inner beauty brand, *SHISEIDO BEAUTY WELLNESS*, applying our unique beauty algorithms based on the relationship between the skin, body, and mind. These algorithms were first presented at the IFSCC\*<sup>3</sup>. During the first stage, we developed 14 products across three different brands. These include *The Collagen*, Shiseido’s renewed original brand that focuses on the collagen cycle, *ROOTINA*, co-developed with Japan’s No.1 vegetable drink company, Kagome, and *TUNE BEAUTE*, co-developed with Japan’s No.1 *Kampo* company, Tsumura—all products developed through collaborative efforts with other companies.

### De-monoculture

At the Global Innovation Center (GIC) in Japan, we are not simply developing from basics to advanced research. Instead, we are building an R&D framework that fosters a wide range of innovations. In terms of the global structure, we are actively defining the roles of our five Region Innovation Centers (RICs) worldwide and delegating

authority to them. This collaborative approach strengthens cooperation between the GIC and the RICs. In 2023, Shiseido received three awards\*<sup>4</sup> for the first time at the IFSCC, including the best podium presentation pertaining to basic cosmetic research, which was awarded to a researcher at our Europe Innovation Center. The research focused on emotional communication through odors, affirming the Europe Innovation Center’s expertise in fragrances and aromas. We have also increased our investment in areas that present new challenges through external collaborations, embracing open innovation. Alongside joint development with Kagome Co., Ltd. and the TSUMURA & CO., we are partnering with the CHITOSE Group, a group of bio-venture companies, to obtain cosmetic ingredients and containers from sustainable algae for manufacturing that is oriented toward a circular economy. Internally, we are focusing on the development of our people to spur innovation of all areas. We are reinforcing our professional staffing system and investing in the growth of our researchers. We will also continue to build our over 30-year-strong overseas collaboration with the Cutaneous Biology Research Center (CBRC)\*<sup>5</sup> at Massachusetts General Hospital by sending our researchers to work with them. Moreover, we are cultivating the next generation of R&D leaders by sending researchers to the Tomita Innovator Farm\*<sup>6</sup> and other institutions. Through these efforts, we are designing

training programs in Japan and overseas.

### Future Focus

Starting from 2024, our primary focus will be on execution. In areas of research and technology, we will continue to develop bold science and technology that we consider strategically important, while also enhancing Shiseido’s overall competitiveness by leveraging technology across different regions and brands. With a well-defined roadmap for technology innovation already in place, we are committed to faithfully executing our plans moving forward. To accelerate our “De-monoculture” initiatives, we have strengthened the functions in China Innovation Center. We now aim to do the same in the United States, aiming to increase the ratio of basic and applied research that leverages the characteristics of each region. In addition, the Shiseido Global Innovation Center (S/PARK), which was established as an “urban open lab” in 2019, is poised to make significant progress in 2024. We are revitalizing and enhancing the center and its functions to transform it into a hub for comprehensive beauty and wellness experiences. This involves fostering co-creation and evaluation through the collaboration of consumers, enabling a truly interactive and inclusive environment.

\*<sup>3</sup> The International Federation of Societies of Cosmetic Chemists (IFSCC), an international organization where cosmetic engineers from around the world gather for the development of more functional and safer cosmetic technologies

\*<sup>4</sup> Received the top award in two categories for oral presentation, as well as a young researcher encouragement award

\*<sup>5</sup> CBRC: established in 1989 by Harvard Medical School and Massachusetts General Hospital with support from Shiseido, is a comprehensive research institute for advanced research and development in the field of dermatology. Shiseido dispatches researchers to the center to conduct joint research with world-class researchers

\*<sup>6</sup> In June 2022, a comprehensive collaboration agreement was concluded with the Institute for Advanced Biosciences at Keio University to promote collaboration between industry, government, academia, and the private sector, including sending our researchers to the institute in Tsuruoka City, Yamagata Prefecture

## Beauty Innovation Strategy: Message from the CM&IO

### KPIs and Progress Management

In pursuing this strategy, we have created a systematic set of KPIs to track and visualize our progress at each stage. Here, we present KPIs that can be disclosed as output indicators. These indicators play a vital role in measuring return on investment, as they assess the production of

#### Output Indicators

<b>Bold science/technology*:</b> Continuously generate multiple projects each year	Measuring the status of science/technology creation defined as the top strategic priority
<b>Meet new product market share targets in priority categories in collaboration with brands</b>	An indicator that measures whether the research results generated have had an impact on business. Categories are set each year
<b>Achieve company-wide sustainability targets</b>	→ Sustainability (Strategic Actions and Medium-Term Targets)
<b>Ratio of patent applications in strategic areas: 50% or more</b>	Indicators that focus on strategic areas while also maintaining innovation diversity
<b>Ratio of overseas patent applications: 70% or more</b>	Patent metrics to support high overseas sales

\* Technology with a high competitive advantage that can be widely used across multiple brands

intended outputs.

As a responsibility of the CM&IO, I felt it necessary to set KPIs not only to evaluate research, but also to measure market impact. Therefore, we have developed KPIs that address both technological advancements and market share. We understand that exceptional research alone may not be sufficient if it fails to translate into tangible

business impact. So, we aim to ensure that the value of our technology is effectively realized. Additionally, we will adopt KPIs for intellectual property, which are considered as pre-financial indicators, as addressing environmental and social issues, and also as a seed for future advancements to create sustainable research leading to business success.

#### Major R&D Case Studies

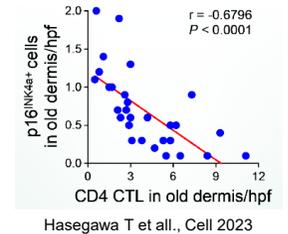
##### The Development of Shiseido's Original Beauty Algorithms

Based on over 100 years of research expertise and collaboration with institutions like RIKEN, Shiseido has developed a unique set of beauty algorithms. These algorithms correlate multiple skin conditions and internal indicators to help improve, predict, and prevent skin conditions. Based on these algorithms, we have also developed a tool that can predict future skin problems from facial images, which will be implemented in the Inner Beauty business starting in 2024.



##### Research on the Prevention of Aging Through Immunity

Over the course of more than 30 years, Shiseido's research on skin immunity has revealed a groundbreaking finding: immune cells, in essence, prevent skin aging by selectively eliminating aging cells. The outcomes of this research were published in a renowned academic journal, which will lead to the development of innovative solutions.



##### The Development, Utilization, and Value Creation of Circular Cosmetic Ingredients

In addition to BeauRing and LiquiForm®, we are conducting joint research with the University of the Ryukyus and evaluating environmental impact through a collaboration agreement with Innoqua Inc. The company also participates in MATSURI, a project led by the CHITOSE Group to develop new recyclable raw materials, aiming to build new sustainable industries derived from algae.



Nozomi Oguchi and Yuji Ito work on raw material development at the Brand Value R&D Institute

People Strategy:

## Message from the CPO



Executive Officer  
Chief People Officer  
(CPO)

**Shinji Wada**

Leveraging our rich heritage of beauty, we are striving to create the “Beauty Innovation Atelier,” a dynamic and invigorating workplace environment and culture to become an even more energetic company.

### Our People and Culture: Strengths and Challenges

Since joining Shiseido in October 2023 as CPO, I have had many discussions with employees and carefully analyzed the results of various employee surveys. They gave me an insight into strengths of Shiseido’s people and culture along with the challenges that we are facing today.

My first impression was that Shiseido has a positive and friendly work environment, where people have a strong sense of respect and pride for our brand. There was a significant progress in gender and career diversity, as evidenced by various indicators. I was also impressed with the Company’s efforts in strengthening its foundations as a global company by continuing proactive investments in our people and advancing human resource policies based on our PEOPLE FIRST philosophy that defines employee as the ultimate source of corporate value, while preserving our beliefs and values over a long history of more than 150 years since the foundation. However, I believe there is still room for improvement in the strength of energy in our people to drive transformation for the future. Therefore, it is imperative for us to develop a people strategy to create an organization and culture filled with a strong sense of determination and energy to become a top-tier global company.

### Our “Beauty Innovation Atelier” Workplace and Culture

It is my aim to create a structure that brings positive energy to employees through their work, transforming our people and organization into a world-class company. For example, let’s imagine that we have a vision for our organization to be just like one of the greatest symphony orchestras in the world. In that case, we must have the best orchestral musicians in the world who are driven by extraordinary passion and lifelong dedication to mastering their instruments and performance skills. Each position is essential, all filled by musicians recognized around the world for their outstanding performance. Everyone is judged based solely on their performance regardless of gender or nationality. To deliver a remarkable performance as an orchestra, every member must listen to and understand different parts of the music played by others very well, making sure that everyone is aligned to create beautiful harmony together. It is through this collaborative teamwork of an orchestra that brings one of the most beautiful symphonies in the world to life.



Band performance by employees at the Welcome Celebration 2024 event for Shiseido Group in Japan

## People Strategy: Message from the CPO

Based on such a way of thinking, Shiseido has defined the “Beauty Innovation Atelier” as a global aspiration for the workplace and culture contributing to value creation. We want every individual to be passionate about their work, collaborating harmoniously with one another instead of operating in silos, and constantly pursuing the highest quality in delivering results. Our idea is to create an environment that can continuously drive beauty innovations one after another.

In this context, “Passion” means sustainable engagement with intrinsic motivation. Rather than simply implementing skill set development program, Shiseido aims to tap into this intrinsic motivation in each employee and exploit the energy that drives their passion. Improving employee engagement is a crucial focus for Shiseido as we strive for further growth in a challenging external environment. Several studies have shown that there is a positive

correlation between corporate initiatives to drive employee engagement and a company’s business performance. By fostering enthusiasm and drive in their work, employees naturally maintain high levels of engagement (passion) and ignite it further. Therefore, Shiseido has dedicated significant efforts that can raise employee energy levels and identified eight passion drivers. We are undergoing a comprehensive review of our human resource policies and programs to ensure their effectiveness in improving these passion drivers as we move forward.

### The Framework for Our People Strategy

Shiseido’s people strategy takes the following three-pillar approach. The first aspect is “Build Talent.” This means developing talent among current employees to create a culture that fosters both individual empowerment and organizational growth. To empower individuals, we will

focus on creating innovation and enhancing leadership capabilities while continuing existing programs. We will also implement human resource policies and programs aligned with the passion drivers to boost energy levels. Simultaneously, we will pursue organizational development by implementing initiatives that improve quality of relationships and foster cross-organizational collaboration, which will also lead to forming many “weak-ties” and inducing “chemical reactions” between individuals. Moreover, we promote a corporate culture where individuals, regardless of their gender, age, nationality, or other attributes, recognize and respect the differences between each other, encouraging constructive discussion on creating new values. The second aspect is “Acquire Talent.” This aims to attract top talent from around the world to further accelerate our transformation. We are reassessing our recruitment processes to ensure higher standards and investing efforts into recruitment branding to attract even more talented people in the future. We recognize that relying solely on training takes time, so we believe it is crucial to strike a balance by adopting a dual approach of training and recruitment.

The third and final aspect of our framework is to “Transform Organization and Enable ‘Work Smart’ .” We will fully leverage AI and IT tools to optimize our operations and create a highly productive organization.

### Passion Drivers

Feedback & Relationship	Recognition & Rewards	Product & Business Success	Trust & Empowerment
Personal Growth	Sense of Belonging	Overall Happiness	Work Environment

## People Strategy: Message from the CPO

### Roadmap for Our People Strategy

In 2024, we will focus on training and recruiting individuals who have strong leadership, enabling us to drive change and surpass our present circumstances. Based on the “Beauty Innovation Atelier,” we will promote a series of initiatives aligned with the passion drivers, seeking to transform ourselves into a nimble and agile organization. Furthermore, we are committed to maximizing everyone’s passion, contributing to the creation of new value over the medium-to-long term.

### My Ambition as CPO

Having worked in both startups and at the U.S. headquarters of a major global company, I have gained valuable experiences in building diverse global teams from scratch and transforming systems and culture to support rapid business growth. I have also led structural reforms under challenging circumstances. Based on these experiences, I believe that for Shiseido to thrive in the global marketplace, we must be more passionate about driving growth on a global basis with an unwavering commitment to achieving our goals. Our aim should not only be to compete with the world’s best-known beauty brands but to surpass them. Shiseido possesses many strengths, and by setting clear and specific goals, channeling and focusing our energy towards achieving them, enhancing our capabilities for value creation, and providing strong leadership, we will fulfill our corporate mission of achieving BEAUTY INNOVATIONS FOR A BETTER WORLD.

As CPO, my goal is to bring about this transformation.

At the same time, it is my aspiration to establish a strong foundation for Shiseido’s talent brand globally. To achieve that end, I am dedicated to contributing significantly to bring about positive changes within Shiseido with respect to its people, culture, and organization by transforming it

into a company that is instantly recognized and admired as a top-tier organization just by its name.

As CPO, I am committed to making a significant contribution to Shiseido by driving transformation across the organization, its people, and its culture. There is much to look forward to.

#### Major Initiatives

##### [ Human Resource Systems and Organizational Development ]

- Job-grade-based HR system fully introduced in Japan to place the right people in the right positions (from October 2015 for managers, from January 2021 for employees of career path positions)
- Global Grade System introduced to serve as a common framework for the Shiseido Group
- Group-wide bonus program (One Shiseido Bonus Program) implemented for overseas regions
- Global engagement survey (positive global overall engagement score of 65% in 2022. Survey conducted every two years)

##### [ Training ]

- Career mentoring program that allows employees to have conversations with managers other than their direct supervisor (184 participants in 2023)
- Ongoing global leadership training programs conducted (153 participants in 2023)

- LinkedIn Learning expanded globally as a platform that gives employees autonomy over their professional development (Approx. 14,000 participants in 2023)
- Shiseido Future University launched to nurture next generation leaders (from November 2023)



##### [ DE&I ]

- Reverse Mentoring implemented in Japan, where younger employees act as mentors to leadership level (1,040 participants in total over the past 5 years)
- NEXT LEADERSHIP SESSION for WOMEN training conducted in Japan to foster women leaders (266 participants in total over the past 7 years)
- Mentoring program Speak Jam implemented in Japan to foster women executives and women employees (165 participants in total over the past 4 years)

# 2023 Results and Regional Overview

## Financial Overview\*1

(Billion yen)	2022	% of Net Sales	2023	% of Net Sales	YoY Change%
Net Sales	1,067.4	100.0%	973.0	100.0%	-8.8% FX-Neutral : -12.2% Like for Like : +1.8%
Core Operating Profit	51.3	4.8%	39.8	4.1%	-22.4%
Non-recurring Items	-4.8	-0.4%	-11.7	-1.2%	-
Operating Profit	46.6	4.4%	28.1	2.9%	-39.6%
Profit Attributable to Owners of Parent	34.2	3.2%	21.7	2.2%	-36.4%
EBITDA	102.4	9.6%	91.8	9.4%	-10.3%

Global net sales increased 2%\*2 on a like-for-like basis. In the Japan Business, our sales to local consumers continued to be driven by the strong performance of brands in mid-to-high price range, while sales from inbound tourism recovered steadily on the back of an increasing number of tourists. We achieved double-digit growth\*2 in the Americas, EMEA, and Asia Pacific Businesses driven by *NARS*, *Drunk Elephant*, and *narciso rodriguez*. In contrast, the China and Travel Retail Businesses experienced a decline in full-year sales due to consumers' reluctance to purchase Japanese products after the treated water release.

Our core operating profit decreased 11.5 billion yen year-on-year to 39.8 billion yen. While profit increased significantly in the first half of the year, it declined in the last two quarters due to various factors including the unfavorable impact from a sharp decline in sales in the Travel Retail Business, which has the highest profit margin among other business segments.

