

2020 Results (January–December) and 2021 Outlook

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Executive Officer

Chief Financial Officer

Shiseido Company, Limited

February 9, 2021



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In this document, 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.

2020 Q4 (October–December): Executive Summary

(Billion yen)	2019		2020		YoY Change	YoY Change %	YoY Change FX-Neutral %	Like-for- Like % ^{*2}
		% of Net Sales		% of Net Sales				
Net Sales	284.9	100%	267.2	100%	−17.7	−6.2%	−5.8%	−8.0%
Operating Profit	10.5	3.7%	6.1	2.3%	−4.5	−42.4%		
Extraordinary Income (Loss)	−1.1	−0.4%	4.4	1.7%	+5.5	—		
Net Profit ^{*1}	1.1	0.4%	2.0	0.8%	+0.9	+82.0%		
EBITDA ^{*3}	29.4	10.4%	28.0	11.9%	−1.4	−4.8%		

Net Sales:

- Remarkable sales from Singles' Day in China mitigated the impact of COVID-19 (China: **+over 30%**^{*4})
- Continued growth in e-commerce, mainly in Prestige (Global: **+over 55%**, Prestige: **+over 60%**)
- Focus on skin beauty brands contributed to growth: skincare sales ratio **+3.4 pts**

Operating Profit:

- Recovered 66% of gross profit decline with rigorous cost management, mainly for Other SG&A, offsetting one-time business reform expenses
- Significantly reduced inventories, mostly through production volume adjustments: −¥16.7 bn vs Q3

Extraordinary Income and Losses:

- Cash generation through the sale of idle assets (¥9.2 bn)
- Organizational reform to accelerate digital transformation (Americas: −¥3.2 bn)

EBITDA:

- Maintained double-digit EBITDA margin, improving +1.5 pts

*1. Net Profit Attributable to Owners of Parent

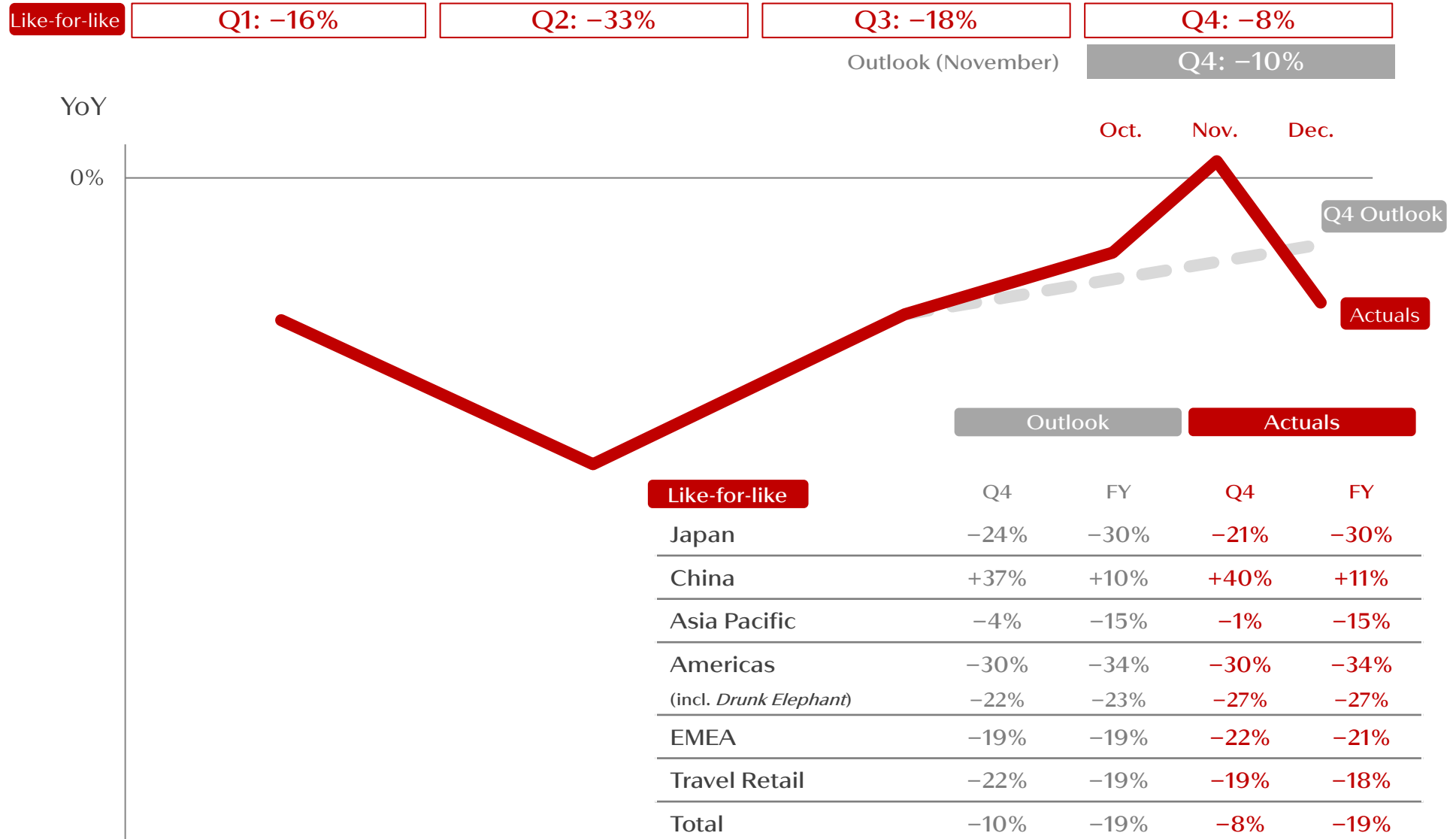
*2. Like-for-like excluding the impacts of (1) the adoption of the new revenue recognition standard ASC 606 in the Americas and (2) the acquisition of *Drunk Elephant*, etc.

*3. After adjustment: Net income (loss) before income taxes + Interest expense + Depreciation and amortization expense + Impairment loss on goodwill and other intangible assets

*4. Based on Shiseido consumer purchases

Oct. to Nov.: Recovery Above Expectations

Dec. Onward: Momentum Decelerated due to COVID-19 Resurgence, Mainly in Americas and EMEA



Q4 Japan: Focused on Consumer Needs Amid Slow Market Recovery

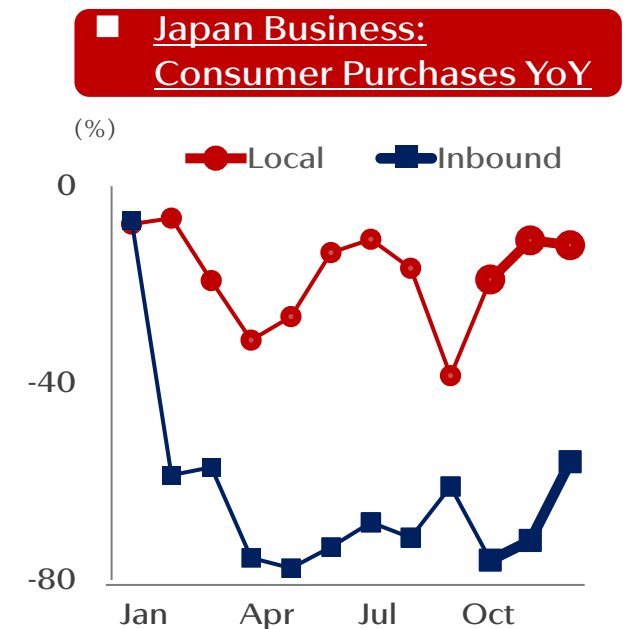
● Market:

- Local consumer traffic:
offline sluggish, expanded online contact points
- Inbound traffic:
challenges from restrictions remained
- Affected by cycling of drop in demand following tax hike in 2019



● Shiseido Consumer Purchases: –high teens

- Local: –mid-single digits
 - Increased promotions:
extended “Cosmetics Day,” etc.
 - E-commerce: +over 30%, grew share
 - Growth in retailer.com
 - Active livestreaming and online counselling
 - Cleanser and makeup remover showed
signs of gaining momentum
- Inbound: –over 60%



Q4 Japan: Agile Product Development in Response to Changes in Consumer Needs; Advances in Digital Communication

- New launches as a timely response to changes in consumer beauty needs
 - *MAQuillAGE*: “world’s first” **mask-proof** BB cream (launched in Nov.)
 - *SHISEIDO* Ultimune Power Infusing hand cream, *IHADA* medicated hand sanitizer (launched in Dec.)



