

Message from the CEO

Shifting Beyond Rebuilding the Foundations Toward Growth



Kentaro Fujiwara
Representative Corporate
Executive Officer,
President and CEO

A handwritten signature in black ink, appearing to be 'KF', located below the printed name and title.

I would like to express my sincere gratitude to our shareholders for your continued support.

For Shiseido Group, 2025 marked the year we completed the process of rebuilding our foundation toward growth. We have clearly reached a turning point where our business performance and financial strength are significantly improving. I feel tangible progress as our cumulative efforts are bearing fruit, and the very quality of our business is transforming. Moving forward, we will execute the "2030 Medium-Term Strategy" announced last November to steer the course towards a growth trajectory driven by maximizing brand value.

Accomplishments and Challenges in 2025

Amidst continued uncertainties in the global economy, we have been executing the "Action Plan 2025-2026," aiming to build a resilient business model for sustainable profit growth. As a result, core operating profit reached ¥44.5 billion (up 22.4% year-on-year), significantly exceeding our initial plan of ¥36.5 billion. Free cash flow also improved substantially to ¥66.5 billion, driven by working capital improvements and capex optimization. We believe these results clearly demonstrate the recovery of our earning power, underpinned by stronger profitability from targeted investments in key brands such as *SHISEIDO*, *Clé de Peau Beauté*, and *NARS*, along with structural reform benefits, and thorough disciplined cost management and improved capital efficiency.

On the contrary, profit attributable to owners of parent declined year-on-year, incurring a loss of ¥40.7 billion. This was due to the recognition of an impairment loss in the Americas Business and costs and expenses related to structural reforms. While our management team takes the result of delivering a net loss for two consecutive years very seriously, we remain unwaveringly committed to advancing our strategic actions and initiatives to ensure that we drive medium- to long-term growth and corporate value, and the Group is steadily evolving into a leaner, stronger organization.

"2030 Medium-Term Strategy": Toward a New Growth Trajectory

We have formulated the "2030 Medium-Term Strategy" aimed at maximizing corporate value based on our strengths in value creation and value communication capabilities. We have established our Vision: "By connecting with people, we pursue, create, and share new beauty, enriching everyone's lives." To embody this Vision, we have reaffirmed the slogan we have cherished ever since: "In every moment, in every life Beauty." This reflects our desire to remain as a company that delivers new beauty in forms that touch and inspire people.

In formulating this strategy, we had updated our material issues in light of the changes in business environment as well as the results of surveys and dialogues with stakeholders. And we established three strategic pillars to resolve these issues: "Accelerate Growth with Brand Power," "Evolve Global Operations," and "Drive Sustainable Value Creation." We will focus on categories that offer attractive

market size and growth potential where we can fully leverage our technological and R&D strengths and competitive advantage. We aim to drive growth through new product launches and cultivation of hero products driven by innovation, while further expanding our geographical presence and venturing into new domains. Furthermore, by clarifying category and brand priorities and by advancing on group-wide optimization, we will enhance investment efficiency and reduce cost. Additionally, we will evolve our social value creation through talent strategies and DE&I (Diversity, Equity & Inclusion), and address social issues through appropriate initiatives for environment. Through these strategies, we aim to achieve a core operating profit margin of 10% or more with a significant improvement in capital efficiency by 2030.

2026 Outlook and Shareholder Returns

In 2026, precisely because the external environment is becoming increasingly uncertain, we will prioritize flexibility and speed to drive sales and profit growth through innovation while improving capital efficiency. We aim to achieve a core operating profit margin of 7% and free cash flow of ¥50.0 billion by transforming into an organization capable of constantly generating returns. Based on our enhanced cash generation capability and progress on building financial discipline, we plan to increase the annual dividends for 2026 by ¥20 to ¥60 per share.

Always engaging with people, discovering new values, and continuing to challenge ourselves through innovative creation—this has been our unique strength since our founding in 1872 and is our path to essential growth. By continuing to pursue the discovery and creation of new beauty values, we aim to fulfill our corporate mission: "BEAUTY INNOVATIONS FOR A BETTER WORLD."

We would like to ask our shareholders and investors for the continued support and understanding.

**Strive to Achieve Targets for 2026
Unwavering Commitment to Maximizing Corporate Value**