\*1 International Finance Reporting Standard (IFRS) has adopted in lieu of the previously applied Japanese GAAP since the first quarter of the fiscal year ended December 31, 2022

EBITDA = Core Operating Profit + Depreciation and Amortization (excl. depreciation of right-of-use assets)

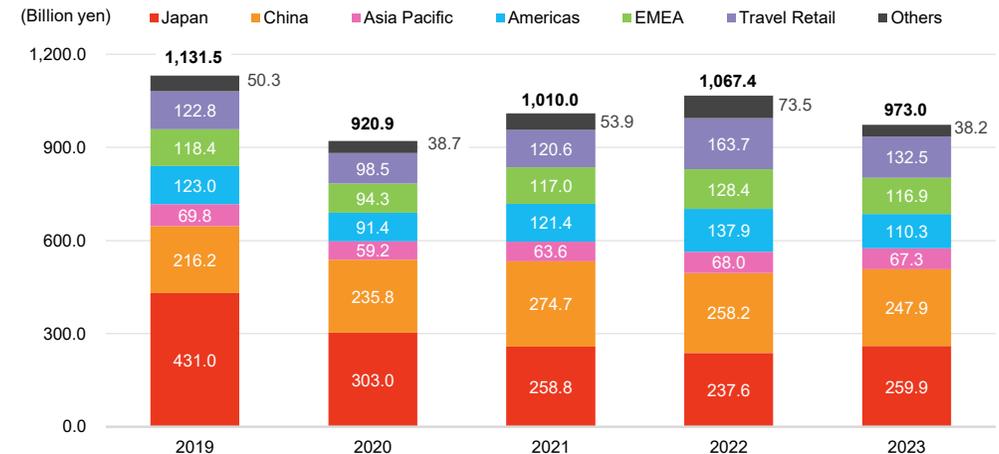
Like for Like is excluding the impact of foreign exchange rates and business transfers

\*2 Excluding the impacts of foreign exchange rates and business transfers

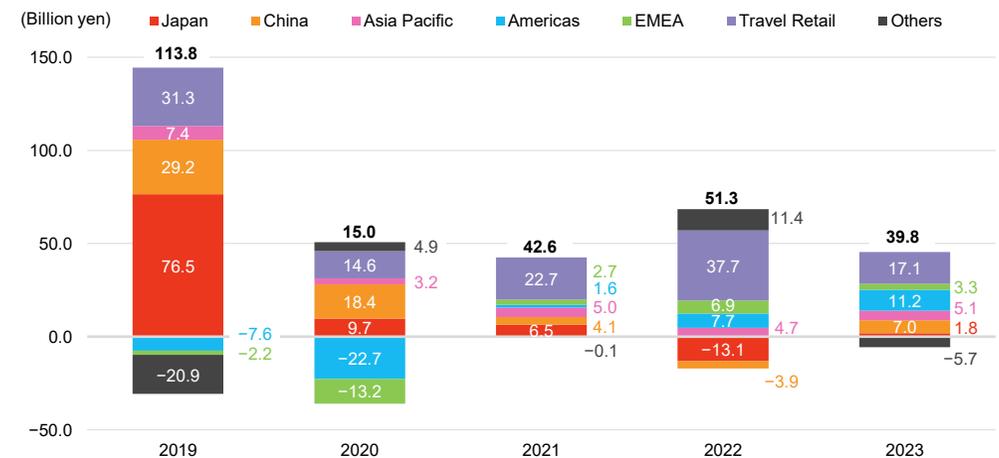
\*3 Results of 2021 have been reclassified to the IFRS basis. Results of the Professional Business are included in the Other

\*4 Results of the Adjustments are included in the Other

## Net Sales by Reportable Segment\*3



## Core Operating Profit by Reportable Segment\*3 \*4



## 2023 Results and Regional Overview

### Japan



CEO, Shiseido Japan

**Kentaro Fujiwara**

#### Market Insights

The domestic cosmetics market enjoyed steady growth as the Japanese economy stayed on course for recovery from the pandemic with the downgrade of COVID-19 to Class 5 under the Infectious Diseases Control Law, and a subsequent increase in out-of-home activities coupled with a recovery of inbound tourism consumption with the rising number of foreign visitors, while consumers remained cautious in their spending amid rising prices.

#### Strategic Direction

We will accelerate our selection and concentration on brands, products and consumer touchpoints with high growth potential and profitability. We will also pursue sustainable growth in the mature market of Japan by creating new markets by leveraging our state-of-the-art skincare technology, while expanding our portfolio into new categories such as inner beauty. Moreover, we will steadily implement cost structure reforms to build a strong business foundation for driving profitable growth.

#### Net Sales

¥ **259.9** bn

#### Core Operating Profit

¥ **1.8** bn

#### Core Operating Profit Margin

**0.7** %

#### Major Brands



#### Related Data\*



**We achieved strong growth in strategic focus areas of mid-to-high price range while increasing the market share of sales to local consumers throughout the fiscal year by developing innovative new products. Returned to profitability in 2023, driven by dual strategies to accelerate growth and improve cost efficiency**

- Launched innovative new products and enhanced marketing activities to capture opportunities arising from a rebound in out-of-home activities and market recovery
- *Clé de Peau Beauté* and *SHISEIDO* achieved strong growth benefiting from a steady increase in loyal users
- *ELIXIR* continued strong performance benefitted from the revamping of its wrinkle cream as well as the launch of a new anti-aging cream designed to boost skin firmness by leveraging our proprietary technologies based on advanced dermatological science, approaching to the multiple causes of skin laxity
- The inbound tourism market continued modest recovery
- Returned to profitability due primarily to higher gross profit driven by sales growth and improved cost efficiency



SHISEIDO



ELIXIR

\* Excluding the impacts of foreign exchange rates and business transfers

## 2023 Results and Regional Overview

### China



CEO, Shiseido China

**Toshinobu Umetsu**

#### Market Insights

While the market enjoyed steady growth in the first half of the year due in part to the low base effect from COVID-19 lockdowns in major cities including Shanghai in 2022, the market became increasingly challenging in the second half of the year due to deteriorating economic sentiment. Sales during Double 11, the largest e-commerce event in China, decreased from the prior year. In terms of the price range, our high-prestige brands delivered robust growth.

#### Strategic Direction

We will be pursuing high-quality growth with profitability by strengthening investment in growth categories where we have our advantages competitive. At the same time, we will undertake operational reforms, such as strengthening high-prestige brands targeting affluent consumers, promoting value and marketing assets creation targeting Chinese consumers, while expanding into lower tier cities.

#### Net Sales

¥ **247.9** bn

#### Core Operating Profit

¥ **7.0** bn

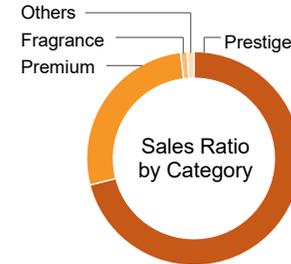
#### Core Operating Profit Margin

**2.8** %

#### Major Brands



#### Related Data\*



**Despite consumers' reluctance to purchase Japanese products after the treated water release, we returned to profitability in core operating profit through effective cost management and other strategic initiatives**

- Shifted our focus away from large-scale promotions to sustainable growth through effective value proposition of brands and products aligning with consumer needs
- *SHISEIDO* and *Clé de Peau Beauté* continued to be the key drivers of growth during the first half of the year
- Sales decreased year-on-year in the second half of the year due to the impact of consumer pullback on purchases of Japanese products after the treated water release, as well as the weakening economic sentiment. During the Double 11, *Clé de Peau Beauté* and *NARS* delivered robust growth, ranking higher in sales than 2022 with three-fold growth on TikTok, benefiting from successful brand rollouts while we underperformed the overall market which also suffered a decline
- Returned to profitability benefiting from higher gross profit driven by sales growth in the first half of the year, as well as agile cost management in the last two quarters



Clé de Peau Beauté



SHISEIDO

\* Excluding the impacts of foreign exchange rates and business transfers

## 2023 Results and Regional Overview

### Asia Pacific



CEO, Shiseido Asia Pacific

**Nicole Tan**

#### Market Insights

Achieved significant growth, primarily in South Korea and Southeast Asia.

#### Strategic Direction

We will expand our sales by strengthening our portfolio of prestige brands, targeting to outperform the market driven by continued growth. In addition to reinforcing strategic initiatives aiming to optimize brand mix and pricing, we will firmly capture opportunities arising in markets with high growth potential such as India.

#### Net Sales

¥ **67.3** bn

#### Core Operating Profit

¥ **5.1** bn

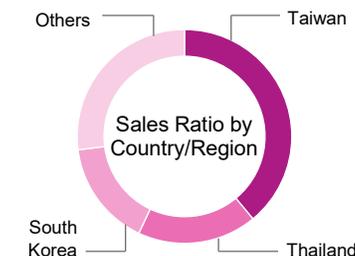
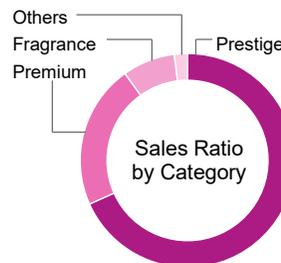
#### Core Operating Profit Margin

**7.1** %

#### Major Brands



#### Related Data\*



**We continued to deliver growth, outperforming the market in both online and offline channel, while expanding our market share in strategically important countries and regions**

- Robust growth continued in South Korea and Southeast Asia
- Achieved growth outperforming the market in strategically important countries and regions including Taiwan, South Korea, and Thailand
- *NARS* and *SHISEIDO* continued to drive growth in the region overall
- Establishing a business foundation in India with the launch of *NARS*
- Delivered year-on-year growth in core operating profit due primarily to higher gross profit driven by sales growth



NARS launched in India



ANESSA

\* Excluding the impacts of foreign exchange rates and business transfers

## 2023 Results and Regional Overview

### Americas



CEO, Shiseido Americas

**Ron Gee**

#### Market Insights

Delivered steady growth across all categories amid growing concerns over inflation and recession risks

#### Strategic Direction

We will be accelerating the growth of *NARS*, *SHISEIDO*, and *Drunk Elephant* to achieve higher profitability. We have a strong commitment to value creation to drive brand equity enhancement and a new product development by gaining greater insights into the local consumers in the Americas. With the acquisition of the U.S. skincare brand *Dr. Dennis Gross Skincare* in 2024, we will capture opportunity in the rapidly growing dermatologist-developed skincare products market.

#### Net Sales

¥ **110.3** bn

#### Core Operating Profit

¥ **11.2** bn

#### Core Operating Profit Margin

**9.7** %

#### Major Brands



#### Related Data\*



#### *NARS* and *Drunk Elephant* are the key drivers of growth, bolstering our market share in the region; continue to shift towards profitable business model

- Continue steady growth by firmly capturing the benefits of ongoing market expansion through strategic marketing activities
- *Drunk Elephant* achieved remarkable growth driven by the success of strategic marketing activities including effective social media strategies
- *SHISEIDO* and *NARS* also delivered steady growth
- Delivered year-on-year growth in core operating profit due primarily to higher gross profit driven by sales growth



NARS



Drunk Elephant

\* Excluding the impacts of foreign exchange rates and business transfers

## 2023 Results and Regional Overview

### EMEA



Chairman, Shiseido EMEA

**Franck Marilly**



CEO, Shiseido EMEA

**Alberto Noe**

#### Market Insights

Delivered steady growth across all categories amid growing concerns over inflation and recession risks

#### Strategic Direction

We will be fostering prestige skincare brands along with brand equity enhancement; drive revenue growth in our fragrance brands; scaling sales of *SHISEIDO*, *NARS*, *Drunk Elephant*, and *narciso rodriguez* while accelerating growth in the Middle East.

#### Net Sales

¥ **116.9** bn

#### Core Operating Profit

¥ **3.3** bn

#### Core Operating Profit Margin

**2.7** %

#### Major Brands

*SHISEIDO*  
GINZA TOKYO

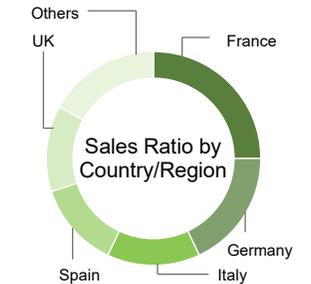
*NARS*

*DRUNK ELEPHANT*

*narciso rodriguez*

*ISSEY MIYAKE*

#### Related Data\*



#### Steady growth continued led by *narciso rodriguez* and *NARS*, benefiting from new product development and strategic marketing activities

- *narciso rodriguez* delivered robust growth driven by the successful launch of all of me
- *NARS* drove sales overall buoyed by effective digital marketing and accelerated rollout of new products
- *Drunk Elephant* continued steady growth driven by the expansion of brick-and-mortar footprint and proactive marketing activities
- *SHISEIDO* expanded its market share, and strengthening its presence in the skincare market in Europe
- Despite a year-on-year increase in gross profit from higher sales, core operating profit decreased year-on-year due primarily to the impacts of business transfers



*narciso rodriguez*



*SHISEIDO*

\* Excluding the impacts of foreign exchange rates and business transfers

## 2023 Results and Regional Overview

### Travel Retail



CEO, Shiseido Travel Retail

**Philippe Lesné**

#### Market Insights

The market environment remained challenging as our business continued to be affected by retailer inventory adjustments in light of the tighter regulations, as well as an ongoing trend of retailers shifting back towards the business model with focus on tourists.

#### Strategic Direction

We will be shifting our focus to tourism-led growth to achieve more sustainable, higher-quality growth. We will also create unique value for tourists through product differentiation, such as limited-edition items. We will also strengthen cross-regional integrated marketing operations with our China business and invest in overall optimization.

#### Net Sales

¥ **132.5** bn

#### Core Operating Profit

¥ **17.1** bn

#### Core Operating Profit Margin

**12.9%**

#### Major Brands

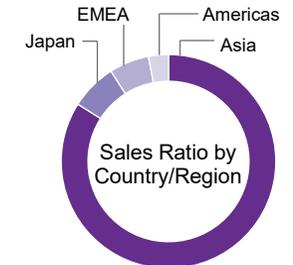
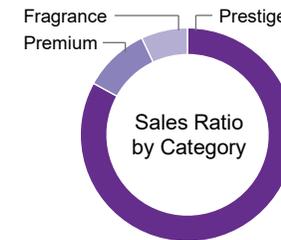
SHISEIDO  
GINZA TOKYO

clé de peau  
BEAUTÉ

NARS

ANESSA

#### Related Data\*

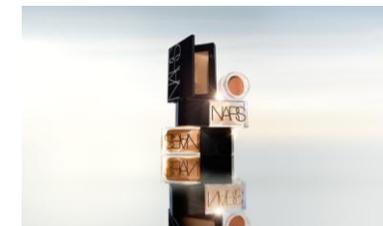


#### Retailer inventory adjustments in South Korea and China's Hainan Island on track towards normalization, coming out of the most difficult situation

- We achieved a strong recovery in Japan on the back of an increasing number of tourists with the receding impact of COVID-19 pandemic
- We posted negative growth in South Korea and China's Hainan Island due to the unfavorable impact of retailer inventory adjustments amid tightening regulations, as well as an ongoing trend of retailers shifting back towards the business model with focus on tourists
- Core operating profit decreased year on year due primarily to lower gross profit driven by the decline in sales



Clé de Peau Beauté



NARS

\* Excluding the impacts of foreign exchange rates and business transfers

Financial Strategy:

## Message from the CFO



Corporate Executive Officer  
Executive Officer  
Chief Financial Officer

**Takayuki Yokota**

With an unwavering commitment to achieve our goals by 2025, we strive to maximize corporate value by transforming into a robust organization that can create a virtuous cycle of growth and reinvestments for the future.

### Q1. Could you please give us a financial review for 2023?

In 2023, the first year of our “SHIFT 2025 and Beyond” medium-term strategy, we worked to ensure sustainable growth and improve profitability. However, in the third quarter, we saw a slowdown in sales in the China and Travel Retail Businesses due to the significant impact of consumer pullback on Japanese products following the release of treated water. As a result, our core operating profit for the fiscal year 2023 was 39.8 billion yen with a year-on-year decline of 11.5 billion yen. On the other hand, the Japan Business returned to profitability by expanding its market share overall. While growth in low price ranges led the overall market in Japan, we delivered robust growth in focus areas in mid-to-high price range on the back of an increasing loyal customer base. The China Business also achieved significant improvement in profitability by fueling growth in focus areas through strategic investments, even amidst strong headwinds for Japanese products. The Asia Pacific Business achieved a strong double-digit growth, with a remarkable performance from *NARS* which has recently launched in India. Moreover, the Americas and EMEA Businesses both delivered double-digit growth, making progress in optimization of our regional footprint. Despite a significant decline in revenue due to tighter regulations, the Travel Retail Business has made progress as planned in optimizing retailer inventory levels.

Globally, we executed disciplined cost management aligned with changes in the business environment, carefully monitoring costs while continuing to invest in growth areas. By improving productivity, our COGS ratio improved by approximately one percentage point to 23.1% compared to the prior year on a like-for-like basis, which excludes the impact of business transfers and impairment losses.

### Q2. What are the plans for 2024 and 2025?

Following the launch of “SHIFT 2025 and Beyond” in 2023, we have recently redefined our goals in light of the changing business environment.