- Advanced digital communication
 - **Japan-first** online counseling in collaboration with department stores
 - **Evening** online counseling
 - **Over 120 Shiseido Beauty Consultants in Japan** shared latest beauty information through Instagram



Q4 China: Sales from Singles' Day Doubled; Acceleration Both Online and Offline

● Market:

- E-commerce: continued expansion, accelerated growth at online events (Singles' Day, etc.)
- Prestige: driver of overall recovery

● Shiseido Consumer Purchases: **Total: +over 30%**

➤ **Mainland China: +over 35%**

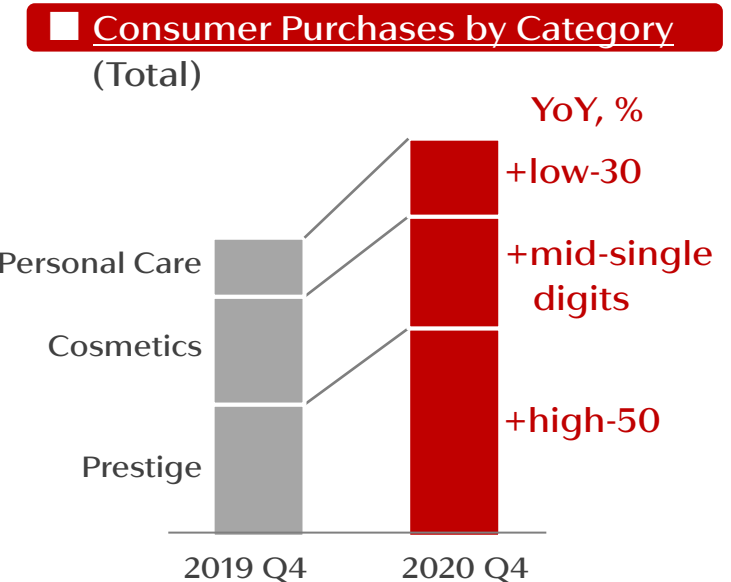
- Prestige: **+over 75%**
- E-commerce: **+over 70% (ratio: 50%)**
 - Incl. Prestige: **+over 150%**

Singles' Day: sales doubled

- Shiseido Group sales **ranked 3rd** ^{*1} in the beauty market
- First Japan–China joint livestream



Singles' Day promotion



*1. Tmall General Trade + Tmall Global; Shiseido Group sales

Q4 Travel Retail: China Strong, Driven by Hainan, Despite Global Travel Stagnation

- Market:

- Hainan: robust
- Japan: no signs of traffic comeback
- Europe/US: limited traffic and operations

- Shiseido Consumer Purchases

Asia: +high-teens (Global: –mid-teens)

- Hainan continues to drive growth
Increased investment in exclusives
- E-commerce (Asia): **+over 80%**
- Focused investment on skincare brands;
Clé de Peau Beauté, IPSA and *ELIXIR*: solid



SHISEIDO's first collaboration with YiZhiBo live-streaming platform for China Duty Free

2020 Recap: Flexible and Agile Response to a VUCA World

- Enhanced investment in strategic growth areas
 - Robust growth of China Prestige and Travel Retail Asia
Mainland China Prestige: **+over 45%^{*1}**, TR Asia: **+high-teens^{*1}**
 - Increased skincare sales ratio through focus on skin beauty brands
Skincare sales ratio: **over 60% (2020); +1.6 pts**
 - Record growth of e-commerce due to bold shift to digital marketing
E-commerce sales ratio: 13% (2019) → **25% (2020); +over 45%**
E-commerce Prestige sales ratio: 16% (2019) → **30% (2020); +over 60%**
- Agile development and launch of products in response to new needs
- Solid progress with business transformation initiatives coupled with relentless cost management
Gross profit recovery rate^{*2} Q1: 19% → Q4: 66%; 2020: 41%^{*3}
- Reduced inventory to a level below 2019 from a peak in Q2 by adjusting production
Vs end-Dec. 2019: -¥11.1 bn; vs end-June 2020: -¥24.8 bn

*1. Based on Shiseido consumer purchases *2. Amount of SG&A reduction vs. LY / amount of decline in gross profit vs. LY

*3. Excluding the impact of reclassification to extraordinary loss on COVID-19, etc.

FY 2020 (January–December): Executive Summary

(Billion yen)	2019		2020		YoY Change	YoY Change %	YoY Change FX-Neutral %	Like-for-Like %*2	2020 Outlook (Nov.)	Change from Outlook
		% of Net Sales		% of Net Sales						
Net Sales	1,131.5	100%	920.9	100%	−210.7	−18.6%	−17.8%	−18.8%	915.0	+5.9
Operating Profit	113.8	10.1%	15.0	1.6%	−98.9	−86.9%			−10.0	+25.0
Extraordinary Income (Loss)	−1.4	−0.1%	−11.7	−1.2%	−10.3	—			−15.0	+3.3
Tax Expenses	30.1	2.7%	7.1	0.8%	−23.0	−76.5%			—	—
Net Profit*1	73.6	6.5%	−11.7	−1.3%	−85.2	—			−30.0	+18.3
EBITDA*3	169.3	15.0%	71.4	7.8%	−98.0	−57.8%			48.0	+23.4

Net Sales:

- Affected by challenging market due to COVID-19, while mainland China and TR Asia saw early recovery
- Strong momentum in strategic focus areas, outperforming YoY mainly due to enhanced investment (mainland China Prestige: **+over 45%*4**, TR Asia: **+high-teens*4**, skincare sales ratio: **+1.6 pts**, e-commerce: **+over 45%**, e-commerce Prestige: **+over 60%**)

Operating Profit:

- Positive, thanks to rigorous cost management in line with sales fluctuations
- Expenses associated with expedited business reforms (−¥7.0 bn)

Extraordinary Income and Losses:

- Losses on COVID-19 (reclassification: −¥18.7 bn; subsidies, etc.: ¥6.0 bn); organizational reform to accelerate digital transformation
- Cash generation through the sale of idle assets, etc.

*1. Net Profit Attributable to Owners of Parent

*2. Like-for-like excluding the impacts of the acquisition of *Drunk Elephant*, etc.

*3. After adjustment: Net income (loss) before income taxes + Interest expense + Depreciation and amortization expense + Impairment loss on goodwill and other intangible assets

*4. Based on Shiseido consumer purchases

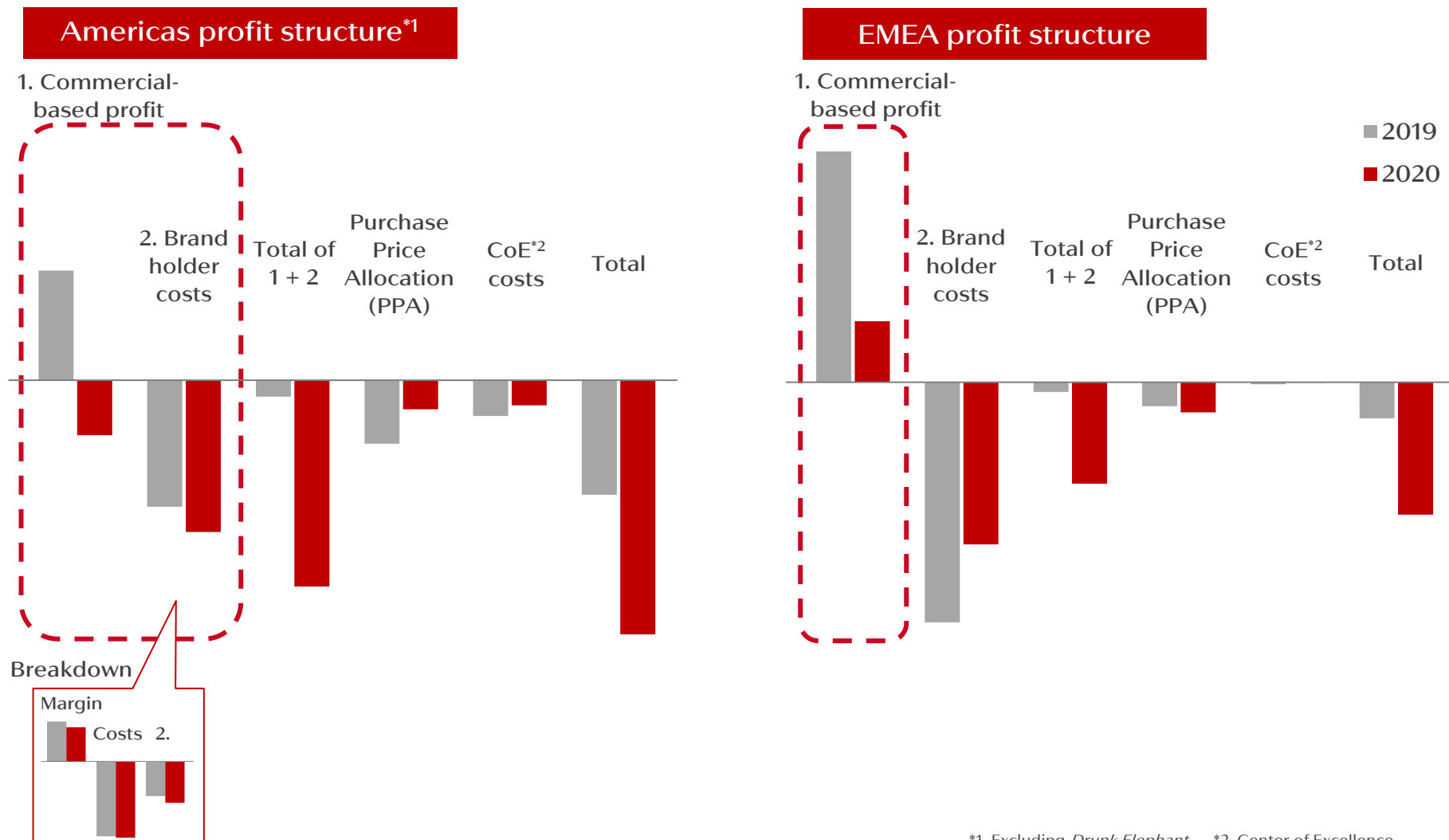
FY 2020 Operating Profit vs Outlook



Americas and EMEA: COVID-Inflicted Losses Expanded

● Issues

- Americas: high fixed cost structure from commercial base and brand holder functions
- EMEA: high level of marketing investment in fragrance business



*1. Excluding *Drunk Elephant* *2. Center of Excellence

Market Assumptions for 2021

Economic uncertainties to continue under lockdowns and states of emergency due to COVID-19. Recovery to start from 2H.

