

Message from the CEO and COO

Representative Director,  
Chairman and CEO



Representative Director,  
President and COO



At Shiseido, we will continue to create beauty innovations

and strive toward the realization of a sustainable society where everyone

can be empowered and enjoy happiness through the power of beauty.

Elevating Our Execution to Deliver Results

We would like to express our sincere gratitude to our shareholders for their continued support and extend our heartfelt sympathies to all those affected by the recent Noto Peninsula Earthquake. We hope for the swift recovery and reconstruction of the devastated areas.

### 2023 Achievements and Challenges

2023 was a year of rapid changes, including heightened geopolitical risks and rising inflation, both of which impacted our business. Amid these challenges, we have responded with speed and agility. Within our Japan business, we successfully implemented a business transformation plan to recover from the COVID-19 pandemic, culminating in a return to profitability for the entirety of 2023. We expanded our loyal user base and market share through the continuous launch of innovative new products to our mainstay brands in the mid- to high-end price range. The Americas, EMEA, and Asia Pacific businesses also achieved strong growth, particularly with global brands. However, in our China business, while our high-end flagship brands saw growth, the latter half faced a downturn to negative growth year-on-year, influenced by hesitance to buy Japanese products following the release of ALPS-treated water and a deterioration in economic sentiment. Tighter regulations and distribution inventory adjustments also affected the travel retail business, resulting in lower sales and profits. As a result, while consolidated net sales increased slightly in like-for-like terms, profits decreased substantially, causing concerns among our shareholders about the share price. As management, we take these developments seriously and have already initiated a review of our business structure and are embarking on structural reform. We have the backing of the entire company to complete these reforms with speed and efficiency, using 2023 as our turning point for recovery.

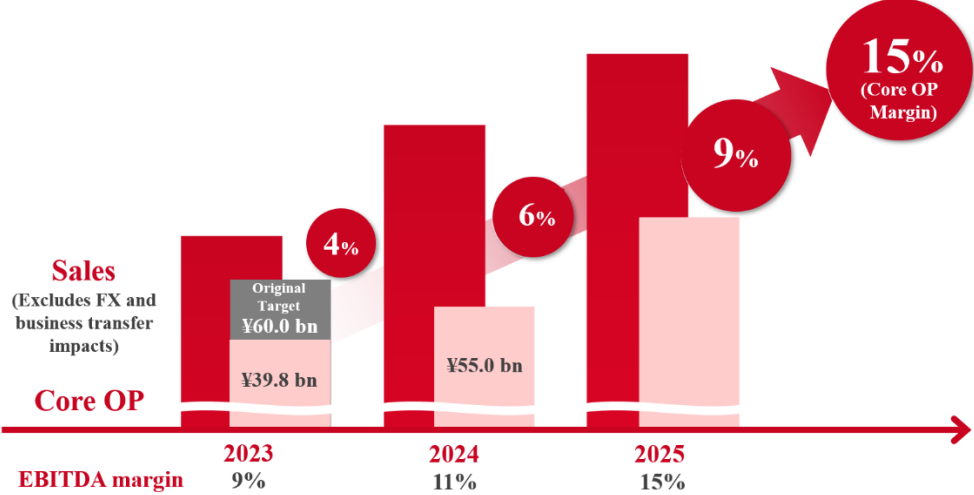
### Sustainable Sales Growth and Structural Reforms by 2025

Under “SHIFT 2025 and Beyond,” our medium-term strategy for the three-year period from 2023 to 2025, we are stepping up investments in three key areas—brands, innovations, and people—to build medium-to-long-term growth. To further strengthen this strategy in response to rapidly changing external factors, we announced an update to our goals this February while maintaining the strategic framework of sustainable growth and profitability. We will complete a business transformation through both sustainable profit growth and structural reform in order to achieve a core operating profit margin of 6% in 2024 and 9% in 2025. Specifically, we will optimize global costs by more than ¥ 40 billion,

complete structural reforms and accelerate growth in the Japan business, realize high-quality growth in our China and travel retail businesses, increase profitability in the Americas, EMEA, and Asia Pacific businesses, and further accelerate the growth of our core brand. As part of our ongoing efforts, we will implement measures to maximize gross profit through brand optimization and product mix strategies. However, achieving a core operating profit margin of 15% remains crucial in realizing our ambition to become a truly global company. Amid significant changes in the market environment, the question is how quickly we can accomplish this vision. We are mobilizing our collective wisdom and execution capabilities throughout Shiseido to address this challenge.

**Medium-Term Strategy SHIFT 2025 and Beyond**

**Refining Strategy and Timeline to Achieve Our Target**



**Fulfilling Our Corporate Mission in the Medium-to-Long-Term**

At Shiseido, we are focused on bolstering our core prestige skincare business, one of our key strengths. At the end of last year, we announced the acquisition of the dermatologist-led prestige skincare brand Dr. Dennis Gross Skincare. In addition to further enhancing our world-class technologies, we have been utilizing M&As such as this acquisition, and by capturing the diversifying values of consumers, we aim to create and expand new categories within and beyond the cosmetics business. In terms of our corporate governance, we intend to distinctively split the oversight function from business execution, and in order to improve the effectiveness of our strategies, transition to a company with a three-statutory-committee format, pending approval from our shareholders at the upcoming General Meeting of Shareholders this March.

We place sustainability at the center of our management strategy and promote the creation of social value and the resolution of social and environmental issues through our core businesses. These efforts have led to improvements in external ESG evaluations. We would like to ask our shareholders and investors for their continued understanding and support as we carry out these initiatives to fulfill our corporate mission of creating BEAUTY INNOVATIONS FOR A BETTER WORLD.