Our goal is to achieve sustainable profit growth and develop a resilient business structure that can adapt to changing environment by realizing business transformation that leverages both growth strategies and structural reforms. In terms of growth strategies, the China and Travel Retail Businesses will aim for quality growth—less promotion driven, more brand equity driven, as the market shifts away from high growth to stable growth. Meanwhile, we will accelerate the growth of our Americas, EMEA, and Asia Pacific Businesses and optimize our regional footprint. To help drive our transformation, we will implement cost reduction measures on a global basis, targeting over 40.0 billion yen. In addition to reducing COGS, we will also drive higher gross profit by improving our brand, product, and channel mix. The implementation of FOCUS\* which

\* Business transformation project through the establishment and introduction of an integrated core IT system

## Financial Strategy: Message from the CFO

allows for improvement in productivity and efficiency, as well as reductions in sales returns and inventory write-offs with enhanced inventory management accuracy is also expected to bring significant benefits to our business. While we expect our net sales to grow with a CAGR of +8% between 2023 and 2025, we will be targeting a core operating profit margin of 9% and EBITDA margin of 15% in 2025.

As for the detail of our 2024 plan, we forecast net sales of 1 trillion yen, an 8% year-on-year increase on a like-for-like basis. We expect that the Japan, Americas, EMEA, and Asia Pacific Businesses will maintain strong growth momentum and achieve double-digit growth outperforming the market. The China and Travel Retail Businesses are also poised for steady recovery as the market has already bottomed out. We expect a core operating profit to increase year-on-year by 15.2 billion yen (+38%) to 55.0 billion yen, with a core operating profit margin of 5.5%. In addition to implementing the initiatives for improving profitability that I mentioned earlier, we will also stay committed to strategic investments in our brands and projects like FOCUS to drive sustainable growth. As we expect to recognize -30.0 billion yen in non-recurring items for costs primarily related to structural reforms, profit attributable to owners of parent is expected to be 22.0 billion yen, remaining almost flat year-on-year. We will accelerate structural reforms to achieve profitable growth from 2025 onwards. With respect to our dividend policy, we remain committed to providing stable returns to our shareholders and plan to declare a total annual dividend of 60 yen per share which is unchanged from the fiscal year 2023.

### Q3. Could you tell us about the financial targets of SHIFT 2025 and Beyond?

We have established three financial targets under SHIFT 2025 and Beyond; “Improvement of capital efficiency,” “Improvement of cash generation,” and “Sound financial position.”

In terms of capital efficiency, one of the most important metrics will be the Return on Invested Capital (ROIC), which has been hovering below the weighted average cost of capital (WACC) in 2023 and 2024. We will be working to improve our ROIC as quickly as possible with a strong sense of urgency. The biggest driver will be an improvement in profitability, which we aim to realize through cost optimization and growth strategies. Through

these efforts, we will achieve an ROIC of 9% and an ROE of 11% in 2025. In terms of free cash flow, we will secure 100.0 billion yen by driving higher profits, with normalized level of CAPEX after completing a round of major investments, improving working capital efficiency, and selling idle assets. Days sales in inventory (DSI), which we use as an indicator of cash generation, is set at 200 days to be well positioned for future recovery in the market environment. In terms of keeping sound financial position, our policy remains unchanged as we continue to focus on maintaining a credit rating of A, which allows us to secure funds invested for growth at lower cost and in a timely manner. As KPIs, we aim to achieve a net D/E of 0.2 or less and a net D/EBITDA of 0.5 or less in 2025. We will continue to monitor the market environment and our capital efficiency to control financial leverage at adequate level.

#### Financial Targets

		2023 Results	2024 Outlook	2025 Targets
<b>Improvement of capital efficiency</b>	ROIC	4.0%	5%	9%
	ROE	3.6%	4%	11%
<b>Improvement of cash generation</b>	Free cash flow	¥ 53.5 bn	¥ 70.0 bn	¥ 100.0 bn*1
	DSI	197 days (235 days*2)	230 days	200 days
<b>Sound financial position</b>	Net D/E	0.06 ×	0.1 ×	0.2 × or less
	Net D/EBITDA	0.39 ×	0.6 ×	0.5 × or less

\*1 Excludes cash outflow from M&A \*2 Excluding impacts from product supply due to business transfer and from impairment losses (estimation)

## Financial Strategy: Message from the CFO

### Q4. What is your approach to capital policy to enhance corporate value?

Our basic approach for enhancing corporate value is to create a cycle of growth and reinvestment where robust sales growth is achieved through proactive investment, thereby increasing profitability and capital efficiency to generate additional sources of capital invested to propel further growth in the future. There is no change to our capital policy which prioritize our fundamental ability to drive profits and cash flow, rather than increasing ROE by utilizing excessive leverage.

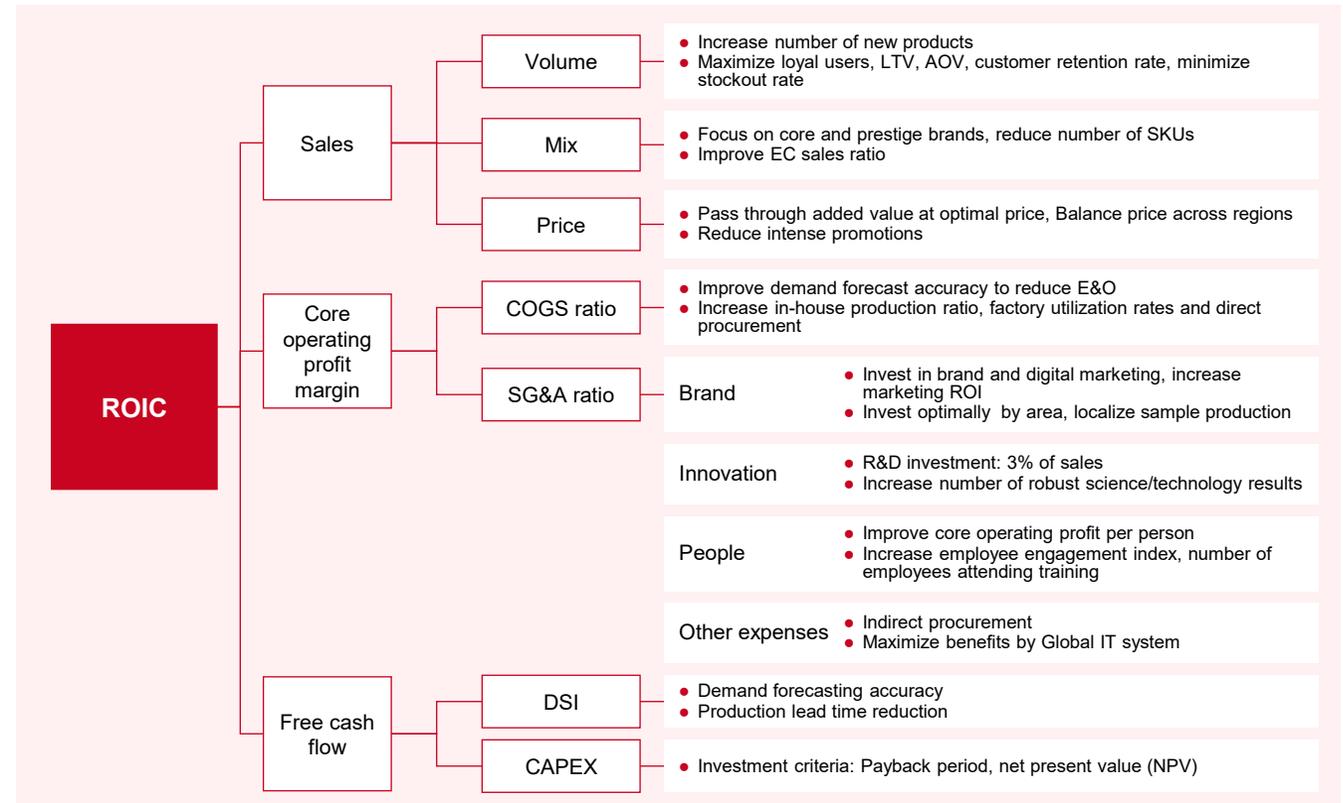
For ROIC, we will prioritize investment efficiency over the medium-to-long term by incorporating it into evaluation metrics aligned with strategic and operational aspects of each region and department. The figure on the right shows these evaluation metrics in a diagram of strategy tree structured to improve ROIC under the “SHIFT 2025 and Beyond” strategy. Each of the criteria related to sales growth (volume, mix, and price) is monitored for measuring the progress of our growth strategy. The criteria related to COGS ratio and other SG&A expenses under SG&A ratio show our progress of structural reforms and cost reduction measures. On the other hand, our brands, innovation, and people are the key drivers of value creation that contribute to sales growth. We will prioritize investment in these areas as a source of value creation.

As mentioned above, we will also work to improve free cash flow. This is also an area where we can expect to see results from FOCUS. As the criteria for selecting capital

expenditures, we are working on to improve ROI by considering, among other things, the payback period for investments and net present value (NPV).

We are also focusing on strengthening ESG activities and dialogue with stakeholders as a way to enhance corporate value. We have received high ratings by external ESG

organizations such as the DJSI, MSCI, and CDP. We will continue to promote ESG activities integrated with our growth strategies, while understanding social needs and expectations. ESG criteria are also incorporated as social value metrics in the long-term incentive compensation for directors and other officers, and we aim to share the awareness towards sustainable profit with shareholders.



# Sustainability



# Sustainability Management

OUR MISSION is  
**BEAUTY INNOVATIONS  
FOR A BETTER WORLD**

## 2030 VISION

**Personal Beauty Wellness Company**

**Realize a sustainable world where everyone can enjoy a lifetime of happiness through the power of beauty**



## Our Approach to Sustainability

Since the foundation of Shiseido in 1872, we have demonstrated our respect for people, society and nature and have worked to create social value. In order to realize our corporate mission, BEAUTY INNOVATIONS FOR A BETTER WORLD, we firmly believe our people to be the capital of value creation and invest them based on the PEOPLE FIRST philosophy. And we are promoting a culture where everyone, regardless of gender, age, or nationality can embrace diversity through respect and have constructive discussions on new value creation. As a beauty company, we are also working to address social issues through our unique approaches, aiming to realize a sustainable world where everyone can enjoy a lifetime of happiness through the power of beauty towards 2030. We have set forth three strategic actions in the areas of society and the environment to create social value through our core business and to solve social and environmental issues.

Our actions for society are focused on addressing social issues, primarily through our diversity, equity and inclusion (DE&I) initiatives. These three strategic actions are: “Advancing gender equality,” which we will encourage as one of Japan’s leading companies in women’s empowerment; “Empowering people through the power of beauty,” which will help people shine in their own ways; and “Promoting respect for human rights,” which underlies all our activities.

Our actions for the environment are based on the idea of *banbutsu shisei*\*, the phrase from which our company name Shiseido originates. We are working to develop technologies and business models that can reduce environmental footprint and contribute to realize a circular economy. To do so, we are taking the following three strategic actions throughout the entire value chain: “Reducing our environmental footprint,” “Developing sustainable products,” and “Promoting sustainable and responsible procurement.”

\* From a phrase in Chinese Yi Jing, the Book of Changes from the Four Books and Five Classics of Confucianism, “Praise the virtues of the Earth, which nurtures new life and brings forth significant values.”

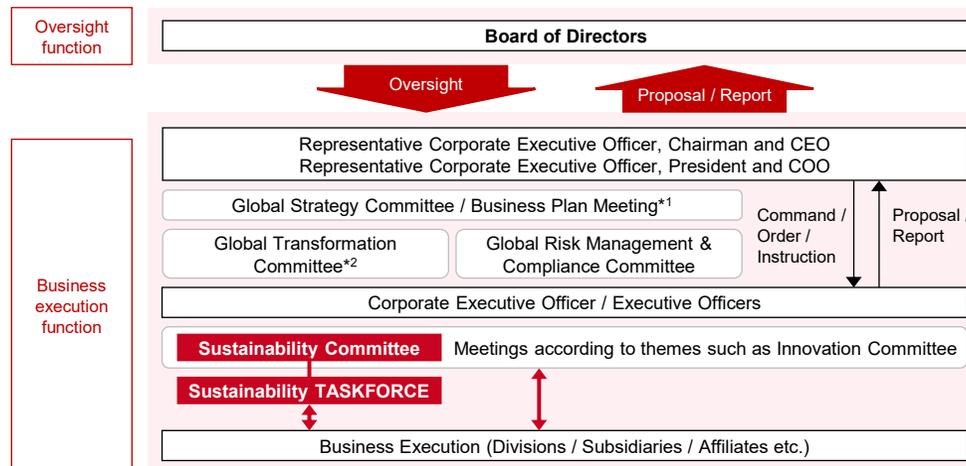
## Sustainability Management

### Sustainability Governance

At Shiseido, we work to promote sustainability across the entire Group, including our brands and regional businesses. Sustainability Committee was set up to ensure timely management decisions related to sustainability efforts and their proper implementation across the Group, the committee was held regularly in 2023. The committee decides on Group-wide sustainability strategies, policies, and discusses specific topics such as disclosure contents of TCFD/TNFD and actions for human rights, as well as monitors the progress of medium-to-long-term goals. The committee consists of the representative corporate executive officers and executive officers in charge of Corporate Strategy, R&D, Supply Network, Corporate Communications, and our Brand Holders, to discuss a range of issues from different perspectives. Important matters in the execution of business, which require approvals are proposed or reported to the Global Strategy Committee or the Board of Directors.

In order to ensure executing and promoting of sustainability actions, a Sustainability TASKFORCE was set up under the Sustainability Committee, consisting of the heads of key relevant functions. At the TASKFORCE, practical approaches to achieve our long-term targets are discussed with relevant functions, regional headquarters, and local subsidiaries as necessary.

### Sustainability Promotion Structure



\*1 Business plans and important issues are deliberated to ensure multifaceted consideration \*2 Progress management and review for structural reforms and growth strategies

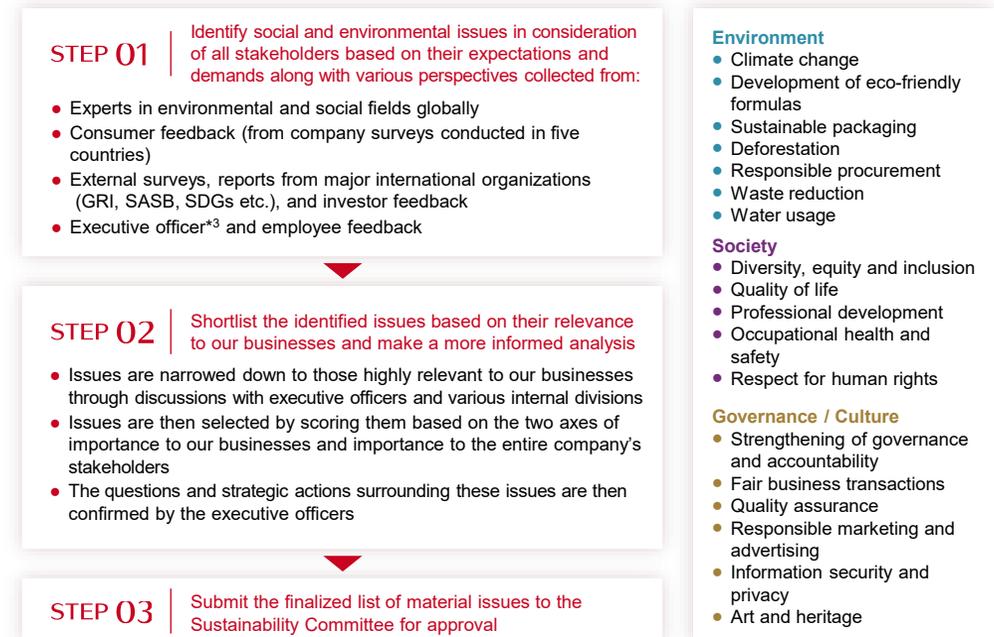
\*3 Until the end of 2021, it was the "corporate officer"

### Materiality

Materiality

At Shiseido, we are committed to creating a sustainable world and enhancing people's sense of happiness and fulfillment through value creation, as we have done since our founding. To select social and environmental issues to be addressed through our business, we have extracted sustainability issues based on interviews, surveys, and dialogues with stakeholders. We first examined the importance of these issues to Shiseido's business and to all of our stakeholders, from employees and consumers to business partners, shareholders, society, and the earth. Then, in 2019, we categorized and prioritized the issues along the two axes and defined 18 material issues. Additionally, in light of recent changes in the environment surrounding society and the industry, we are considering a review of our current materiality.

### How We Formulated Our Materiality



### Materiality

#### Environment

- Climate change
- Development of eco-friendly formulas
- Sustainable packaging
- Deforestation
- Responsible procurement
- Waste reduction
- Water usage

#### Society

- Diversity, equity and inclusion
- Quality of life
- Professional development
- Occupational health and safety
- Respect for human rights

#### Governance / Culture

- Strengthening of governance and accountability
- Fair business transactions
- Quality assurance
- Responsible marketing and advertising
- Information security and privacy
- Art and heritage

# Strategic Actions and Medium-Term Targets

Shiseido has established three strategic actions based on the material issues we have defined in each area of society and the environment. We have allocated management resources on a priority basis in each department across the entire Group to implement these priority initiatives. For more information on our initiatives for the strategic actions, please refer to [the Sustainability Report](#).