Japan	<ul style="list-style-type: none">• Excludes the impact of the state of emergency declared on January 8th• Local: gradual recovery from 2H onward, but still below 2019• Inbound: unlikely recovery of traffic driven by Chinese travelers; –60-70% vs 2019
China	<ul style="list-style-type: none">• Recovered in 2H 2020; growth to rebound from 2021• Expansion mainly in Prestige, skincare, and e-commerce
Asia Pacific	<ul style="list-style-type: none">• Gradual recovery driven by skincare, but still below 2019
Americas	<ul style="list-style-type: none">• Recovery delayed; still below 2019
EMEA	<ul style="list-style-type: none">• Recovery delayed; still below 2019
Travel Retail	<ul style="list-style-type: none">• Number of international flights drastically reduced; drop in travelers, mainly from China, not to recover• Duty free sales in Asia, primarily Hainan, to continue growth and contribute to overall gradual recovery in travel retail from 2H onward

FY 2021 Sales Outlook by Reportable Segment

	(Billion yen)	2020	2021	YoY Change	YoY Change %	YoY Change FX- Neutral %	2019 (Ref.)
	Total	920.9	1,100.0	+179.1	+19%	+19%	1,131.5
	Japan	303.0	346.0	+43.0	+14%	+14%	431.0
	China	235.8	313.5	+77.7	+33%	+30%	216.2
	Asia Pacific	59.2	66.5	+7.3	+12%	+14%	69.8
	Americas	91.4	116.5	+25.1	+27%	+29%	123.0
	EMEA	94.3	106.0	+11.7	+12%	+8%	118.4
	Travel Retail	98.5	106.5	+8.0	+8%	+10%	122.8
	Professional	12.8	14.5	+1.7	+14%	+14%	14.7
	Other	25.9	30.5	+4.6	+18%	+18%	35.6

Exchange rates for 2021: USD 1 = JPY 105 (−1.6%), EUR 1 = JPY 127 (+4.3%), CNY 1 = JPY 16 (+3.4%)

FY 2021 Outlook

The below outlook excludes the impact of the Personal Care business transfer on consolidated performance, which is currently being examined.

(Billion yen)	2020	2021	% of Net Sales	YoY Change	YoY Change %	YoY Change FX- Neutral %
Net Sales	920.9	1,100.0	100%	+179.1	+19%	+19%
Operating Profit	15.0	35.0	3.2%	+20.0	+134%	
Ordinary Profit	9.6	31.0	2.8%	+21.4	+222%	
Extraordinary Income (Loss)	-11.7	-1.0	-0.1%	+10.7	—	
Net Profit ^{*1}	-11.7	11.5	1.0%	+23.2	—	
EBITDA	71.4	110.0	10.0%	+38.6	+54%	
Dividend (Yen/share)	40	50	—	+10	+25%	

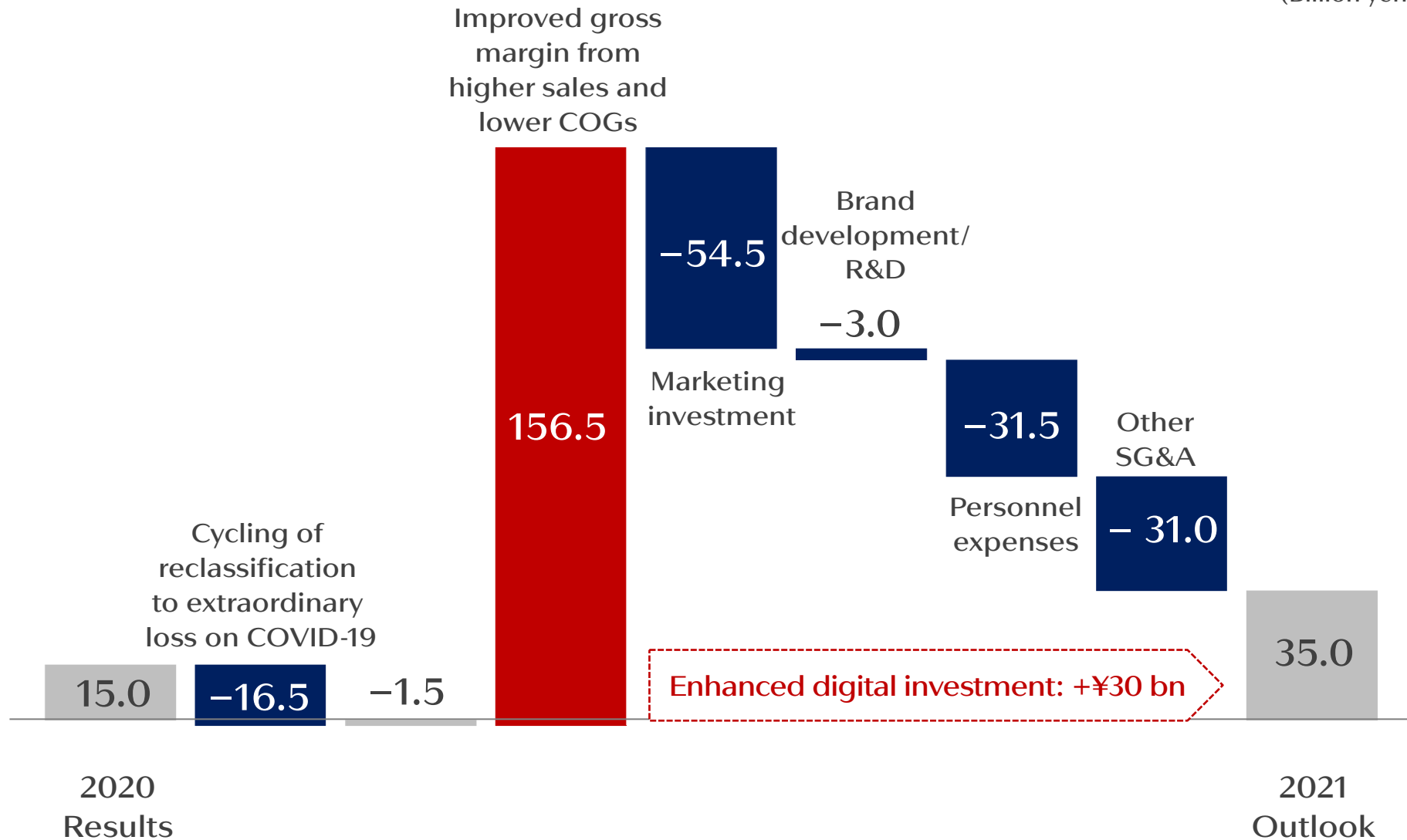
Interim: 20; Year-end: 30

Exchange rates for 2021: USD 1 = JPY 105 (-1.6%), EUR 1 = JPY 127 (+4.3%), CNY 1 = JPY 16 (+3.4%)

*1. Net Profit Attributable to Owners of Parent

FY 2021 Operating Profit Outlook: Gradual Profit Recovery due to Continued Investment in Key Growth Areas

(Billion yen)



Personal Care Business: Further Growth and Development through Joint Venture

SHISEIDO

- Strong brands with a high growth potential
- Lack of resources to invest in product development, advertisement, people, and organization



CVC CAPITAL PARTNERS

- Financial resources
- Extensive investment experience in FMCG and retail businesses

