

Message from the CEO

Building a Resilient Corporate Structure for Sustained Profitable Growth Amid Volatile Market Conditions

Kentaro Fujiwara
Representative Corporate Executive Officer,
President and CEO



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

Shiseido company has been actively pursuing structural reforms aimed at achieving high profitability, and we are now beginning to see tangible results, particularly in Japan. However, the business environment remains highly unpredictable, leaving no room for optimism unless we take action. We have positioned 2025 as the year of a turnaround and will be accelerating strategic actions toward achieving our goals. We are committed to completing structural reforms and rebuilding our foundation for sustainable growth with speed and agility while maximizing corporate value over the medium to long term.

Accomplishments and Challenges in 2024

Despite the challenging environment, we have successfully delivered consolidated operating profit in line with the revised target announced in November last year, thanks to our collective efforts across the organization. In Japan, we executed an extensive business transformation last year through a bold selection and concentration strategy, which drove a strong recovery in core operating profit margin to around 10%. In addition, we worked to create new markets and new values in an environment marked by rapidly diversifying consumer needs and preferences. The remarkable success of foundation serum has been one of the most prominent examples that demonstrate such efforts. In the China and Travel Retail Businesses, we experienced persistent revenue declines due to a pullback in consumer spending, and we remain cautious with our outlook for 2025. However, the pace of year-on-year revenue decline has started to ease in the fourth quarter of fiscal year 2024, suggesting early signs of recovery. In the Americas, we continued to face a delayed recovery in sales although the effects of production declines associated with IT system implementation in the first half of the year were resolved. Our company-wide cost reduction efforts generated savings of ¥20 billion in 2024, primarily in Japan and China, and we expect to see similar effects in 2025.

While we managed to deliver a core operating profit of ¥36.4 billion, which exceeded our forecast, we posted ¥10.8 billion in loss attributable to the owners of the parent company, which reflected restructuring charges as well as the recognition of a provision* as finance costs. Although this provision is a non-recurring item, which has had no impact on the Company's cash flow in 2024, management takes this final net loss seriously and remains committed to accelerating the recovery as quickly as possible.

In light of the consolidated financial results for fiscal year 2024, as well as the outlook for our earnings going forward, we regrettably have made a decision to reduce the year-end dividend to ¥10 per share, with a reduction of ¥20 per share from the initial forecast. We remain fully committed to completing structural reforms and improving profitability as early as possible to maximize returns for our shareholders.

*Recognized after assessing the recoverability of a portion of the total purchase price of the business divestiture in 2021 deferred to be paid to the Company.

Key Priorities Under Action Plan 2025–2026

In November of last year, we announced the launch of “Action Plan 2025–2026” as part of the medium-term strategy “SHIFT 2025 and Beyond,” outlining top-priority actions to resolve underlying issues to drive sustainable growth. By confronting the challenges and relentlessly executing structural reforms, we aim to build a resilient profit structure that can navigate unpredictable market conditions while building an enduring business foundation for new value -creation that contributes to society.

Our first action is to reinforce brand foundation by focusing our efforts on selection and concentration, prioritizing eight key brands—Core 3 and Next 5—accelerating strategic investments for on-brand development and reinforcement on a global basis. To further amplify their brand value, we will leverage our technological expertise and R&D capabilities—the primary sources of our competitive advantage—directly transforming these assets into brand equity.

The second action is rebuilding a highly profitable foundation. By reducing fixed costs, we aim to create a resilient business structure where brand growth is directly linked to profitability. In the China and Travel Retail Businesses, we will execute vigilant strategies by optimizing cost structure and reinforcing business portfolio as well as organizational capabilities aligned with ever-diversifying consumer needs in order to maximize our opportunities. Additionally, we will expand cost reduction strategies—previously focused on Japan and China—into other regions, seeking to lower fixed costs while increasing per-capita productivity for greater profitability.

With the successful completion of this action plan, we are striving to achieve a core operating profit margin of 7% in 2026, which is two times higher than the level we achieved in 2024.

To weather this critical two-year period, we must be united globally as one team, driven by a strong sense of urgency and agility in executing all necessary actions. To that end, we will build a corporate culture that enhances our operational governance while promoting autonomy and accountability in taking actions to constantly deliver tangible results.

We would like to ask our shareholders and investors for their continued support and understanding as we carry out these initiatives to fulfill our corporate mission: BEAUTY INNOVATIONS FOR A BETTER WORLD.

Achieve 7% Core Operating Profit Margin in 2026