	Material Issues	Strategic Actions	Targets		Target Year	2023 Results	Corresponding SDGs
Environment	<ul style="list-style-type: none"> <li>Climate change</li> <li>Development of eco-friendly formulas</li> <li>Sustainable packaging</li> <li>Deforestation</li> <li>Responsible procurement</li> <li>Waste reduction</li> <li>Water usage</li> </ul>	<b>01. Reducing our environmental footprint</b>	Carbon neutral*1		2026	60%	
			CO <sub>2</sub> emission reduction (SBTi, Scope 1 + 2)	46.2%*2	2030	Plan to disclose in 2025*9	
			CO <sub>2</sub> emission reduction (SBTi, Scope 3)	55%*3	2030		
			Water consumption reduction	40%*4	2026	46% (achieved in 2023)	
		<b>02. Developing sustainable products</b>	Switching to sustainable packaging	100%*5	2025	69%	
			<b>03. Promoting sustainable and responsible procurement</b>	Replacement with sustainable palm oil	100%*6	2026	
	Replacement with sustainable paper	100%*7		2023	100% (achieved in 2023)		
Society	<ul style="list-style-type: none"> <li>Diversity, equity and inclusion</li> <li>Quality of life</li> <li>Professional development</li> <li>Occupational health and safety</li> <li>Respect for human rights</li> </ul>	<b>01. Advancing gender equality</b>	Ratio of women leaders at all levels in Japan	50%	2030	Directors 45.5%*10 Executive Officers 40.0%*10 Managers in Japan 40.0%*11	
			Women's empowerment in Japan Supporting education and financial independence worldwide	1 million people*8	2030	Achievement ratio 62%	
		<b>02. Empowering people through the power of beauty</b>	Cultivating self-efficacy through the power of beauty	1 million people*8	2030	Achievement ratio 13%	
			Challenging the unconscious biases and prejudices that limit individual beauty				
Governance / Culture	<ul style="list-style-type: none"> <li>Strengthening of governance and accountability</li> <li>Fair business transactions</li> <li>Quality assurance</li> <li>Responsible marketing and advertising</li> <li>Information security and privacy</li> <li>Art and heritage</li> </ul>	<ul style="list-style-type: none"> <li>We are committed to maintaining and improving the transparency, fairness, and speed of management initiatives by enhancing corporate governance as well as maximizing corporate and shareholder value over the medium-term through dialogue with all stakeholders—consumers, employees, shareholders, the environment, and society at large—to fulfill our responsibilities as a public entity and optimize value distribution to each stakeholder.*12</li> <li>We promote activities in art and heritage through our corporate culture that generates social value and shares a uniquely Japanese aesthetic with the world.</li> </ul>					

\*1 At all our sites (compared to 2019, including offsets)

\*2 At all our sites (compared to 2019)

\*3 Throughout our value chain, excluding Shiseido sites, economic intensity target (compared to 2019)

\*4 For all our sites, intensity per sales, compared with 2014

\*5 For sale of products with plastic packaging

\*6 Certified based on RSPO's physical supply chain model: identity preserved, segregation, and/or mass balance, palm oil equivalent basis

\*7 Such as certified paper and recycled paper, paper weight basis

\*8 To reach directly

\*9 Target revision application in progress due to transfer of business

\*10 As of April 1, 2024

\*11 As of January 1, 2024

\*12 We do not disclose strategic actions related to governance materiality as of April 2024

## Further Evolving DE&I at Shiseido

### Message from the Chief DE&I Officer



**I am dedicated to maximizing Shiseido's growth by leveraging insights gained from overseeing both DE&I and IR**

Executive Officer  
Chief Investor Engagement Officer (CIEO)  
Chief DE&I Officer (CDE&IO)

**Ayako Hirofuji**

I assumed the position of Vice President of the Investor Relations Department in 2022, and was newly appointed as the Chief Investor Engagement Officer and Chief DE&I Officer in January 2024.

Shiseido views DE&I as an integral management strategy in our corporate endeavor to foster an inclusive society. We have identified "Advancing gender equality" and "Empowering people through the power of beauty" as two strategic actions for social engagement. Thanks to the strong determination and proactive measures taken by our management to foster a truly inclusive environment, Shiseido today is a Company where employees can thrive regardless of their gender. This stands in stark contrast to the limited number of women managers I observed when I joined the company almost 20 years ago as a mid-career hire. In particular, under the leadership of our CEO Masahiko Uotani who assumed leadership in 2014, we have realized significant advancements in the realm of women's empowerment. He has also been a driving force behind the 30% Club Japan, an external organization that aims to increase the ratio of women directors on Japanese company boards. Expanding on this determination, Yukari Suzuki, the first corporate officer overseeing DE&I, has spearheaded internal and external initiatives aimed at aligning

brand activities with diversity. These initiatives include the launch of the Shiseido DE&I Lab, an internal research institute that explores the relationship between corporate growth and diversity within our workforce. Following in her footsteps, I am committed to drive further progress, now bringing investors' standpoints into our various activities.

In my dialogue with investors, I not only focus on sharing strategies and results but place strong emphasis on actively listening to their perspectives, expectations, or requests in order to communicate them to our management. Through these discussions, I have noticed a strong appreciation for Shiseido's dedication to promoting DE&I, particularly our commitment to achieving 50% women leadership representation at all management levels in Japan. While remaining committed to this target, we believe that our DE&I initiatives should broaden our scope beyond gender to encompass individuals with diverse backgrounds, including nationality, experience, age, and other qualities, to align with the standards of a truly global company. Given the ever-changing business environment, our DE&I efforts must transcend traditional boundaries and embrace a wider range of diversity. We must pave the way for overcoming challenges through diverse ideas, cultivate diversity in each of our local business organization, and drive global-scale change and innovation. I welcome investors' active inputs as such perspectives based upon deep understanding of global competitors and their reaction to diversity-related economic and societal changes, can be the driving force to enrich and realize progress in Shiseido's strategies and corporate culture.

The Shiseido DE&I Lab work is underway to establish the connection between diversity and corporate growth. In partnership with Professor Shintaro Yamaguchi of the University of Tokyo, we are researching how innovation is fostered through the diverse perspectives and ideas brought forth from a diverse workforce. We would like to connect the knowledge gained from

this research to the 30% Club Japan and other collaborations with society, and contribute to the advancement of Japan's economic growth through the focus on DE&I.

### DE&I Initiatives and Progress

- Takes a leadership role in the TOPIX Presidents' Committee, a community of leaders from 34 companies in the 30% Club Japan, which aims to increase the percentage of women directors on corporate boards at Japanese companies



- Engaged in "Shiseido Life Quality Makeup," initiative for over 60 years, focusing on "empowerment through the power of beauty"
- Provides DE&I training for marketing department employees in the Japan region to understand how to create appropriate and effective advertising and marketing that contributes to a more inclusive society
- Established the Shiseido DE&I Lab as our in-house research institute

**SHISEIDO DE&I Lab**

[Shiseido DE&I Lab Site](#)

# Major Initiatives

Society

Sustainability Society

## 01. Advancing Gender Equality

In 2023, *Clé de Peau Beauté* and UNICEF have announced a three-year extension of their partnership dedicated to addressing gender inequality with a focus on science, technology, engineering, and mathematics (STEM) education, employment, and empowerment programs for girls. From 2019 to 2022, the partnership has benefited more than 3.5 million girls. This extension aims to reach 5.7 million more girls around the world over the next three years.

Additionally, *Clé de Peau Beauté's* long-term philanthropic commitment includes [the Power of Radiance Awards](#) annually, a long-term philanthropic endeavor to honor women from around the world who have acted to drive positive change through education.

The members of the TOPIX Presidents' Committee within the 30% Club Japan, which aims to increase the ratio of women directors\*1 on corporate boards of Japanese companies, held open dialogue on the topic of appointing women to executive and leadership positions. As of the end of 2023, the percentage of women executives at participating companies had risen to 23%, well above the average for listed companies in Japan.

Shiseido has a target to achieve a 50% representation of women leaders at all management levels in Japan by 2030. The Shiseido Group in Japan boasts a 40%\*2 ratio of women in management positions.



The TOPIX Presidents' Committee

## 02. Empowering People Through the Power of Beauty

At Shiseido, we strive to empower everyone with the power of beauty. As part of our [LAVENDER RING](#) project for cancer survivors\*3, we conduct LAVENDER RING MAKEUP & PHOTOS WITH SMILES events. In 2023, we held events at four cancer centers across Japan. To date, we have collaborated with medical institutions, patient groups, and companies in five countries and regions, hosting a total of 30 events and engaged with 653 cancer survivor groups.

As part of the [SEE, SAY, DO.](#) project, *SHISEIDO* developed a program that encourages active consideration and open discussions on how to confront unconscious biases and prejudices that keep us from being our true, beautiful selves. In 2023, over 16,000 junior high school students across Japan participated in the program. Shiseido Japan has also concluded partnership agreements with local governments in Japan to promote healthy lifestyles, encompassing both the mind and body, through the power of beauty. In 2023, the company concluded a "Collaboration Agreement on Cancer Measures" with Tochigi Prefecture and held an Appearance Care Seminar for people with cancer\*4.

Furthermore, Shiseido actively participated in Rainbow Festa! 2023, an event held in Osaka that promotes allyship for LGBTQ+ community. During the event, we offered beauty experiences to help participants discover their ideal, authentic selves.

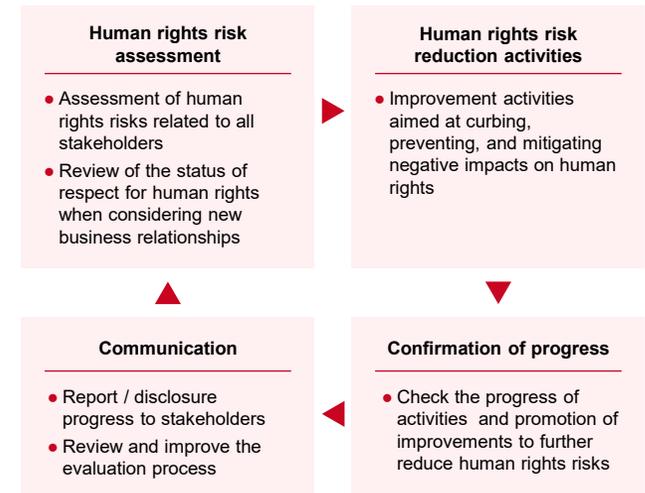


A poster featuring photos of cancer survivors taken at a LAVENDER RING MAKEUP & PHOTOS WITH SMILES event

## 03. Promoting Respect for Human Rights

At Shiseido, respect for human rights is at the core of our DNA. In response to the growing worldwide interest in corporate human rights initiatives, we established a human rights due diligence process in 2020. We identify any potential negative impacts related to human rights in society and take action to prevent and mitigate them. In 2023, we conducted a human rights risk assessment as part of our periodic review of our risk map regarding potential human rights issues. Two of our factories were surveyed by a human rights NGO to assess the working environment, which included interviews with migrant workers. Although the survey did not find any significant human rights risks, we will continue to conduct investigations to identify potential human rights risks and continuously improve our working conditions.

### Shiseido's Human Rights Due Diligence



\*1 Ratio of women on board of directors of TOPIX100 (including auditors at companies with a board of auditors) \*2 As of January 1, 2024

\*3 LAVENDER RING uses the term cancer survivor to refer to all individuals who have been diagnosed with cancer, regardless of whether they are currently undergoing treatment, in remission, or under observation

\*4 Support in appearance care that addresses the visible side effects of cancer treatment

# Major Initiatives

Environment

Sustainability Environment

## 01. Reducing Our Environmental Footprint

At Shiseido, we have established an environmental policy aiming to reduce the environmental impact associated with its business operations, with a focus on “the reduction of CO<sub>2</sub> emissions,” “the reduction of water consumption,” and “waste reduction,” as priority areas. We will continue to work with stakeholders throughout our value chain to create sustainable impact within each of these actions.

Recognizing the significant impact of climate change on both business growth and social sustainability, we endorsed the TCFD\*1 in 2019. Since then, we have been conducting both qualitative and quantitative analyses of the risks and opportunities that medium-to-long-term social and environmental changes present to our business due to climate change. These analyses consider the 1.5/2°C and 4°C scenarios over the short, medium, and long terms. We have been transparent in disclosing our findings and the actions we are taking in response. In 2023, in line with the frameworks of TCFD and TNFD\*1, we disclosed the [Shiseido Climate/Nature-Related Financial Disclosure Report](#), also including the identification of quantitative long-term risks considering the loss of biodiversity and the dynamics of water resources. We have set CO<sub>2</sub> emission reduction targets (SBTI) across our entire value chain by 2030, actively working on reductions through the introduction of renewable energy and procurement of sustainable raw materials, with the goal of achieving net-zero emissions by 2050.

In addition, the Group was selected by the global non-profit CDP, which runs the world’s environmental disclosure system, for its A List in the two categories of Climate Change and Forests. It is the first time the Group has been selected for the A List in both categories.



\*1 TCFD: Task Force on Climate-related Financial Disclosures TNFD: Taskforce on Nature-related Financial Disclosures  
\*2 Shiseido’s 5Rs: respect, reduce, reuse, recycle, and replace \*3 For plastic packaging  
\*4 The new packaging technology was developed chiefly by Amcor plc and put to practical use by Yoshino Kogyosho Co., Ltd., a company that Shiseido has worked with to jointly develop cosmetic packaging

## 02. Developing Sustainable Products

Shiseido is committed to creating value through product development by balancing product efficacy and premium design with respect for society and the environment as part of its philosophy of [DYNAMIC HARMONY](#). In line with green chemistry principles, we are working to reduce our impact on the environment and promote effective use of resources throughout the product lifecycle. We do this through sustainable packaging, formulas, and ingredients and by building recycling models.

Based on the premise of Shiseido’s 5Rs\*2, our packaging development policy, we aim to achieve 100% sustainable packaging\*3 by 2025. In 2023, we became the first company in the world to sell cosmetics in packaging made with LiquiForm® technology\*4 for SHISEIDO, which combines bottle manufacturing and filling into a single-step process. This innovation can reduce plastic usage per packaging by approximately 70%\*5 and cuts CO<sub>2</sub> emissions across the entire value chain by approximately 70%\*5 compared to our standard conventional refillable containers of the same volume. The rollout has begun in Japan and is expanding globally, including in China. We have also launched the BeauRing Project—a circular model project to collect plastic containers and recycle them for reuse—which has commenced pilot testing.



Cosmetic product refill container utilizing LiquiForm® (left) and the main container into which the container is set (right)



BeauRing BOX



BeauRing logo

\*5 Comparison of conventional refill containers with a temporary cap sold for some products against new refill containers created using LiquiForm of the same volume  
\*6 Including certified paper and recycled paper used in packaging  
\*7 Roundtable on Sustainable Palm Oil

## 03. Promoting Sustainable and Responsible Procurement

As a business that utilizes the world’s natural resources to develop products and operate our business, we are committed to the sustainable and responsible procurement of raw materials at every stage of the supply chain. This includes the reduction and reuse of resources from the perspectives of environmental protection, biodiversity, and support for a circular economy. Furthermore, we are aware of the necessity of solving problems not just within our own operations but throughout our supply chain to address issues including human rights violations, and we are diligently working to ensure the traceability of raw materials in collaboration with our suppliers.

Shiseido has set medium-term targets for palm oil and paper, which are environmental and social issues of concerns. We have achieved our goal of transitioning to 100% sustainable paper\*6 in 2023. Shiseido is also working to switch from palm oil-derived raw materials to physically certified palm oil, and all of our mills have obtained RSPO\*7 Supply Chain Certification Standard.

In collaborating with suppliers, Shiseido provides code of conduct, policies, and guidelines, thereby increasing business opportunities for suppliers with high sustainability ratings. We have also launched [a supplier assessment program](#), which aims to create a sustainable supply chain built on responsible procurement and to minimize risk across the entire supply chain.