Enhance investment for growth

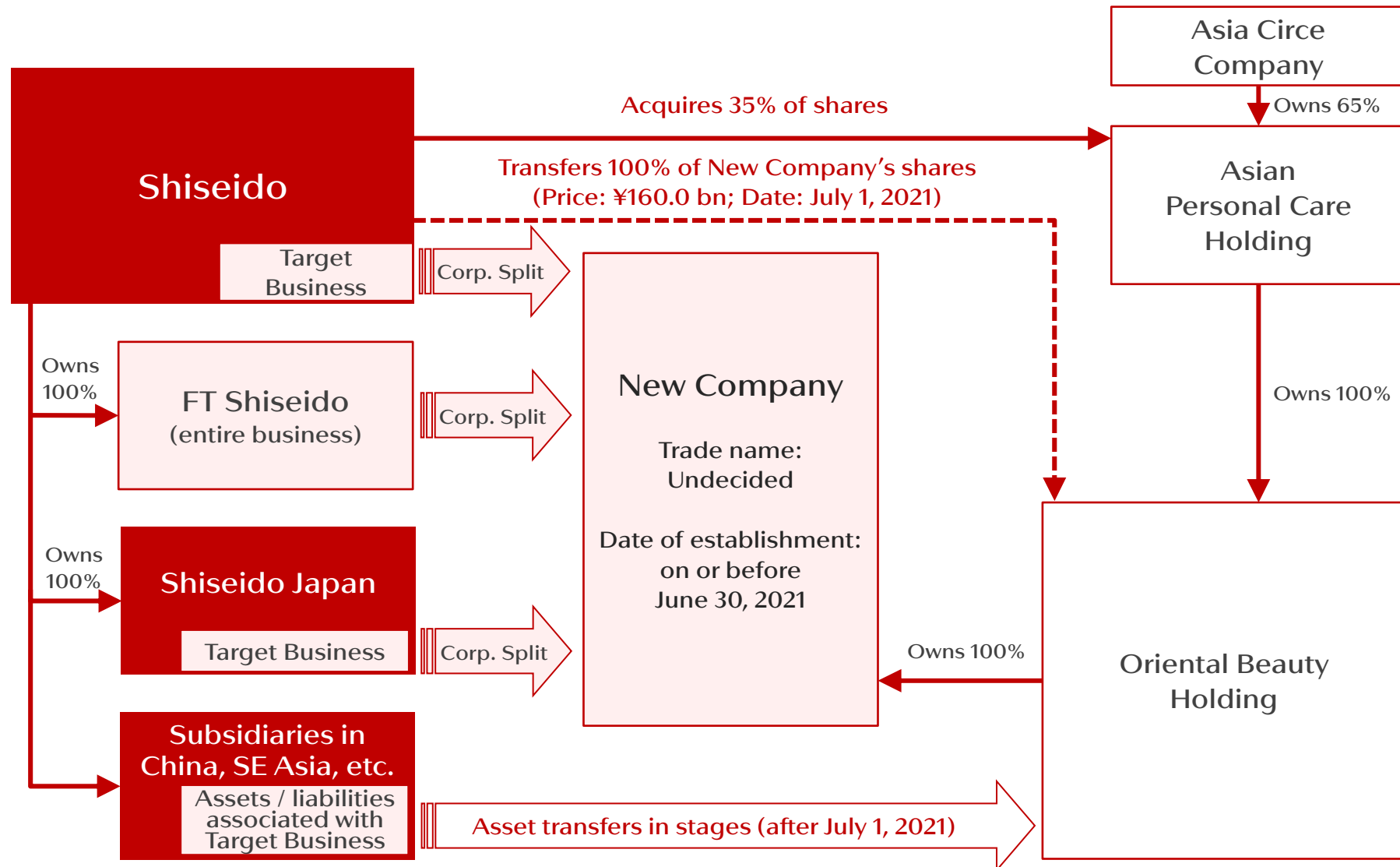
- Jointly operate the Personal Care business as a shareholder (35%); actively support independent growth of the new company
- Invest to accelerate innovation, enhance digital marketing, sales, and talent



Shiseido

- Concentrate resources on Prestige and Premium cosmetics
- Reduce COGs, increase marketing ROI, and secure cash to invest for growth

Scheme of Company Split Accompanying Personal Care Business Transfer



*The schedule is tentative.

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WIN 2023 and Beyond Medium-to-Long-Term Strategy

Masahiko Uotani

Representative Director, President and CEO

Shiseido Company, Limited

February 9, 2021

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Macro Prospects

- COVID-19:
to subside in 2H 2021~1H 2022
- Post-COVID: consumption recovery
- Corporate purpose: sustainability
- Technology-driven society and
borderless connectivity
- Diversification of values
- Increase in health awareness and
spending
- Global geopolitical harmony,
economic growth in Asia

Changes in the Global Beauty Market

- Awareness of healthy skin

- Functional skincare and sun care
- Clean, natural, sustainable
- Dermatological approach
- Beauty devices, cosmetology
- Inner beauty (diet, sleep)

- Polarization in Makeup

- Prestigious vs cost-effective
- Functional innovations
- Big rebound post COVID

- Diversification in Fragrance

- DX and evolution in Beauty Tech

- Data-driven marketing
- Personalization

- Contribution to a sustainable world

Prestige/Premium
recovery to
+5~6%
Skincare:
faster than average

E-commerce
(retail.com / pure-play /
owned.com)
+10% or more

Our Targets: WIN 2023 and Beyond, Toward 2030

WIN 2023: Shiseido United Transformation

2021

Groundwork

- Business in the new normal
- Structural reforms
- Enhancing the financial base
- Preparing for business post COVID

2022

Back on Growth Track

- Shiseido's 150th anniversary
- Growing global brands
- Accelerating DX
- Inbound recovery

2023

Full Recovery

- Skin Beauty Company
- Net sales ca. ¥1 Tn
- OPM 15%
- High productivity

2030 VISION

PERSONAL BEAUTY WELLNESS COMPANY

- Most Trusted Beauty Company
- No. 1 in Skin Beauty
- Net sales ¥2 Tn
- OPM 18%

Long-term Investment
(Brands, Innovation, Supply Network, DX, People)

WIN 2023 Key Strategies

Improve Profitability

1. Rebuild profit structure through fundamental reforms
2. Increase cost competitiveness and improve factory productivity
3. Accelerate growth in Asia, especially China

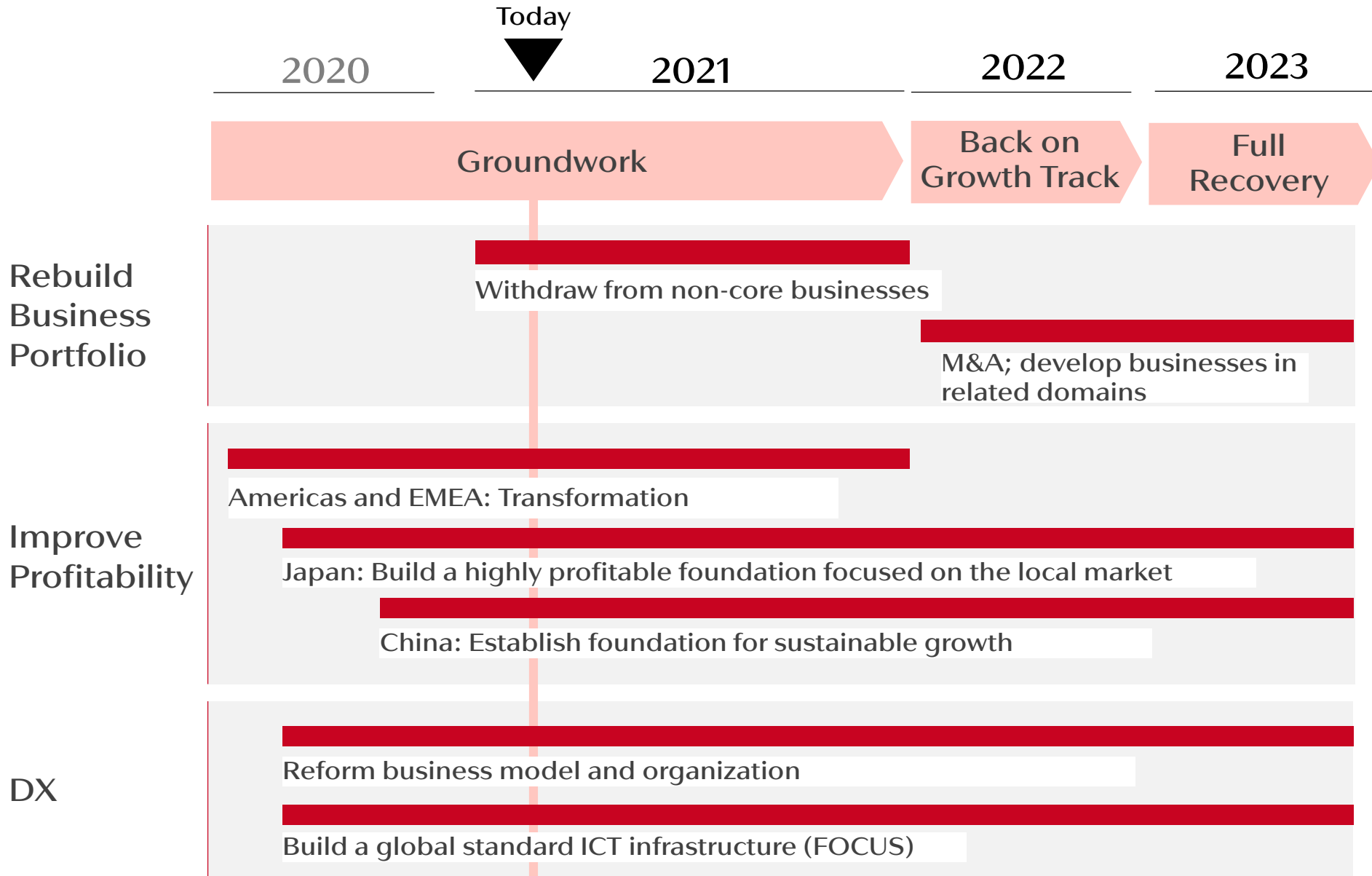
Focus on Skin Beauty

4. Build a powerful portfolio centered on skin beauty brands
5. Accelerate innovation through external collaborations
6. Develop the inner beauty category

Rebuild Business Foundation

7. Become a truly sustainability-focused company
8. Strengthen brands through innovate marketing and robust organization
9. Build a digitally driven business model and organization
10. Enhance talent and organization through diversity and upskilling

Global Business Transformation



Premium Skin Beauty

Sales Ratio 2019 2023

60% >> 80%



Diverse Beauty Powered by Science

Skincare Based on Life Science Research: Immunity

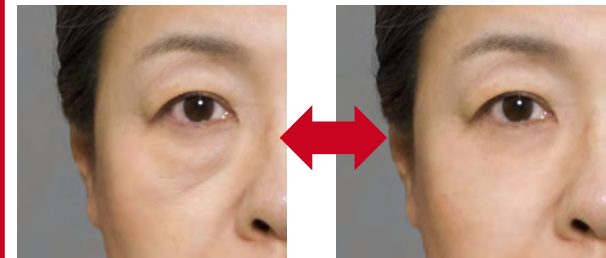


Response to Men's Beauty Needs



Second Skin: State-of-the-art technology

Sagging
under the eyes
improved
with artificial skin



* After application
(image)