# Governance



## Interview with External Directors



External Director  
Member of the  
Nominating Committee  
Member of the  
Compensation Committee

**Kanoko Oishi**

**Two external directors engaged in dialogue about the direction of our business transformation and future growth, as well as the role of the Board of Directors.**

External Director  
Member of the  
Nominating Committee  
Chair of the  
Compensation Committee

**Yoshihiko Hatanaka**

### 2023 Overview

**Oishi** In 2023, we embarked on the initial phase of “SHIFT 2025 and Beyond,” shifting our focus from addressing the impacts of COVID-19 to the next phase of growth. As such, we actively pursued business transformation and made bold investments in growth areas, achieving strong results particularly in our Americas, EMEA, and Asia Pacific Businesses. However, we faced unforeseen challenges due to changing sentiments in the Chinese economy coupled with consumer backlash against Japanese products following the treated water release, which negatively affected our business results.

These setbacks were not merely a temporary issue. They highlighted long-standing problems about our revenue structure and portfolio amidst the evolving business environments.

**Hatanaka** In my first year as an external director, I have been closely following the Company’s evolution and have been part of guiding the management accordingly. The changes of Chinese market has had a considerable impact on our business as we are in the midst of structural reforms for medium-to-long-term growth. However, as Oishi-san has mentioned, we are starting to see the positive outcomes from the reforms. Examples include

achieving steady growth in our Americas and EMEA Businesses to reduce dependence on China, initiating actions for the structural reforms in our Japan Business, and advancing digital transformation through the adoption of data-driven marketing.

**Oishi** In the Board of Directors meetings, we exhaustively discussed about fundamental enhancements in brand equity and transformation of the business models for our Japan and China Businesses as well as short-term issues to be addressed in achieving earnings recovery. The discussions about the positioning of our China Business and overall growth strategy were particularly profound.

## Interview with External Directors

While we have addressed the immediate issues, on hindsight, we could have worked on the reforms with a sense of urgency earlier than 2023, particularly with respect to the delayed recovery of the Japanese market and the changes in the Chinese market. Business environments can change overnight, so a robust revenue structure and readiness for agile decision-making are essential to withstand whatever comes our way.

**Hatanaka** Speaking of urgency, we need to enhance our flexibility and speed of execution more than ever to compete globally. We have made significant achievements in incorporating expansion of the Chinese market and inbound tourism. However, as the Chinese market matures and becomes more sophisticated, it's crucial for each of us to be more attuned to changing consumer



needs as well as business transformation in an increasingly diverse market. Furthermore, with a belief in the importance of growth beyond structural reforms, our board meetings in 2023 were particularly focused on enhancing the value of our global brands, exploring new markets, and leveraging R&D for brand innovation. The acquisition of skincare brand *Dr. Dennis Gross Skincare* has come to fruition, but going forward, we should be even more bold in our future endeavors.

### Toward 2030

**Oishi** Shiseido has its vision for 2030 to become a “Personal Beauty Wellness Company.” To realize this vision, it's imperative to reform our revenue structure, decisively select and concentrate on specific brands and products, and conduct reviews on our regional portfolios. This is a pivotal moment for Shiseido as we are working to transform our business model.

At its core lies the commitment to delivering value that meets consumer expectations, harnessing our strength in R&D to drive innovation. However, we must be cautious not to become overly fixated on technology or our own perspective. We must have a deep understanding of our consumers, extending beyond direct interactions through our products to broadening our scope to encompass their behaviors, values, and lives. It's essential for us to evolve into a company capable of leading agile transformation.

**Hatanaka** We need to be mindful as we revisit the value we deliver. While Shiseido's brand is a well-established

and vital asset to us, its evolution can lead to a significant shift in our business model, as long as we avoid excessive dependence on it. Through technological innovations driven by our strong R&D and market creation and innovations based on our profound understanding of consumers, I believe Shiseido can create distinctive, high-added-value brands through unique value creation that other companies cannot match. As part of these initiatives, we are also expanding into diverse areas such as men's skincare and inner beauty. We want to help accelerate efforts to break away from an existing framework and focus our initiatives on the value that we offer.

**Oishi** In terms of corporate culture, we are passionate about challenging the status quo. CEO Uotani has made significant changes, and there has been substantial improvement compared to eight years ago, when I joined as an external director. However, when facing difficult situations, we sometimes see silos between departments and hesitation to voice frank opinions. While this is an issue that will take time to solve, it affects the speed and efficiency of change, and I'm committed to focusing on ways to improve.

**Hatanaka** Indeed, we should foster a more positive atmosphere within the company. Given our commitment to deliver groundbreaking beauty innovations to the world, it is more desirable to have our employees to be more hopeful and energetic about the future. Although it's reasonable to concentrate on demanding performance targets and rigorous structural reforms in the short term, it's essential for each of us to reconnect with our corporate

## Interview with External Directors

mission, BEAUTY INNOVATIONS FOR A BETTER WORLD, and have confidence in the promising future that lies ahead.

### Governance Structure

**Oishi** During our discussion today, we've repeatedly emphasized the need to boost our sense of urgency. To do so, Shiseido has decided to make a transition into a company with three statutory committees. This change is designed to further clarify the roles of management oversight and execution, allowing the execution team to focus on strategic implementation and quick adaptation to changes. Meanwhile, the board identifies medium-to-long-term issues and formulates management strategies.

**Hatanaka** We recognize that Shiseido has built a robust governance system. With this structural change, we aim to promote flexible and sound risk-taking in execution while strengthening the board's role in management oversight. With greater delegation of authority, the execution team will take on greater accountability, execution, and responsibility in delivering results. The board intends to increase our risk tolerance by monitoring various management metrics while measuring the degree of our evolution into a more resilient management structure.

**Oishi** Succession is also a critical point in governance. The transition of our management structure runs parallel with transformation of our business model and corporate culture, and we're discussing this in tandem with empowering our executives and increasing human capital.

**Hatanaka** Sustainability is another key focus of the board. We are deliberating on strategies and various KPIs related to ESG and have integrated ESG indicators in executive remuneration. These are also crucial initiatives which clearly demonstrate the connection between corporate value and ESG. Despite the challenges, we're engaging in extensive discussions at the board level to ensure we are ready to explain our actions to stakeholders.

**Oishi** As external directors, we are committed to prioritizing direct dialogue with shareholders and investors. It is particularly important for us to gain deep understanding of what the capital markets expectations are and feed it back into our management. We have been receiving updates on investor meetings from CEO Uotani, COO Fujiwara and the Investor Relations Department, but we hope to engage in direct exchanges of views with the capital markets through various formats and settings moving forward.

**Hatanaka** In that sense, the two of us having this discussion as external directors in the integrated report is vitally important, too. We hope to facilitate constructive discussions with shareholders and investors by sharing our intentions and activities. Essentially, the board is engaging in comprehensive discussions on where to allocate management resources for new growth. We aim to share both the content and process of these discussions with the execution team and communicate them both internally and externally.

**Oishi** Exactly. As you have mentioned several times, I

also want Shiseido to become a company that can bring transformation in a positive way. To that end, let's build a corporate culture and organizational structure bound by trustful relationships between the board and execution. Thank you very much for this great opportunity to speak with you today.

**Hatanaka** I'm excited to make bold changes for a better future together. Thank you very much.



# Directors and Corporate Executive Officers (As of March 31, 2024)

## Directors



Director  
Representative  
Corporate  
Executive Officer  
Chairman and CEO

Masahiko Uotani



Director  
Representative  
Corporate  
Executive Officer  
President and COO

Kentaro Fujiwara



Director  
Hiromi Anno



Director  
Takeshi Yoshida



External Director  
Kanoko Oishi



External Director  
Shinsaku Iwahara



External Director  
Mariko Tokuno



External Director  
Yoshihiko Hatanaka



External Director  
Hiroshi Ozu



External Director  
Yasuko Gotoh



External Director  
Ritsuko Nonomiya

## Corporate Executive Officers



Representative Corporate  
Executive Officer  
Masahiko Uotani



Representative Corporate  
Executive Officer  
Kentaro Fujiwara



Corporate Executive Officer  
Yoshiaki Okabe



Corporate Executive Officer  
Norio Tadakawa



Corporate Executive Officer  
Toshinobu Umetsu



Corporate Executive Officer  
Takayuki Yokota

# Skill Matrix (As of March 31, 2024)

										
<b>Masahiko Uotani</b> Director Representative Corporate Executive Officer Chairman and CEO	<b>Kentaro Fujiwara</b> Director Representative Corporate Executive Officer President and COO	<b>Hiromi Anno</b> Director	<b>Takeshi Yoshida</b> Director	<b>Kanoko Oishi</b> External Director	<b>Shinsaku Iwahara</b> External Director	<b>Mariko Tokuno</b> External Director	<b>Yoshihiko Hatanaka</b> External Director	<b>Hiroshi Ozu</b> External Director	<b>Yasuko Gotoh</b> External Director	<b>Ritsuko Nonomiya</b> External Director

Years in current position at Shiseido / Corporate Management Structure											
Years in current position at Shiseido	9 years and 9 months	1 year	— (1 year)*1	— (6 years)*1	8 years	6 years	2 years	1 year	— (7 years)*2	— (5 years)*2	— (4 years)*2
Nominating Committee					○	○ Chair	○	○			
Compensation Committee					○	○	○	○ Chair			
Audit Committee			○ Full-time	○ Full-time					○ Chair	○	○

Knowledge and expertise required for a director of the Company											
 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				●		●			●	●	●

\*1 Number of years in office of the Company as Audit & Supervisory Board member \*2 Number of years in office of the Company as external Audit & Supervisory Board member

Main knowledge and expertise					
 <b>Experience as top management of a listed company</b>	 <b>Corporate management experience</b>	 <b>Experience in BtoC, neighboring industries</b>	 <b>Brand marketing</b>	 <b>Legal affairs and risk management</b>	 <b>Finance, accounting, financial systems</b>
Practice management to realize sustainable growth and medium-to-long-term enhancement of corporate value while considering the relationship with stakeholders	Clear awareness towards changes in the business environment, develop appropriate strategies, and support business execution with accountability	Have good understanding of the industry environment and pursue effective positioning to enhance customer value and the Company's competitive advantage	Build and strengthen brand equity to increase profitability of the business and enhance corporate value	Ensure effective risk management process and compliance across the organization to support the basis for fair and sound business practices	Develop and maintain a sound, strong financial position and provide oversight for strategic implementation of the Company's business to achieve growth

# Features of Shiseido's Corporate Governance

## Basic Concept

The Shiseido Group including the Company has established BEAUTY INNOVATIONS FOR A BETTER WORLD as OUR MISSION in its Corporate Philosophy, THE SHISEIDO PHILOSOPHY, and defines corporate governance as the “platform to realize sustainable growth through fulfilling OUR MISSION.”

We strive to maximize medium-to-long-term corporate and shareholder value by implementing and reinforcing corporate governance to maintain and improve management transparency, fairness, and speed, and through dialogue with all stakeholders, from employees, consumers, business partners, and shareholders to society and the earth. At the same time, by fulfilling its responsibilities as a public entity of society, Shiseido works to optimize the value it delivers to respective stakeholders.

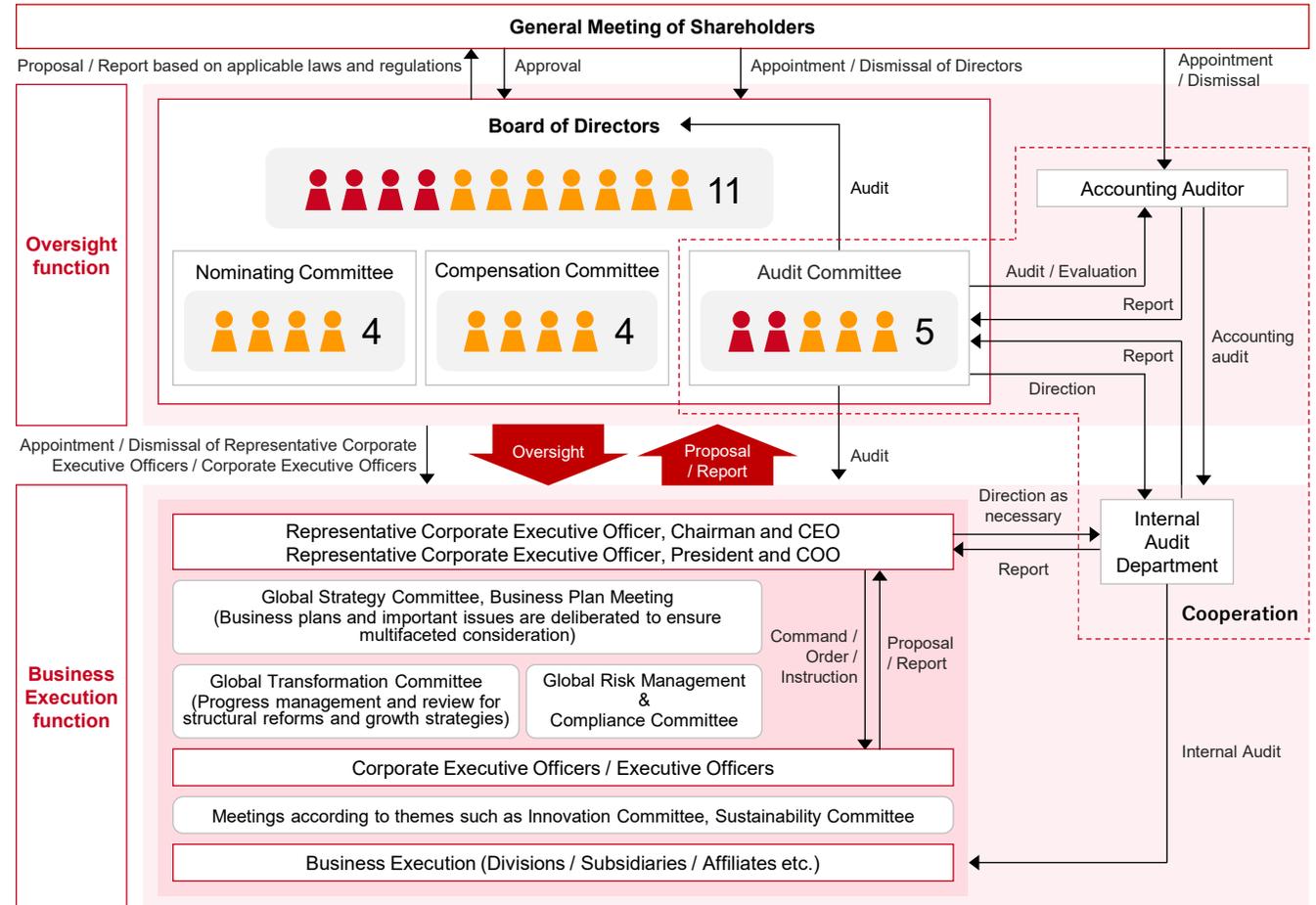
For general and detailed information regarding corporate governance, please refer to the links below.

### Corporate Governance

- Corporate Governance System
- Basic Concept for Corporate Governance
- Principles of the Corporate Governance Code and Shiseido's Response
- Remuneration for Directors and Corporate Executive Officers
- Audit Structure
- Compliance and Risk Management
- Basic Policy on Internal Control System

## Corporate governance structure (As of March 31, 2024)

Internal Directors (Red icon) External Directors (Yellow icon)



Percentage of external directors

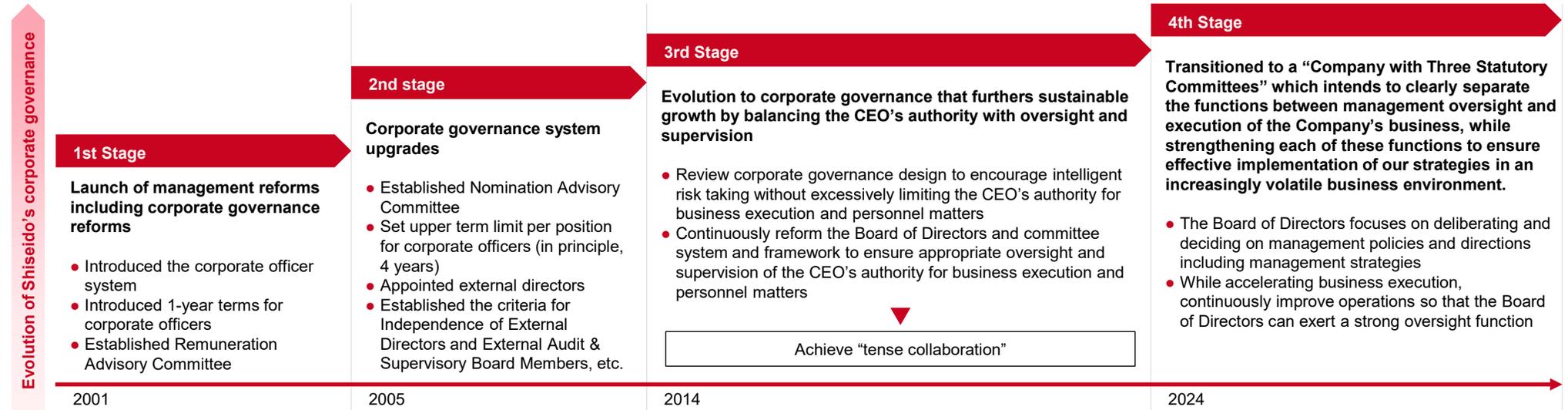
63.6% (7 out of 11)

Percentage of women directors

45.5% (5 out of 11)

## Features of Shiseido's Corporate Governance

### Continuous Focus on Strengthening Governance



### Message from the CCGO

Executive Officer  
Chief Corporate Governance Officer  
**Yuko Kato**

Corporate governance is the foundation of all corporate activities and the cornerstone for sustainable growth and enhancement of corporate value.

Shiseido has been dedicated to corporate governance throughout its past—not just in form but in substance—by continually scrutinizing the ideal state of the company and striving for enhanced effectiveness.

In 2024, we took a step further by transitioning to a company with three statutory committees. The decision to change our governance structure was made deliberately to strengthen both the oversight by the Board of Directors and our agility and speed of execution.

There is no one-size-fits-all solution to governance, and the optimal form of governance varies from company to company. Similarly, even within a single company, the ideal form of governance changes depending on its stage of growth and its aspirations.

As society rapidly changes and companies are forced to adapt, it is necessary to strategically evolve our governance practices. The significance does not lie in the change of form itself but in utilizing this new structure to develop and strengthen the substance of our governance. At Shiseido, we aim to be a company that remains vital for the next 100 years and to meet the expectations of our diverse stakeholders. We will continue to challenge ourselves and evolve.

## Features of Shiseido's Corporate Governance

### CEO Succession Plan

In response to the 5-year extension of the incumbent CEO's term of office decided in 2019, the Company launched a succession plan. In this 5-year succession plan, after selecting the successor over the first three years, the successor works as the COO in cooperation with the CEO for the remaining two years. The Company aims to realize a smooth CEO succession and strengthen its management structure by making the successor have ample time to take on the responsibility to lead the Company in cooperation with the incumbent CEO.

The CEO and the members of the Nomination & Remuneration

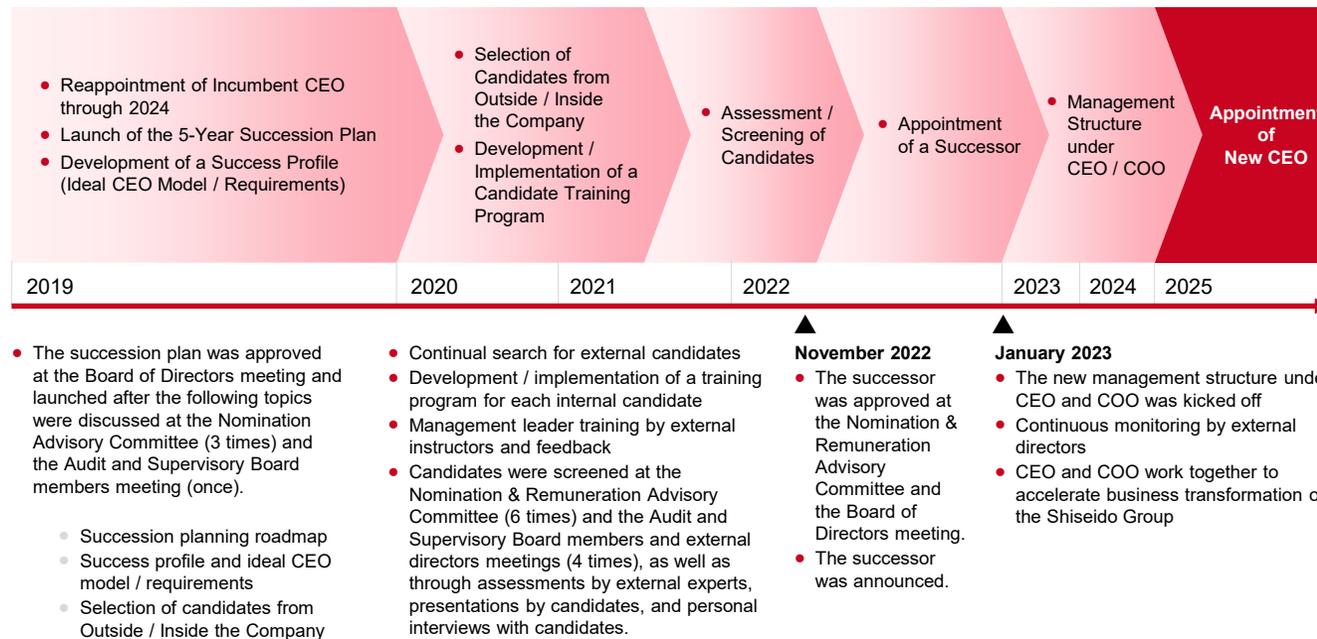
Advisory Committee had fully discussed the necessary qualifications and requirements for CEO, the focal point of successor selection, training policy, etc., from a medium-to-long-term perspective, and taking into account the Company's business environment, and then examined/implemented training programs for the carefully screened candidates so that they can fully demonstrate their ability. The members of the Nomination & Remuneration Advisory Committee had taken much time to hold in-depth discussions while collecting information from the incumbent CEO, referring to the results of the assessments conducted by external experts, and conducting personal interviews with candidates so that they can nominate the best successor among all candidates selected from inside/outside the

Company. Additionally, they had regularly exchanged opinions with external Audit & Supervisory Board members. All things considered, the successor of the CEO was finally approved at the Board of Directors meeting. Following these processes, the Board of Directors approved the CEO's successor, and from January 2023, we launched a new management structure with both a CEO and a COO. Since establishing the new structure, the CEO and COO have been working together to lead the Group's management and strengthen our business structure. We will continue to conduct objective monitoring by external directors and execute the succession plan for a smooth transition.

### Succession for Directors and Executive Officers

The Company believes that it is important to have succession plans not only for the CEO but also for external directors, who play key roles in oversight of the business management. Matters regarding the succession plans, such as the term of office, clear criteria for successor candidates, and further strengthening of diversity, are subject to the review by the Nominating Committee.

The Company also believes that in addition to appointing personnel having credentials required to serve as directors, corporate executive officers, or executive officers, it is important to provide them with necessary training and information. Therefore, the Company provides candidates for new directors with training regarding legal and statutory authorities and obligations, etc. In addition, when a new external director is scheduled to come on board, the Company provides training regarding the industry it operates in, its history, business overview, strategy, etc. Furthermore, to cultivate the next generation of management, corporate executive officer and executive officer candidates are provided with training programs to nurture their leadership abilities and management expertise required for top management.



## Features of Shiseido's Corporate Governance

### On the Activities and Effectiveness of the Board of Directors

The Company believes that a truly effective Board of Directors requires exhaustive discussions on the Company's basic management policy and important management matters at the Board meetings upon sharing appropriate information with external directors. Important matters are carefully deliberated by the Board over a number of meetings, including off-site meetings, ensuring that policies and decisions made are backed by sufficient amount of information and deliberation. The Company has taken specific measures to facilitate in-depth discussions on strategic matters. With more than half of the board members being external directors, we allocate dedicated time for concentrated discussions over two days outside of Board of Directors meetings. This allows us to allocate more time to topics that require deeper discussion and utilize written resolutions as necessary, depending on the nature of the matter, thus ensuring effective and efficient discussions through clear prioritization of time allocation and agenda setting. To enhance the understanding of our business among external directors, we provide opportunities for them to visit our branch offices, thereby

gaining insights into our operations. Additionally, upon the appointment of new external directors, we offer lectures from executive officers in charge on various topics, including management strategy, brand strategy, risk management, and R&D.

The Company also places particular importance on the diversity of its directors, with the belief that diverse opinions stemming from various expertise and insights result in versatile discussions, which are indispensable for an effective Board.



	Number of members in 2023			Number of meetings (Jan–Dec 2023)	Attendance ratio
	Internal	External	Total		
Board of Directors	5	5	10	14	98.5%
Nomination & Remuneration Advisory Committee	1	5	6	5	100%
CEO Review Meeting	0	8	8	1	100%
Audit & Supervisory Board	2	3	5	13	100%

\* In addition to the above number of the Board of Directors, there was one deemed resolution where the resolution of the Board of Directors was deemed to have been made pursuant to provisions of the Companies Act and the Company's Articles of Incorporation of the Company. Additionally, the Nomination & Remuneration Advisory Committee met three times in writing, in addition to the actual meetings mentioned above

### Key Topics Discussed by the Board of Directors and Meetings of Directors in 2023

- Overall direction and specific measures for business transformation
- Strategies for the Japan and China Businesses
- Corporate governance
- Transition to a company with three statutory committees
- Material risks faced by the Shiseido Group
- Digital transformation
- Reports from IR including investor feedback

### Opportunities to Share Information and Exchange Opinions with External Directors Outside of Board Meetings

In 2023, we continued our efforts to enhance understanding of the Company among external directors by regularly providing them with more information and opportunities to exchange opinions. (Times)

	2022	2023
Discussion meetings	4	4
Auditor reports to external directors and Audit & Supervisory Board members	2	2
Meetings to exchange opinions between external directors and auditors	1	1
Meetings to exchange opinions between external directors and Audit & Supervisory Board members	2	2
On-site visits, etc.	4	3*

\* In addition to visiting the Global Innovation Center and Shiseido Japan Co., Ltd.'s Hamamatsucho office, we held a roundtable discussion between external directors and the employees responsible for in-store sales. In addition, when a new external director is appointed, we arrange interviews with the executives in charge of key categories

## Features of Shiseido's Corporate Governance

Remuneration for Directors and Corporate Executive Officers

### Executive Remuneration

Shiseido regards the remuneration policy for directors and corporate executive officers as an important matter for corporate governance. The policy is deliberated and decided in the Compensation Committee chaired by an external director to incorporate objective points of view.

#### Key Points of the Remuneration System

- Remuneration of corporate executive officers (including those who concurrently assume the position of directors) and executive officers comprises basic remuneration as fixed remuneration as well as annual incentive and long-term incentive-type remuneration (non-monetary remuneration) as performance-linked remuneration
- External directors who are independent from business execution and directors who are the members of the Audit Committee receive only basic remuneration, as variable remuneration such as performance-linked remuneration is not appropriate
- Remuneration proportions are set by Grade set according to the responsibilities of each corporate executive officer, and the higher the Grade becomes, the higher the proportion of performance-linked remuneration becomes
- Remuneration levels are set by benchmarking peer companies in the same business industry or in the similar size inside and outside Japan by taking the Company's financial condition into consideration
- Achievement of performance targets in a single fiscal year as well as in the medium to long term are deemed to be of equal importance, and performance indicators for annual incentives and long-term incentives are established in a manner consistent with their respective objectives
- Long-term incentive-type remuneration was adopted for the purposes of establishing effective incentives for creating and maintaining corporate value over the long term, and ensuring that interests consistently align with those of our shareholders

#### Composition of Remuneration of Corporate Executive Officers (Proportions of 2024)

Basic Remuneration 33.3–48%	Annual Incentive 26–33.3%	Long-term Incentive-Type Remuneration 26–33.3%
<p>The Company designs basic remuneration in accordance with Grades based on the size and level of responsibility of corporate executive officers as well as the impact on business management of the Group</p>	<p>Performance evaluation for achievement of targets in a single fiscal year</p> <ul style="list-style-type: none"> <li>• Performance evaluation indicators: Consolidated net sales, core operating profit, performance of respective businesses, and individual strategic goals</li> <li>• Performance evaluation indicators for payment rate threshold: Profit attributable to owners of parent</li> </ul>	<p>Creating corporate value over the long term and ensuring that interests consistently align with those of our shareholders</p> <ul style="list-style-type: none"> <li>• Economic value indicators: Consolidated core operating profit margin, compound average growth rate (CAGR) of consolidated net sales</li> <li>• Social value indicators: Multiple internal and external environmental, social, and corporate governance (ESG) indicators</li> <li>• Evaluation items for determining the payment rate threshold: Consolidated ROE</li> </ul>

\*1 The evaluation in 2024 is based on the MSCI ESG Rating

\*2 If this ends up below the threshold, the Compensation Committee will consider lowering the percentage amount of the payment attributable to the performance-linked portion

### Long-Term Incentive-Type Remuneration

From fiscal 2019, the Company has introduced performance share units, a type of performance-linked stock compensation, and has incentivized the creation of corporate value over the medium to long term through annual payments.

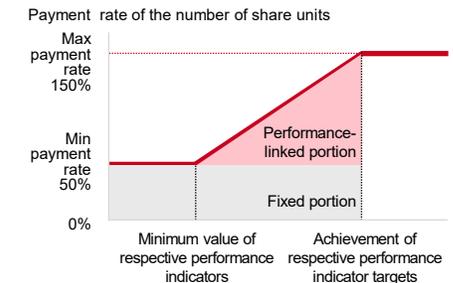
#### Performance indicators and evaluation weights for performance-linked portion of the long-term incentive-type remuneration (Proportions of 2024)

		Evaluation weight
Economic Value	Consolidated core operating profit margin in the most recent fiscal year of the evaluation period	50%
	CAGR of consolidated net sales	30%
Social Value	Environment	100%
	Social	
	ESG	
Progress towards achieving CO <sub>2</sub> emissions reduction target		20%
Ratio of women managers / leaders in Japan and overseas at the Company and the status of inclusion in the indices related to women's empowerment by ESG rating agencies designated by the Company		
Evaluation scores by ESG rating agencies*1 designated by the Company		Threshold*2
Economic Value	Consolidated ROE	

For performance share units, the Company will allot a reference share unit to each of the eligible parties once every fiscal year. To make such allotments, the Company shall establish multiple performance indicators whose evaluation period is for three years including the fiscal year related to the payment. The Company shall use the respective achievement ratios of each performance indicator to calculate the payment rate in a range from 50% to 150% after the end of the evaluation period, and it shall use the payment rate to increase or decrease the number of share units. The eligible parties shall be paid monetary remuneration claims for the delivery of the shares of the

Company's common stock and cash corresponding to the applicable number of share units, and then each eligible party shall receive delivery of shares of common stock of the Company by paying all the monetary remuneration claims using the method of contribution in kind. Meanwhile, it features a fixed portion involving a set payment in addition to its performance-linked portion. As such, the long-term incentive-type remuneration is designed to help eligible parties realize the aims of more robustly ensuring that their sense of interests consistently aligns with those of our shareholders, curbing potential damage to corporate value and maintaining substantial corporate value over the long term, and helping to attract and retain competent talent.

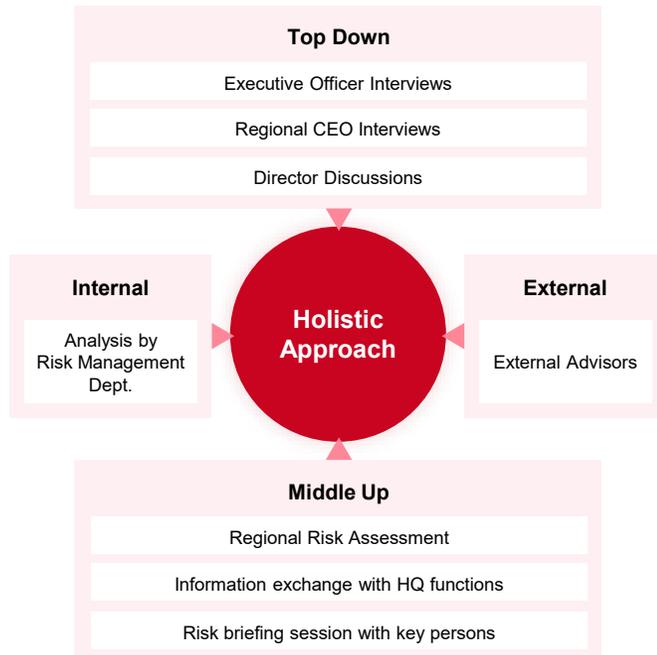
#### Model for Payment Rate of the Number of Share Units for Long-Term Incentive-Type Remuneration



# Risk Management

## Risk Management System and Operational Framework

The risk management of Shiseido Group is primarily focused on building trust with multiple stakeholders and achieving our management strategy. We thus consider risks as “uncertainties” that could impact the achievement of our strategies, seeing them as both potential threats and opportunities to our businesses. Based on this approach, we have established a risk management structure and placed measures for managing these risks proactively and expeditiously.