Sustainability through Innovation

Toward a Sustainable Japanese Prestige Brand



Farm to Face



Refill Culture: from Japan to the World



Hybrid of Luxury and Cutting-edge Science

SYNACTIF

A Revolutionary Method Inspired
by Detoxing Spa Treatments



PRECIOUS GOLD VITALITY MASK

Pure Gold: Long Revered for Its
Power to Enhance Beauty



RADIANT FLUID FOUNDATION NATURAL

Light-Empowering Enhancer
Technology: Amplifies a Diamond-like
Radiance that Comes from Within



Expand Global Presence

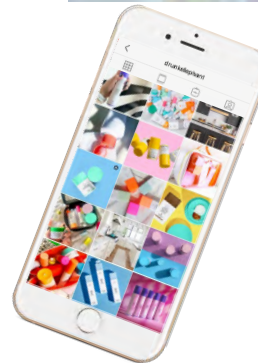
ÍPSA

Pursue Beauty with
Ultimate Customization



DRUNK ELEPHANT™

Accelerate Launches
in EMEA and Asia



fall #drunkinlove

Accelerate Sales in Asia: Focus on China and Japan

ELIXIR

Japanese Skincare Brand
with Unique Value of “Tsuyadama”*



 ANESSA

World's First Defense Technology
and Collaborations
to Boost Demand



* The inner glow revealed on cheeks only when skin is firm and transparent

Develop Emerging Categories

BAUM

Skincare Brand Focusing on
“The Power of Trees”
(China: in September)



EFFECTIM

Aging Care Brand
Fusing Skincare and Beauty Devices
(Japan: in March, China: in April)



Accelerate Global DX

Digital Vision

No. 1 Data-Driven Skin Beauty Company

- Omnichannel experience and digital marketing acceleration
- Consumer experiences informed by data
- Data, analytics, and CRM
- People transformation, strong DX foundation



Angelica Munson
HQ Chief Digital Officer (CDO)

E-commerce
sales ratio

2023 35%

[incl. retail.com, pure play, owned.com]



Japan: Rebuild the business foundation to boost profitability

- Manage local and inbound business separately
- Prioritize skincare-focused brands
(Business plan for Personal Care business to be announced by the new company)
- Establish a dedicated brand value R&D team for Japanese brands
- Cooperate with keys retailers and expand e-commerce
 - E-commerce platform for specialty stores
- Launch Sales Academy, Beauty Institute; Evolve the role of beauty consultants
- Enhance Group-wide digital fluency
- Promote the Job Grade HR System



Omise+
supported by shiseido



Japan:

Drastic Reinforcement of Brand Value in Cosmetics

- Selection and concentration in line with market potential and our strengths
- Nurturing star items to increase loyal users
- Agile product development in response to COVID-19
- R&D based on brand value (new materials and ingredients)

Priority Focus Brands



Strategic Growth Brands



New Brands Development



Products developed in response to COVID-19



Business Model for Omnichannel Experience

- Increase loyal users through consumer data: providing lifetime value
- Strengthen e-commerce (including retail.com)
- Establish a data analysis team and utilize results in all businesses

CRM based on consumer ID



Japan: Innovate Business Model Fueled by DX

Strategic partnership with Accenture

- Strategic partnership agreement signed (considering a JV)
- Transform marketing model, Establish a foundation for DX
- Increase digital professionals and enhance organization



Strategic partnership in global projects (FOCUS/ICT)

China:

Build a Strong Growth Foundation

- Japanese brands with global presence
- Local marketing
- DX; e-commerce ratio: over 50%
- Strategic partnership with Alibaba
- Talent and organization: “Second HQ”
- Relay of Love Project: corporate trust 53→95%



Win Asian Consumers with Cross-border Marketing

- Investment for brand value
- CRM
- Cross-border EC



TMALL 天猫

- Base for beauty-related communication
- KOLs*
- Japan-exclusive products and promotions



- Increase collaboration and store exposure at key retailers in China/Hainan DFS
- Promotions coordinated with China domestic market

- Step up initiatives for TR Japan

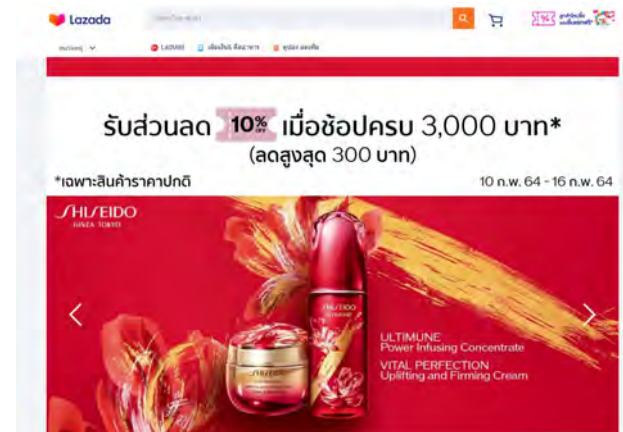
Asia Pacific and Travel Retail

Asia Pacific: Prepare for Economic Growth

- Focus on skin beauty brands
 - Introduce *ELIXIR*, expand *Drunk Elephant*
- Support distribution for Personal Care business
- Strengthen cooperation with EC partners: Lazada
- Enhance digital marketing operations

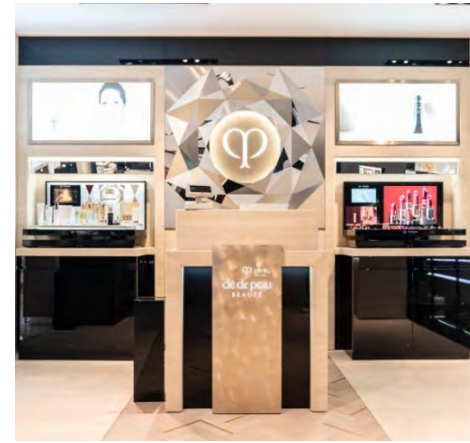
Travel Retail: Enhance Profitability

- Concentrate particularly on Asia
 - Collaborate with TR Japan
- Expand prestige and premium brands
 - *THE GINZA*, *Drunk Elephant*
- Increase presence on Hainan Island



Improve Profitability in Americas and EMEA

- Focus on Japanese skin beauty brands
- Expand *Drunk Elephant*
2020: 11 countries and regions,
2023: over 35
- Improve profitability
in Makeup and Fragrance
- Scale up digital marketing
and accelerate e-commerce
- Reform to reduce fixed costs



Accelerate Innovation

- Increase investment and expand resources for R&D in cosmetics
 - R&D investment: ca. 3% of net sales
- Establish MIRAI Technology Institute and Brand Value R&D Institute
- Unique approach: “Dynamic Harmony”
 - ‘Function x Japan quality’ + ‘Holistic x Dermatology’ + ‘Science x Art’ + ‘Premium x Sustainability’
- Increase collaboration with brands and share KPIs
- Enhance China Innovation Center
- Cultivate “WELLNESS” as a new domain: Inner Beauty
- Open innovation with other companies, including ventures



fiβona

Supply Network Transformation

COGs Reduction: 2%

- Optimize supply network
- Launch new factories in Japan (Nasu, Osaka Ibaraki, Fukuoka Kurume)
- Improve supply, increase in-house manufacturing and productivity
- Increase demand and supply forecasting accuracy with FOCUS
- Streamline processes from procurement to logistics
- Build a global organization



Foster Talent to Drive Innovation and Transformation

“PEOPLE FIRST”

Maximize individual potential of diverse professionals
to increase corporate value

Talent Development and Acquisition

- Globalization of talent
 - Executive Officers system
 - Global mobility
- Next generation of leaders
- Digital professionals

Globally Unified HR System

- Evaluation and compensation
- Job Grade System

Productivity

- Work processes improvement, reorganization
- Performance management
- Shiseido Work Style 2.0