We adopt a holistic approach to identifying and assessing significant material risks to the company, as exemplified by the chart below. Specifically, the HQ Risk Management Department conducts interviews with executive officers and regional CEOs, as well as engaged in discussions with directors to assess their views on the risks identified within the organization. Based on the results of regional risk assessment and exchange of information with relevant functional departments, analyses by risk management department and insights provided by external advisors are taken into consideration in identifying material risks that could potentially impact the achievement of the medium-term strategy SHIFT 2025 and Beyond.

The identified material risks have been evaluated with three measurements of “Impact on business,” “Likelihood” and “Vulnerability” as shown to the right. The Group’s risks assessment and countermeasures are also periodically reviewed by the Global Risk Management & Compliance Committee, headed by the Group CEO and composed of executive officers and regional CEOs, as well as the Global Strategy Committee.

The material risks identified and evaluated each year are factored into consideration when we develop our strategy for the Group. Furthermore, in order to reduce the impact of these risks, we are building and operating a process to implement action plans and monitor the progress thereof by assigning a risk owner who is primarily responsible for controlling each risk identified, while engaging in discussion with the members of the above-mentioned Committees and the Board of Directors on a periodic basis.

### Risk Assessment Evaluation Criteria

Impact on business	<ul style="list-style-type: none"> <li>Quantitative impact on business performance (e.g. topline sales) in case of manifestation</li> <li>Qualitative impact on our corporate/brand image and culture</li> </ul>
Likelihood	<ul style="list-style-type: none"> <li>Likelihood and timing of risk manifestation</li> </ul>
Vulnerability	<ul style="list-style-type: none"> <li>Preparedness to the risk</li> <li>Controllability of the manifestation of the risk due to external factors</li> </ul>

#### Identify

Identify and categorize risks based on interviews with executive officers, regional CEOs, and discussions with directors, as well as insights by external experts

#### Assess

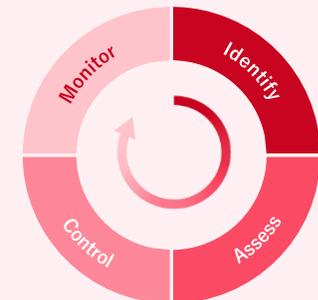
Analyze and calculate risk levels based on the following evaluation criteria: impact on business, likelihood and vulnerability

#### Control

Plan and implement risk management (avoidance, mitigation, transfer, acceptance)

#### Monitor

Review and monitor formulation and progress of measures



## Risk Management

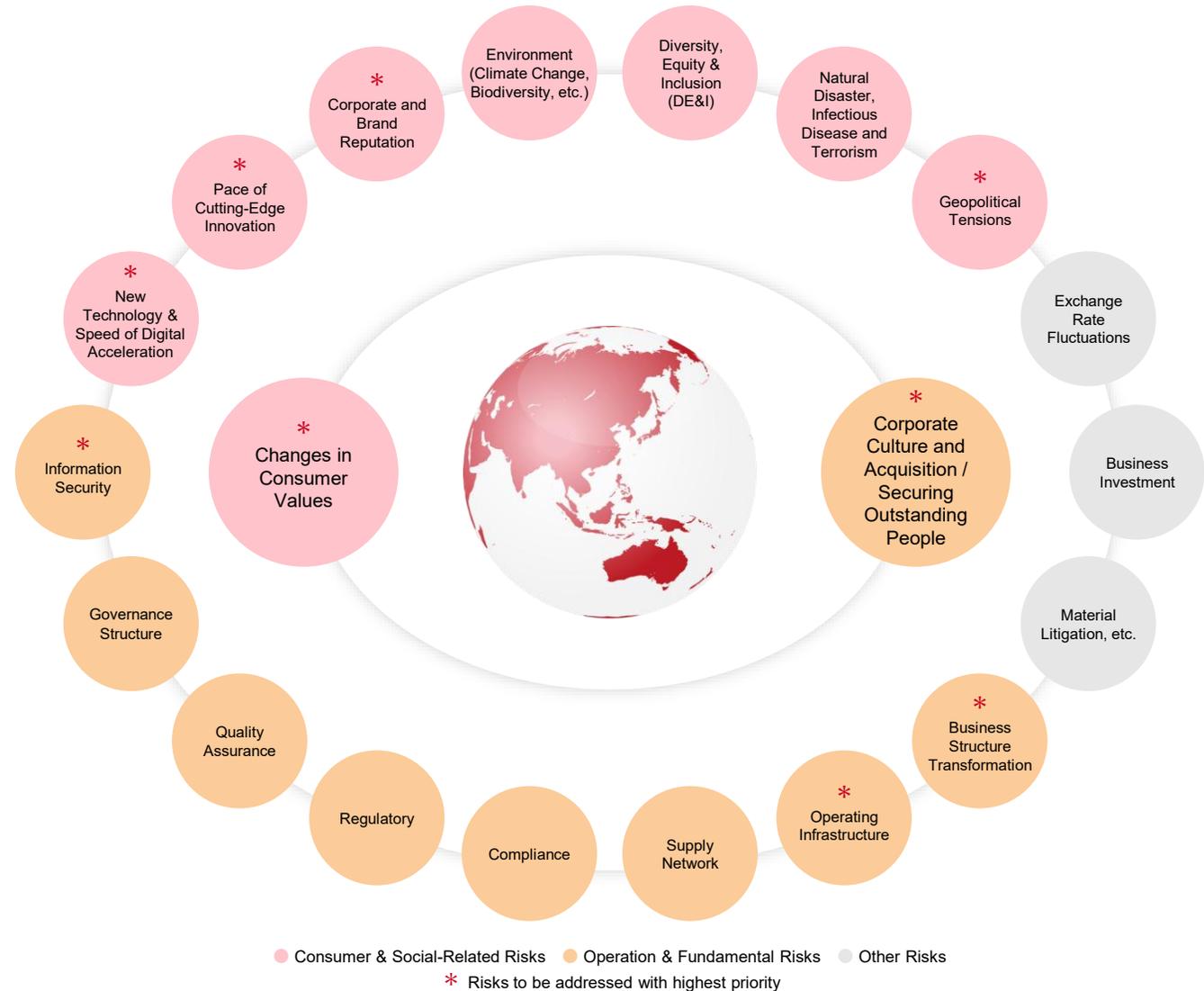
### Identified Material Risks

All material risks identified through our risk assessments in 2023 have been organized into three risk categories: “Consumer & Social-Related Risks,” “Operation & Fundamental Risks,” and “Other Risks.”

It is particularly noteworthy that interconnectivity of risks are becoming stronger, and accordingly, so are the interdependency between their countermeasures. In addition, we have assessed risks that have risen sharply compared to 2022 (\*): “Changes in Consumer Values,” “New Technology & Speed of Digital Acceleration,” “Pace of Cutting-Edge Innovation,” “Corporate and Brand Reputation,” “Geopolitical Tensions,” “Corporate Culture and Acquisition / Securing Outstanding People,” “Business Structure Transformation,” “Operating Infrastructure” and “Information Security,” and we are strengthening the countermeasures.

Click here for an overview of the results of our analysis and countermeasures for the material risks identified.

[Annual Securities Report](#)



Data

# 11-Year Financial Summary

Shiseido Company, Limited and Consolidated Subsidiaries  
For the fiscal years ended March 31, 2014 to December 31, 2023

	Japanese GAAP									Millions of yen (Except per-share data)
	2014/3	2015/3	2015/12	2016/12	2017/12	2018/12	2019/12	2020/12	2021/12	
<b>Operating Results:</b>										
Net Sales	762,047	777,687	763,058	850,306	1,005,062	1,094,825	1,131,547	920,888	1,035,165	
Cost of Sales	189,559	196,433	196,009	207,553	231,327	231,928	254,844	238,401	262,959	
Selling, General and Administrative Expenses	522,843	553,640	529,388	605,972	693,298	754,545	762,871	667,523	730,619	
Operating Profit	49,644	27,613	37,660	36,780	80,437	108,350	113,831	14,963	41,586	
EBITDA	91,285	90,703	80,635	90,078	154,741	150,318	169,348	71,393	172,556	
Net Profit (Loss) Attributable to Owners of Parent	26,149	33,668	23,210	32,101	22,749	61,403	73,562	-11,660	42,439	
<b>Financial Position:</b>										
Total Assets	801,346	823,636	808,547	934,590	949,425	1,009,618	1,218,795	1,204,229	1,179,360	
Short-Term Borrowings	64,054	75,615	18,996	16,557	10,662	15,202	144,949	75,565	25,394	
Long-Term Borrowings	91,864	31,281	67,617	104,022	70,801	60,574	103,159	248,733	165,588	
Interest-Bearing Debt	155,918	106,897	86,613	120,580	81,463	75,776	248,108	324,299	190,983	
Equity	338,561	386,860	391,664	392,963	423,447	448,580	496,437	484,289	545,022	
<b>Cash Flows:</b>										
Cash Flows from Operating Activities	84,320	32,134	60,529	59,129	95,392	92,577	75,562	64,045	122,887	
Cash Flows from Investing Activities	-16,799	11,538	-23,137	-70,640	-1,061	-103,112	-202,823	-70,084	63,739	
Cash Flows from Financing Activities	-47,462	-58,419	-30,151	22,378	-53,117	-29,722	113,678	46,880	-176,222	
Free Cash Flow	67,521	43,673	37,392	-11,510	94,331	-10,535	-127,261	-6,039	186,627	
Cash and Cash Equivalents at the End of the Fiscal Year	110,163	100,807	104,926	113,122	156,834	111,767	97,466	136,347	156,503	
<b>Per-Share Data (in yen and U.S. dollars):</b>										
Net Profit (Loss)	65.7	84.4	58.2	80.4	56.9	153.7	184.2	-29.2	106.2	
Net Assets	849.4	970.0	981.4	984.1	1,059.8	1,123.2	1,242.9	1,212.3	1,364.3	
Cash Dividends	20.0	20.0	20.0	20.0	27.5	45.0	60.0	40.0	50.0	
Weighted-Average Number of Ordinary Shares (thousands of shares)	398,300	398,704	399,026	399,227	399,466	399,409	399,411	399,458	399,480	
<b>Others:</b>										
Operating Margin (%)	6.5	3.6	4.9	4.3	8.0	9.9	10.1	1.6	4.0	
Return on Invested Capital (%)	5.9	4.1	4.6	5.0	10.4	13.1	12.9	1.3	3.3	
Return on Equity (%)	8.4	9.4	6.0	8.2	5.6	14.1	15.6	-2.4	8.2	
Equity Ratio (%)	42.2	47.0	48.4	42.0	44.6	44.4	40.7	40.2	46.2	
Net Debt-to-EBITDA Ratio (times)	0.3	-0.2	-0.5	-0.1	-0.6	-0.3	0.8	2.4	0.1	
Net Debt-to-Equity Ratio (times)	0.08	-0.04	-0.10	-0.02	-0.22	-0.11	0.28	0.36	0.03	
Days Sales of Inventory (Days)	168.28	182.97	197.97	194.85	193.78	220.12	236.96	268.80	217.78	
CCC (Cash Conversion Cycle) (Days)	139	143	146	123	114	126	149	199	169	
Payout Ratio (Consolidated) (%)	30.5	23.7	34.4	24.9	48.3	29.3	32.6	-	47.1	
Dividend Yield (%)	1.1	0.9	0.8	0.7	0.5	0.7	0.8	0.6	0.8	
Dividend on Equity (%)	2.6	2.2	2.1	2.0	2.7	4.1	5.1	3.3	3.9	
Number of Employees at the End of the Fiscal Year	33,054	33,000	33,783	36,549	37,438	38,640	40,000	39,035	35,318	
Net Sales per Employee	23.1	23.6	22.6	23.2	26.8	28.3	28.3	23.6	29.3	
Operating Profit per Employee	1.5	0.8	1.1	1.0	2.1	2.8	2.8	0.4	1.2	

Notes: 1. Effective from the fiscal year 2015, the financial year end of the Company and certain of its consolidated subsidiaries had been changed from March 31 to December 31. As a result, the same fiscal year accounting period has been applied for the Company and all of its consolidated subsidiaries thereafter, and the fiscal year ended December 31, 2015 refers to the nine-month period from April 1, 2015 to December 31, 2015 for the Company and its subsidiaries that are subject to the change in their accounting period or twelve-month period from January 1, 2015 to December 31, 2015 for subsidiaries not affected by this change.  
2. All figures are rounded to the nearest million yen.  
3. EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) = Profit (Loss) before Income Tax + Interest Expense + Depreciation and Amortization Expense + Impairment Losses such as Goodwill Write-Offs  
\* EBITDA includes depreciation and amortization and an impairment loss recognized as part of the extraordinary losses incurred by the COVID-19 in the fiscal years 2020 and 2021  
4. Net Profit (Loss) per Share (primary) is based on the average number of shares outstanding during the fiscal year. Net Assets per Share is calculated using the number of shares outstanding at the end of each reporting period. Net Profit (Loss) per Share is calculated before dilution.  
5. Return on Invested Capital (ROIC) = Operating Profit × (1 - Tax rate) / (Interest-Bearing Debt + Equity)  
\* Tax rate = Total income tax / Profit (loss) before income tax  
\*\* (Interest-Bearing Debt + Equity) is an average balance at the start and end of each accounting period  
6. Net Debt-to-EBITDA Ratio = (Interest-Bearing Debt - Cash and Time Deposits) / EBITDA  
\* Interest-Bearing Debt is an ending balance at the end of each accounting period.  
\*\* Cash and Time Deposits are the end of each accounting period is the total balance of cash and time deposits and short-term investments in securities in current assets

7. Net Debt-to-Equity Ratio = (Interest-Bearing Debt - Cash and Time Deposits) / Equity  
\* Equity = Total Net Assets - Stock Acquisition Rights - Non-Controlling Interests in consolidated subsidiaries  
8. Inventory Turnover (Days) = Average Inventory / (Cost of Sales / 365)  
9. Cash Conversion Cycle (days) = Receivables Turnover Period (days) + Inventory Turnover Period (days) - Payables Turnover Period (Days) (average of each indicator during the period)  
10. Dividends on Equity = Total Dividends Paid (Full Year) / Equity  
\* Equity is the average of the beginning and the ending balances  
11. The number of employees at the end of the fiscal year does not include temporary employees  
12. Shiseido has been recognizing payables associated with Dolce&Gabbana in the fiscal years between 2016 and 2020 and Tory Burch since the fiscal year 2020. For the fiscal year ended December 31, 2021, the Net Debt-Equity Ratio was 0.04, and Interest-Bearing Debt was 195,722 million yen.  
13. In November 20, 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2015-17, "Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes" ("ASU 2015-17"). The ASU 2015-17 requires that deferred tax assets and liabilities be classified as non-current on the balance sheet rather than being separated into current and non-current. Effective from the fiscal year 2017, subsidiaries in the Americas region have retrospectively applied ASU 2015-17. Accordingly, the Company reclassified the current deferred taxes to non-current in the consolidated balance sheet in the fiscal year ended December 31, 2016  
14. Restaurant and food businesses consist of less than 1% of consolidated sales in 2023

	IFRS				Millions of yen (Except per-share data)	Thousands of U.S. dollars (Except per-share data)
	2021/12	2022/12	2023/12	2023/12		
<b>Operating Results:</b>						
Net Sales	1,009,966	1,067,355	973,038	6,866,888		
Cost of Sales	271,808	327,071	259,674	1,832,562		
Selling, General and Administrative Expenses	767,007	717,841	696,625	4,916,196		
Core Operating Profit	42,553	51,340	39,842	281,171		
EBITDA	94,516	102,371	91,819	647,982		
Profit Attributable to Owners of Parent	46,909	34,202	21,749	153,486		
<b>Financial Position:</b>						
Total Assets	1,300,979	1,307,661	1,255,497	8,860,247		
Short-Term Borrowings	41,013	49,747	71,916	507,523		
Long-Term Borrowings	264,824	250,026	211,570	1,493,084		
Interest-Bearing Debt	305,837	299,774	283,486	2,000,607		
Equity Attributable to Owners of Parent	540,695	604,259	618,748	4,366,606		
<b>Cash Flows:</b>						
Cash Flows from Operating Activities	134,249	46,735	89,026	628,271		
Cash Flows from Investing Activities	66,733	-41,308	-35,536	-250,783		
Cash Flows from Financing Activities	-190,575	-52,418	-75,642	-533,818		
Free Cash Flow	200,983	5,427	53,489	377,481		
Cash and cash Equivalents at the End of the Fiscal Year	156,503	119,036	104,685	738,779		
<b>Per-Share Data (in yen and U.S. dollars):</b>						
Basic Earnings per Share	117.4	85.6	54.4	0.38		
Equity Attributable to Owners of Parent per Share	1,353.5	1,512.4	1,548.2	10.93		
Cash Dividends	50.0	100.0	60.0	0.42		
Weighted-Average Number of Ordinary Shares (thousands of shares)	399,480	399,538	399,615			
<b>Others:</b>						
Core Operating Margin (%)	4.2	4.8	4.1			
Return on Invested Capital (%)	2.9	5.2	4.0			
Return on Equity Attributable to Owners of Parent (%)	9.3	6.0	3.6			
Ratio of Equity Attributable to Owners of Parent (%)	41.6	46.2	49.3			
Net Debt-to-EBITDA Ratio (times)	-0.1	0.3	0.4			
Net Debt-to-Equity Ratio (times)	-0.02	0.05	0.06			
Days Sales of Inventory (Days)	199.51	147.91	197.20			
CCC (Cash Conversion Cycle) (Days)	155	131	161			
Dividend Payout Ratio (Consolidated) (%)	42.6	116.8	110.2			
Dividend Yield (%)	0.8	1.5	1.4			
Dividends on Equity Attributable to Owners of Parent (%)	4.0	7.0	3.9			
Number of Employees at the End of the Fiscal Year	35,318	33,414	30,540			
Net Sales per Employee	28.6	31.9	31.9	225		
Core Operating Profit per Employee	1.2	1.5	1.3	9		