Diverse Leadership and Organization

New Management System of Executive Officers





WIN 2023 Financial Strategy

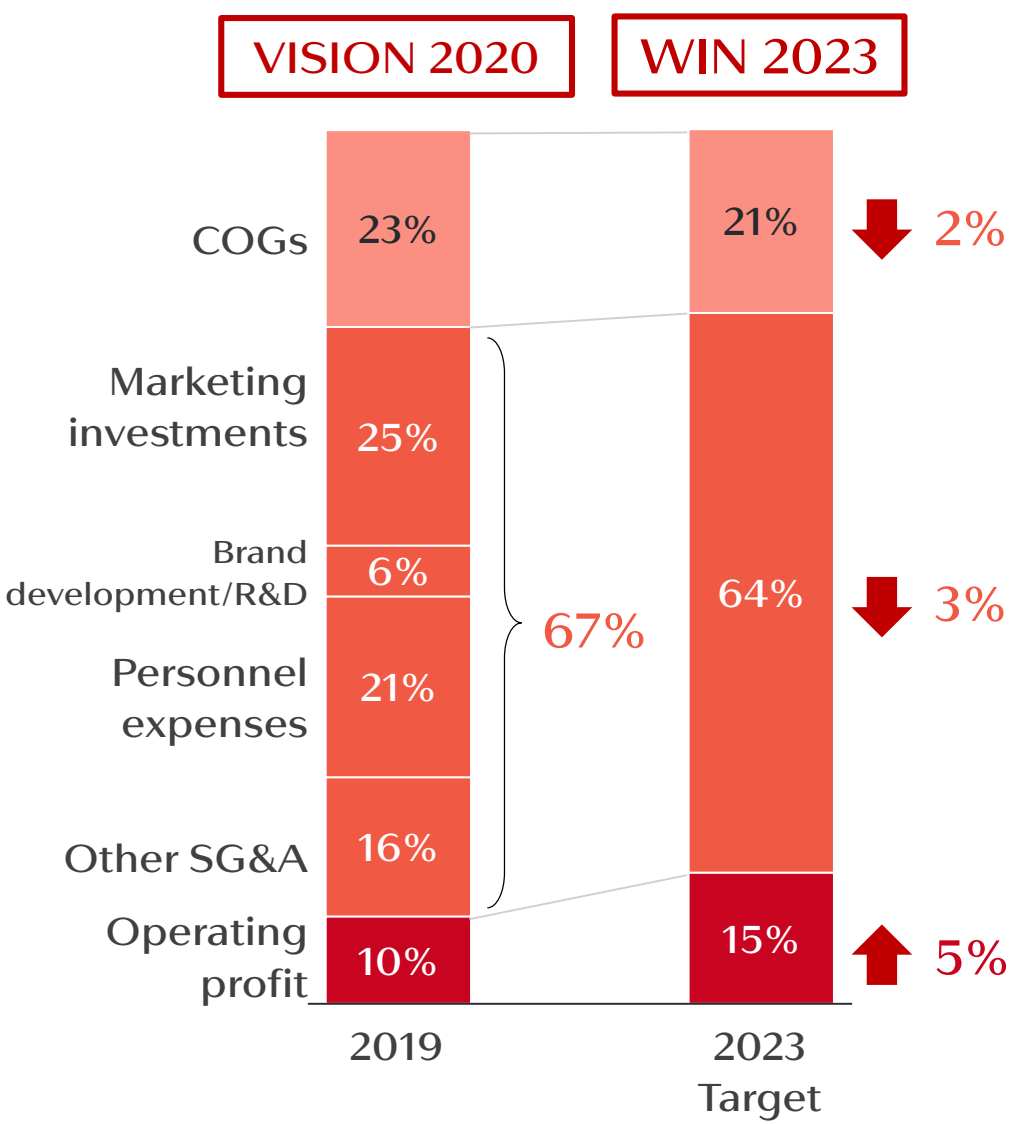
Focus on Profitability and Cash Flow

Structural Reforms to Achieve 2023 Targets

	2019		2023 Target ^{*1}
Net Sales	¥1.1 Tn	>	ca. ¥ 1 Tn
OP Margin	10%	>	15%
EBITDA Margin	15%	>	20%+
Free Cash Flow	–¥127.0 Bn	>	ca. ¥100.0 Bn ^{*2}

^{*1} Including the impact of the Personal Care Business transfer, etc. ^{*2} Excluding cash-out related to M&A

Achieve 15% OPM by 2023 through Fundamental Reforms



Key Actions to Increase Profitability

- Reduce COGs:
- Enhance productivity
 - Improve product mix by increasing skincare ratio
 - Optimize the supply network

- Strengthen digital marketing:
- Expand digital investment
 - Improve marketing ROI

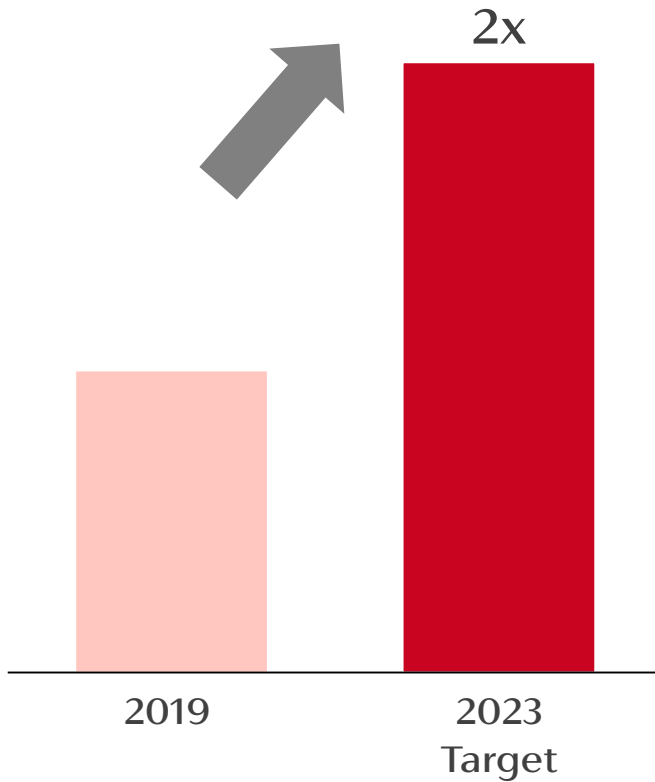
- Accelerate innovation and increase brand value:
- Increase investment in innovation
 - Focus on skincare and new fields

- Reduce SG&A:
- Raise productivity
 - Reduce fixed costs, convert to variables
 - Increase productivity through structural reform and business withdrawal

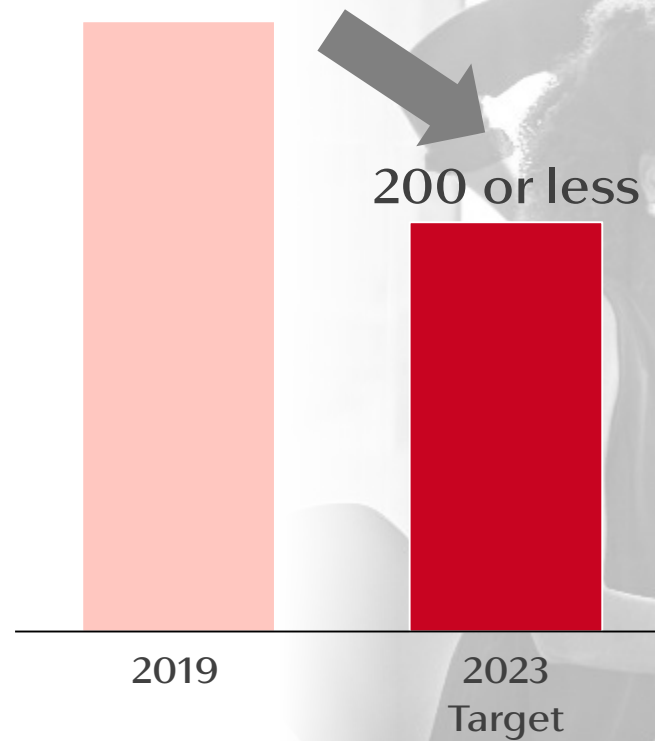
Improve Productivity and Cash Efficiency

(At year-end)

Productivity



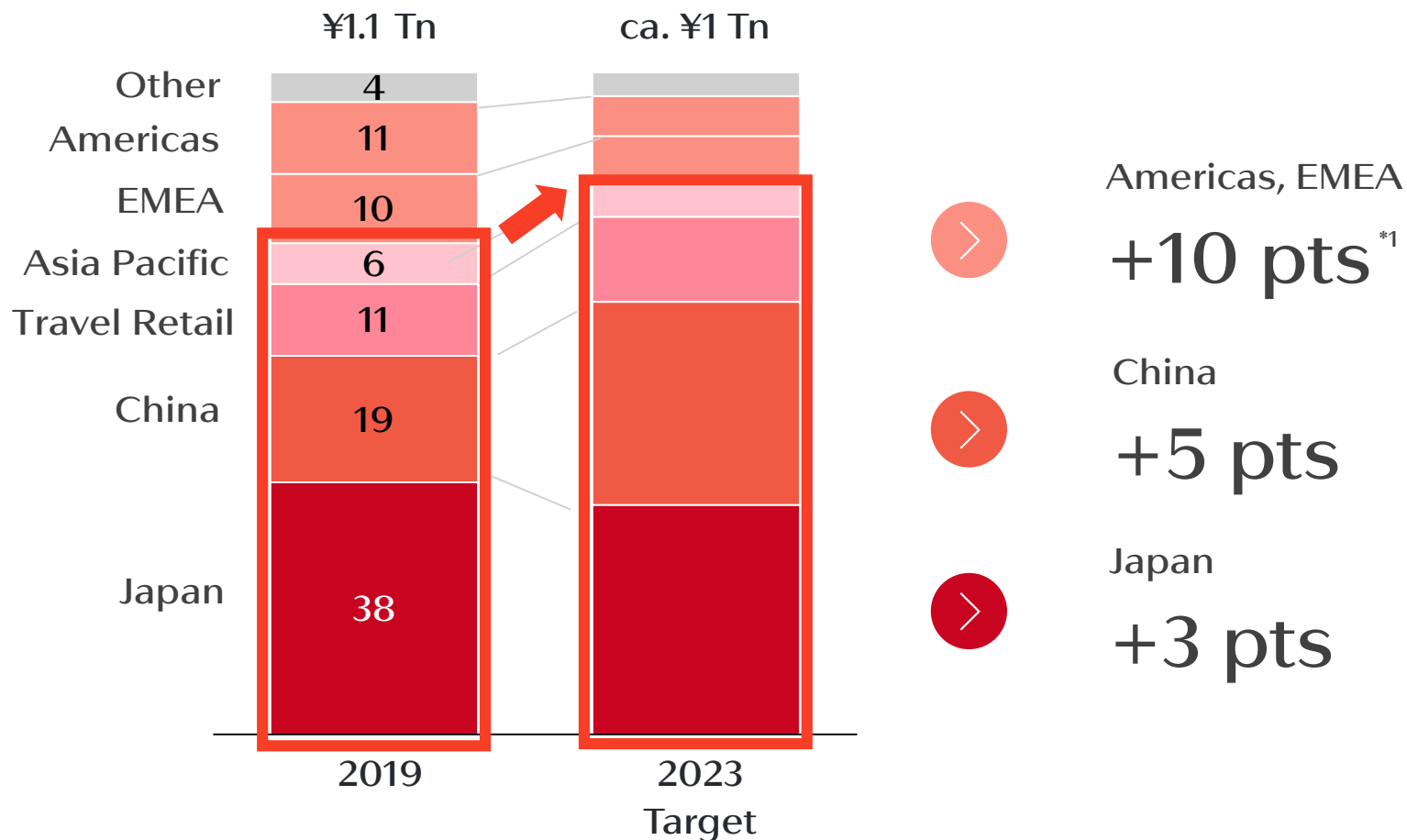
Inventory turnover (days)



Growth Driven by Asia, Particularly China; Operating Margin Improvement in All Regions

Share of Net Sales (%)

OPM Improvement
(vs 2019)



*1 Excluding the impact of goodwill amortization of *Drunk Elephant* in the Americas

*2 Excluding the impact of changes in transfer price

*3 Share of Net Sales for 2019 results is after segment changes; figures for 2023 include the impact of the Personal Care business transfer, etc.

Enhance Cash Generating Power; Strategic Cash Allocation to Increase Corporate Value

Cash Inflow: ¥500+ Bn (2021-2023 Cumulative Total)

- **Improve Underlying Profitability**

Improve operating profit and EBITDA through focus on skin beauty and structural reforms

- **Reform Cash Flow**

Increase inventory efficiency
Reduce supply chain lead time
Sell idle assets

- **Review Portfolio**

Secure cash for reinvestment in future growth

① Reforms Ca. ¥50 Bn

② Investment for Growth

- People
- Foundation for the future (digital, IT, factories): ¥230 Bn
- Marketing investment in skin beauty: ¥100 Bn*
- M&A, investment in new business categories

③ Reduce Debt ¥50 - 80 Bn


* Marketing investment includes POS personnel costs and is recorded as expense

**Increase
Total
Shareholder
Returns**



Maximize Corporate Value

Establish a Resilient Financial Base by 2023 through Structural Reforms and Secure Cash

		2014	2019	2023 Target
Improve Capital Efficiency	ROIC	6%	13%	14%
	ROE	8%	16%	18%
Maintain A-rating	Net D/E	0.1x	0.3x	0.2x
	Net D/EBITDA	0.5x	0.8x	0.5x
Dividends: stable increase until 2023; from 2024: in line with growth	Dividend	¥20	¥60	
	DOE	2.6%	5.1%	—

Achieve targets by maximizing free cash flow
through investment decisions based on NPV and pay-back rate
and improving working capital



Vision Toward 2030

BEAUTY INNOVATIONS FOR A BETTER WORLD

Our 2030 Goals

A Better World

A sustainable society where everyone can enjoy a lifetime of happiness through the power of beauty.

Our 2030 Goal

Contribute to lifelong happiness of 200 million people worldwide through beauty and wellness.

Our Business Proposition

A BEAUTY WELLNESS business centered on cosmetics.

Based on an Eastern approach, we offer unique, healthy beauty.

Sustainable Actions and KPIs Toward 2030

For People

Support people through healthy beauty for a unique lifetime

- Loyal users of Shiseido Group products
- Empower older adults and people with cancer through beauty: 500,000 people

For Society

Realize a society filled with respect and empowerment
(Be a leader in diversity and inclusion in Japan)

- Empower 1 million women through collaborations with international organizations
- 30% Club Japan: Boost female executives in Japan

[Shiseido]

- Gender equality at every level; diverse talent

For the Planet

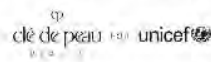
Contribute to the environment where people can live in harmony and enjoy sustainable beauty

- Sustainable packaging for all products
- Carbon neutrality
- Sustainable procurement
Environment-friendly formulas and ingredients

A sustainable society for lifelong happiness

UNLOCK THE POWER of GIRLS

THE KEY TO A BETTER WORLD



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UNLOCK THE POWER of GIRLS

THE KEY TO A BETTER WORLD

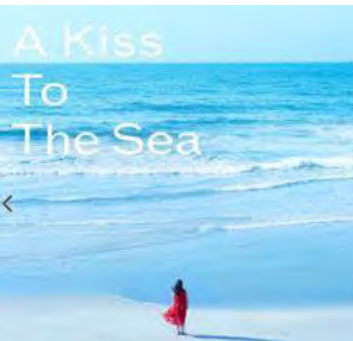
Clé de Peau believes that the key to a better society is unlocking the potential and creating intelligence of girls and educating a future step to ensure their success. Clé de Peau Beauty is proud to partner with UNICEF to make this more girls globally have access to education and skills. You can also help spread tolerance. A portion of The Serum purchase will be donated to UNICEF to support the education and empowerment of girls around the world. Unlock the power of girls and create a better world.

#KeyToABetterWorld

Clé de Peau × UNICEF



For every purchase of The Serum, a donation will be made to UNICEF.



SBAS SUSTAINABLE BEAUTY ACTIONS



SHISEIDO GINZA TOKYO



女性が輝く 先進企業 2020



SHISEIDO



対象商品の利益^{※1}を、医療現場のサポートのために寄付します。^{※2}

自分の手を守ることが、医療現場の手助けにつながる。



PERSONAL BEAUTY WELLNESS COMPANY

Contribute to a lifetime of unique and healthy beauty
for each and every one



To Be a Lifetime Partner through a “Healthy Beauty Platform”

Capture skin and
body condition



Help discover
new beauty



Offer solutions
and experience



Provide a variety
of purchase
solutions



Engage as
a long-term
trusted partner



Personalization based on accumulated skin and body data

Be a Global Winner with Our Heritage

Toward Full Recovery in 2023



SHISEIDO

Supplemental Data 1

Summary of FY 2020 Results

(Billion yen)	2019		2020		YoY Change	YoY Change %	YoY Change FX- Neutral%	Like-for-Like % ^{*3}
		% of Net Sales		% of Net Sales				
Net Sales	1,131.5	100%	920.9	100%	-210.7	-18.6%	-17.8%	-18.8%
Cost of Sales	254.8	22.5%	238.4	25.9%	-16.4	-6.5%		
Gross Profit	876.7	77.5%	682.5	74.1%	-194.2	-22.2%		
SG&A	762.9	67.4%	667.5	72.5%	-95.3	-12.5%		
Operating Profit	113.8	10.1%	15.0	1.6%	-98.9	-86.9%		
Non-operating Income (Expenses)	-5.1	-0.5%	-5.3	-0.6%	-0.2	-		
Extraordinary Income (Loss)	-1.4	-0.1%	-11.7	-1.2%	-10.3	-		
Tax Expenses	30.1	2.7%	7.1	0.8%	-23.0	-76.5%		
Net Profit ^{*1}	73.6	6.5%	-11.7	-1.3%	-85.2	-		
EBITDA ^{*2}	169.3	15.0%	71.4	7.8%	-98.0	-57.8%		

Exchange rates: USD 1 = JPY 106.8 (YoY change: -2.1%), EUR 1 = JPY 121.8 (-0.3%), CNY 1 = JPY 15.5 (-1.9%)

*1. Net Profit Attributable to Owners of Parent

*2. After adjustment: Net income (loss) before income taxes + Interest expense + Depreciation and amortization expense + Impairment loss on goodwill and other intangible assets

*3. Excluding the impacts of the acquisition of *Drunk Elephant*, etc.