Notes: 1. All figures are rounded to the nearest million yen.  
2. U.S. dollar amounts are converted from yen, for convenience only, at the rate of ¥141.70 = US\$1 prevailing on December 31, 2023. Fractions resulting from the transitions are rounded down.  
3. EBITDA = Core Operating Profit + Depreciation and Amortization  
4. Basic Earnings per Share is based on the average number of shares outstanding during the fiscal year. Equity Attributable to Owners of Parent per Share is calculated using the number of shares outstanding as of the balance sheet date. Basic Earnings per Share is calculated before dilution.  
5. ROIC = Core Operating Profit × (1 - Tax rate) / (Interest-Bearing Debt + Equity)  
\* Tax rate = Total income tax / Profit (loss) before income tax  
\*\* (Interest-Bearing Debt + Equity) is an average balance at the start and end of each accounting period  
6. Net Debt-to-EBITDA Ratio = (Interest-Bearing Debt - Cash and Time Deposits) / EBITDA  
\* Interest-Bearing Debt is an ending balance at the end of each accounting period  
\*\* Cash and Time Deposits are the end of each accounting period is the total balance of cash and time deposits and short-term investments in securities in current assets  
7. Net Debt-to-Equity Ratio = (Interest-Bearing Debt - Cash and Time Deposits) / Equity

\* Equity = Total Net Assets - Stock Acquisition Rights - Non-Controlling Interests in consolidated subsidiaries  
8. Inventory Turnover (Days) = Average Inventory / (Cost of Sales / 365)  
9. Cash Conversion Cycle (days) = Receivables Turnover Period (days) + Inventory Turnover Period (days) - Payables Turnover Period (Days) (average of each indicator during the period)  
10. Dividends on Equity = Total Dividends Paid (Full Year) / Equity  
\* Equity Attributable to Owners of Parent is the average of the beginning and the ending balances  
11. The number of employees at year-end does not include temporary employees  
12. Shiseido has changed the scope of expenses to be included as manufacturing cost from the fiscal year ended December 31, 2023. This change in accounting policy is retrospectively applied, and Consolidated Financial Statements for the fiscal year ended December 31, 2022 has been restated to reflect the change  
As a result, compared to the previous method, for the fiscal year ended December 31, 2022, "Cost of Sales" increased by 3,880 million yen, "Selling, General and Administrative Expenses" decreased by 3,880 million yen, Inventory Turnover and CCC (Cash Conversion Cycle) for the fiscal year ended December 31, 2022 have been restated to reflect the change

# 5-Year Pre-Financial Summary

[Sustainability Data](#)

## Environment

	2019	2020	2021	2022	2023
CO <sub>2</sub> emissions (Scope 1, 2, 3)* <sup>1</sup> (unit: t)	2,848,750	2,612,458	1,585,481	1,556,439	1,008,126
CO <sub>2</sub> emissions (Scope 1)* <sup>2</sup> (unit: t)	27,036	25,968	28,744	23,912	21,105
CO <sub>2</sub> emissions (Scope 2)* <sup>2</sup> (unit: t)	51,714	46,490	36,737	22,527	13,617
CO <sub>2</sub> emissions (Scope 3)* <sup>3</sup> (unit: t)	2,770,000	2,540,000	1,520,000	1,510,000	973,000
Water consumption* <sup>4</sup> (unit: mil. m <sup>3</sup> )	1.2	1.2	1.2	1.1	0.8
Waste discharged* <sup>5</sup> (unit: t)	14,297	12,825	13,096	12,560	10,895

## Society

	– 2023
Women's empowerment in Japan Supporting education and financial independence worldwide (unit: persons)	627,447
Cultivating self-efficacy through the power of beauty Challenging the unconscious biases and prejudices that limit individual beauty (unit: persons)	136,880

\*1 Targeting energy-derived CO<sub>2</sub>, the performance data was calculated based on the GHG Protocol. Scope 2 was based on the market-based method  
 \*2 At all our sites (95% coverage for Scope 1 and 98% for Scope 2 in 2019. Coverage is 100% in and after 2020)  
 \*3 Throughout our value chain, excluding Shiseido sites  
 \*4 Production sites for 2019–2020, production sites and domestic research centers for 2021, and production sites and research centers for 2022–2023 (Coverage: 100%)  
 \*5 Production sites and domestic research centers for 2019–2021, and production sites and research centers for 2022–2023 (Coverage: 100%)

## Society

	2020	2021	2022	2023	2024
Group total	52.7%	57.5%	58.3%	58.1%	58.8%
Women at management level* <sup>6</sup>					
Japan	33.1%	34.7%	37.3%	37.6%	40.0%
Overseas	67.5%	70.3%	70.7%	72.0%	72.0%
Directors* <sup>7</sup>					
Ratio of women	46.2%	46.2%	46.2%	40.0%	45.5%
Ratio of external directors	53.8%	53.8%	53.8%	53.3%	63.6%
Executive officers* <sup>7</sup>					
Ratio of women	25.0%	31.6%	35.3%	35.3%	40.0%
Ratio of foreign nationals	0.0%	15.8%	17.6%	17.6%	15.0%
Employee nationalities (countries / regions)* <sup>8</sup>	Approx. 100	Approx. 100	Approx. 100	Approx. 100	—
Ratio of foreign national managers* <sup>9</sup>	2%	2%	2%	2%	—
Ratio of mid-career hires in managerial positions* <sup>9</sup>	29%	30%	31%	33%	—
Number of foreign national employees in Japan (share of total)* <sup>9</sup>	467 (2%)	486 (2%)	443 (2%)	386 (2%)	—
Number of mid-career hires in Japan* <sup>10</sup>	248	271	376	318	—
Ratio of employees with disabilities* <sup>11</sup>	2.21%	2.44%	2.62%	2.82%	—
Average education / training expenses per employee* <sup>12</sup>	¥43,936	¥23,682	¥29,892	¥36,199	—

\*6 As of January 1 each year for Japan; as of December 31 of the previous year for overseas  
 \*7 As of April 1 of each year, directors and directors and Audit & Supervisory Board members until 2023  
 \*8 As of December 31 of the previous year \*9 As of January 1 each year; data for Shiseido Group in Japan  
 \*10 Annual results for each year; data based on employment data for Shiseido Group in Japan  
 \*11 As of June 1 each year; data for Shiseido Group in Japan. Ratio of employees with disabilities: Persons with physical and intellectual disabilities are included, and the employment rate for persons with disabilities is indicated by three significant figures.  
 \*12 Data per full-time equivalent (FTE)  
 The full-time equivalent is the conversion of part-time employees or employees who work shorter hours into a number equivalent to a full-time workforce

# Our Brands

🔗 Brands

## Prestige



**SHISEIDO**  
GINZA TOKYO

● ● ● ● ● ●



**clé de peau**  
BEAUTÉ

● ● ● ● ● ●



**NARS**

● ● ● ● ● ●



**DRUNK ELEPHANT™**

● ● ● ● ● ●



**IPSA**

● ● ● ● ● ●



**THE GINZA**

● ● ● ● ● ●



**BAUM**

● ● ● ● ● ●



**BENEFIQUE**

● ● ● ● ● ●



**EFFECTIM**

● ● ● ● ● ●



**Dr Dennis Gross**  
SKINCARE

● ● ● ● ● ●

Regions: ● Japan ● China ● Asia Pacific ● Americas ● EMEA ● Travel Retail

● Major Regions of Availability

## Our Brands

### Premium



ELIXIR



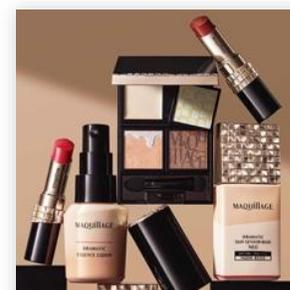
ANESSA



d program



HAKU



MAQUILLAGE



AUPRES  
欧珀莱



### Fragrance



ISSEY MIYAKE



narciso rodriguez



### Inner Beauty



SHISEIDO BEAUTY WELLNESS



INRYU



### Life Quality Beauty



PERFECT COVER  
SHISEIDO



# External Evaluations (As of April 2024)

[External Evaluations and Awards](#)

## Major ESG Indexes Selection Status

Member of  
**Dow Jones Sustainability Indices**  
Powered by the S&P Global CSA



2023 CONSTITUENT MSCI JAPAN  
ESG SELECT LEADERS INDEX



2023 CONSTITUENT MSCI JAPAN  
EMPOWERING WOMEN INDEX (WIN)

	2019	2020	2021	2022	2023
Dow Jones Sustainability Index			●	●	●
World	—	—	●	●	●
Asia/Pacific	—	—	●	●	●
FTSE4Good Index Series	●	●	●	●	●
MSCI ESG Leaders Indexes	●	●	●	—	—
FTSE Blossom Japan Index	●	●	●	●	●
FTSE Blossom Japan Sector Relative Index	—	—	●	●	●
MSCI Japan ESG Select Leaders Index	●	●	●	—	●
MSCI Japan Empowering Women Index	●	●	●	●	●
S&P/JPX Carbon Efficient Index	●	●	●	●	●
Morningstar® Japan ex-REIT Gender Diversity Tilt Index <sup>SM*1</sup>	—	—	—	—	●
SOMPO Sustainability Index	●	●	●	●	●

\*1 The inception started in March 2023

\*2 The meeting was held on a smaller scale to prevent the spread of COVID-19

## Sustainability-Related Evaluations / Awards and Collaborations with External Organizations



## Other Evaluations / Awards



## Major IR Activities

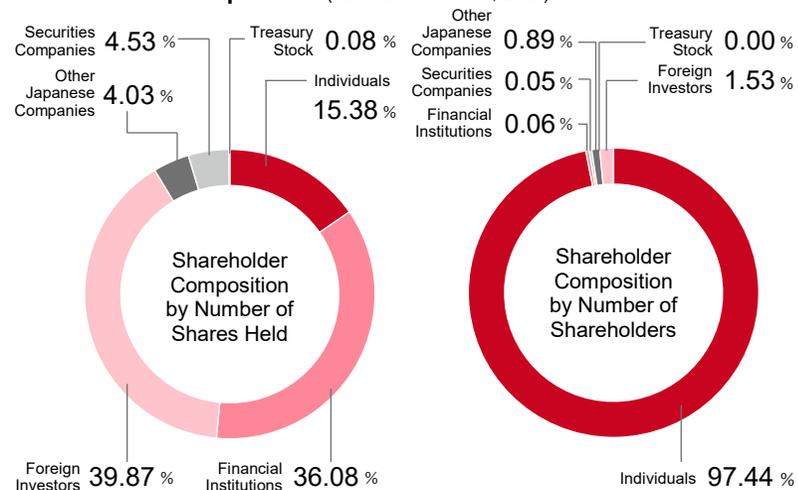
	2021	2022	2023
Number of IR meetings with domestic and foreign analysts and institutional investors, including meetings at foreign roadshows by management and other representatives	Approx. 450	Approx. 500	Approx. 550
Number of IR events for domestic and foreign investors	10	14	15
Number of SR dialogues for major institutional investors and proxy advisory firms	13	12	12
Number of attendees at the Shareholders' Meeting	126*2	1,268	1,322

# Corporate Information and Stock Information

## Corporate Information

<b>Head Office</b>	Shiseido Company, Limited 7-5-5, Ginza, Chuo-ku, Tokyo 104-0061, Japan Phone: +81-3-3572-5111
<b>Foundation</b>	September 1872
<b>Incorporation</b>	June 1927
<b>Capital</b>	64,506 million yen
<b>Number of Employees</b>	30,540 [5,319]*1
<b>Ordinary General Meeting of Shareholders</b>	Late March
<b>Accounting Auditor</b>	KPMG AZSA LLC

## Shareholder Composition (As of December 31, 2023)



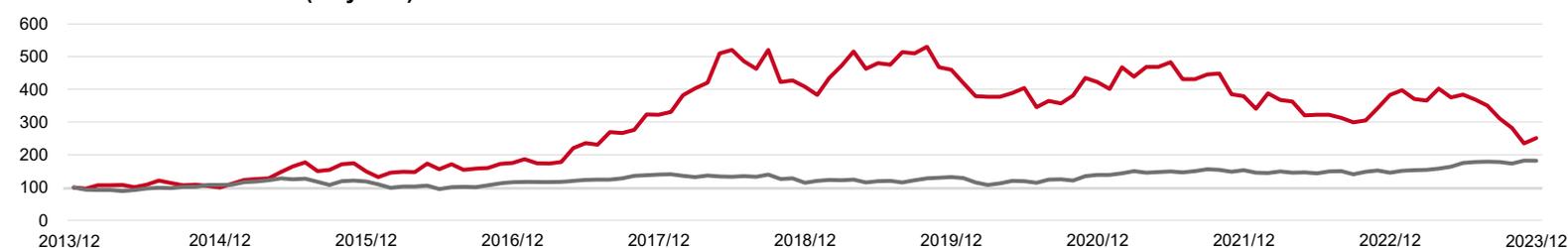
## Principal Shareholders (As of December 31, 2023)

Shareholders	Number of Shares Held (thousand shares)	Percentage of Shareholding*2 (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	80,807	20.21
Custody Bank of Japan, Ltd. (Trust Account)	27,007	6.75
STATE STREET BANK WEST CLIENT-TREATY 505234	7,374	1.84
Mizuho Trust & Banking Co., Ltd. re-trusted to Custody Bank of Japan, Ltd. Employees Pension Trust for Mizuho Bank	7,000	1.75
THE BANK OF NEW YORK 134104	6,458	1.61
THE BANK OF NEW YORK MELLON AS DEPOSITARY BANK FOR DEPOSITARY RECEIPT HOLDERS	6,270	1.56
BNYM AS AGT/CLTS 10 PERCENT	5,785	1.44
Nippon Life Insurance Company	5,615	1.40
SSBTC CLIENT OMNIBUS ACCOUNT	5,583	1.39
NORTHERN TRUST CO.(AVFC) RE NON TREATY CLIENTS ACCOUNT	5,581	1.39

## Stock Information (As of December 31, 2023)

<b>Common Shares Issued</b>	400,000,000 (including 344,199 in treasury stock)
<b>Number of Shareholders</b>	117,378
<b>Stock Listings</b>	Common Stock: Tokyo Stock Exchange (Code: 4911) American Depositary Receipts: U.S. Over-the-Counter
<b>Share Units</b>	100

## Stock Price Performance (10 years)\*3



## Ratings (As of April 2024)

Credit rating agency	Long-term bond rating
Moody's	A3 (Outlook: Stable)

## Total Shareholder Return\*4

	1 year	3 years		5 years		10 years	
		Cumulative	Annual	Cumulative	Annual	Cumulative	Annual
Shiseido	-31.4%	-36.2%	-13.9%	-33.1%	-7.7%	175.5%	10.7%
TOPIX	28.3%	41.1%	12.1%	78.9%	12.3%	127.8%	8.6%

\*1 As of December 2023. The number of employees shown denotes full-time employees. The annual average number of temporary employees is shown in brackets. Temporary employees refer to contract employees and part-time workers and exclude dispatched employees

\*2 Calculations of percentage of shareholding are based on the total number of issued and outstanding shares excluding treasury stock. \*3 Closing price on December 31, 2013 indexed at 100

\*4 Return on investment assuming that dividends are reinvested. Annual rate based on the geometric mean of cumulative returns. Source: calculated by Shiseido based on data from Tokyo Stock Exchange



## Contact Information

Investor Relations Department

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URL : <https://corp.shiseido.com/en/>

[📧 For email inquiries](#)