Supplemental Data 2

Summary of Q4 Results

(Billion yen)	2019		2020		YoY Change	YoY Change %	YoY Change FX- Neutral%	Like-for-Like % ^{*3}
		% of Net Sales		% of Net Sales				
Net Sales	284.9	100%	267.2	100%	-17.7	-6.2%	-5.8%	-8.0%
Cost of Sales	76.6	26.9%	72.1	27.0%	-4.5	-5.9%		
Gross Profit	208.3	73.1%	195.1	73.0%	-13.2	-6.3%		
SG&A	197.8	69.4%	189.1	70.7%	-8.7	-4.4%		
Operating Profit	10.5	3.7%	6.1	2.3%	-4.5	-42.4%		
Non-operating Income (Expenses)	-2.5	-0.9%	-2.0	-0.8%	+0.5	—		
Extraordinary Income (Loss)	-1.1	-0.4%	4.4	1.7%	+5.5	—		
Tax Expenses	4.8	1.7%	5.2	2.0%	+0.4	+8.4%		
Net Profit ^{*1}	1.1	0.4%	2.0	0.8%	+0.9	+82.0%		
EBITDA ^{*2}	29.4	10.4%	28.0	11.9%	-1.4	-4.8%		

Exchange rates: USD 1 = JPY 104.5 (YoY change: -4.0%), EUR 1 = JPY 124.6 (+3.5%), CNY 1 = JPY 15.8 (+2.1%)

*1. Net Profit Attributable to Owners of Parent

*2. After adjustment: Net income (loss) before income taxes + Interest expense + Depreciation and amortization expense + Impairment loss on goodwill and other intangible assets

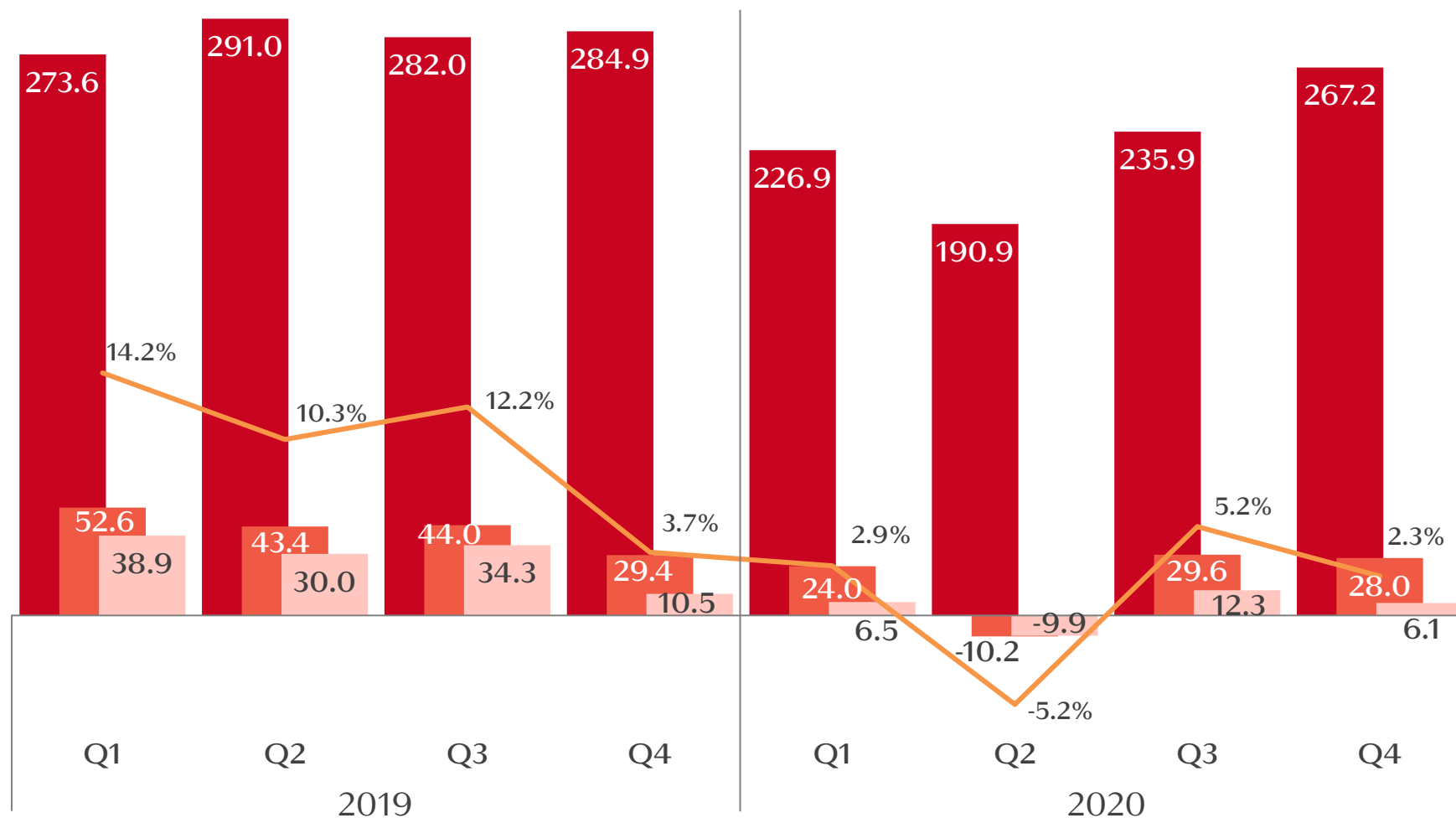
*3. Excluding the impacts of the adoption of the new revenue recognition standard, ASC 606 in the Americas in 2019 and the Acquisition of *Drunk Elephant*, etc.

Supplemental Data 3

KPI Trends

Net Sales EBITDA Operating Profit Operating Profit Margin

(Billion yen, %)



Supplemental Data 4

FY 2020 Sales and Operating Profit by Reportable Segment

Top: Net Sales Bottom: OP (Billion yen)	2019		2020			YoY Change	YoY Change %	YoY Change FX- Neutral %	Like-for- Like %	
	% of Net Sales OPM %	OPM % excl. amortization of goodwill etc.	% of Net Sales OPM %	OPM % excl. amortization of goodwill etc.						
Japan	431.0 76.5	38.1% 16.7%	— 16.8%	303.0 10.5	32.9% 3.2%	— 3.3%	−128.0 −66.0	−29.7% −86.3%	−29.7% —	−29.6% —
China	216.2 29.2	19.1% 13.5%	— 13.6%	235.8 18.4	25.6% 7.8%	— 8.1%	+19.6 −10.8	+9.0% −37.1%	+11.0% —	+11.0% —
Asia Pacific	69.8 7.4	6.2% 10.2%	— 10.4%	59.2 3.2	6.4% 5.3%	— 6.0%	−10.7 −4.2	−15.3% −56.3%	−14.7% —	−14.7% —
Americas	123.0 −7.6	10.9% −4.6%	— −1.2%	91.4 −22.3	9.9% −18.8%	— −14.5%	−31.6 −14.7	−25.7% —	−23.8% —	−33.7% —
EMEA	118.4 −2.2	10.5% −1.7%	— −0.3%	94.3 −13.2	10.3% −12.9%	— −10.7%	−24.1 −11.0	−20.4% —	−20.2% —	−20.5% —
Travel Retail	122.8 31.3	10.8% 25.4%	— 25.5%	98.5 14.6	10.7% 14.8%	— 15.5%	−24.3 −16.7	−19.8% −53.2%	−18.2% —	−18.2% —
Professional	14.7 0.3	1.3% 2.2%	— 2.2%	12.8 −0.0	1.4% −0.3%	— −0.3%	−1.9 −0.4	−13.1% —	−12.2% —	−12.2% —
Other	35.6 −9.9	3.1% −5.6%	— −5.5%	25.9 3.5	2.8% 2.0%	— 2.3%	−9.6 +13.3	−27.1% —	−27.1% —	−27.1% —
Subtotal	1,131.5 125.2	100% 9.2%	— 9.8%	920.9 14.7	100% 1.3%	— 2.2%	−210.7 −110.5	−18.6% −88.3%	−17.8% —	−18.8% —
Adjustment	— −11.3	— —	— —	— 0.3	— —	— —	— +11.6	— —	— —	— —
Total	1,131.5 113.8	100% 10.1%	— 10.8%	920.9 15.0	100% 1.6%	— 2.7%	−210.7 −98.9	−18.6% −86.9%	−17.8% —	−18.8% —

*1. OPM is calculated using net sales including intersegment sales.

*2. See Supplemental Data 12 for details about changes in reportable segments. The previous year's results are restated to reflect the new reportable segments.

Supplemental Data 5

Q4 Sales and Operating Profit by Reportable Segment

Top: Net Sales Bottom: OP (Billion yen)	2019		2020			YoY Change	YoY Change %	YoY Change FX- Neutral %	Like-for- Like %	
		% of Net Sales OPM %	OPM % excl. amortization of goodwill etc.		% of Net Sales OPM %					OPM % excl. amortization of goodwill etc.
Japan	96.0 10.1	33.7% 9.8%	— 9.9%	76.2 6.9	28.5% 8.4%	— 8.5%	−19.7 −3.2	−20.6% −32.0%	−20.6% —	−20.5% —
China	57.7 5.3	20.3% 9.1%	— 9.4%	80.8 7.0	30.2% 8.6%	— 8.9%	+23.1 +1.7	+39.9% +32.3%	+39.8% —	+39.8% —
Asia Pacific	16.2 2.0	5.7% 11.4%	— 12.0%	15.9 1.1	6.0% 6.9%	— 7.5%	−0.3 −0.8	−1.7% −43.3%	−1.3% —	−1.3% —
Americas	30.5 0.9	10.7% 2.2%	— 6.3%	25.6 −2.5	9.6% −6.9%	— −3.8%	−4.9 −3.4	−16.2% —	−12.7% —	−30.0% —
EMEA	42.2 1.2	14.8% 2.8%	— 3.9%	34.0 −4.7	12.7% −13.3%	— −11.7%	−8.2 −6.0	−19.4% —	−21.0% —	−21.8% —
Travel Retail	29.2 6.5	10.2% 22.1%	— 22.4%	22.9 2.6	8.6% 11.5%	— 12.2%	−6.2 −3.8	−21.4% −59.2%	−18.5% —	−18.5% —
Professional	3.7 −0.1	1.3% −2.5%	— −2.5%	3.7 −0.3	1.4% −7.8%	— −7.8%	+0.0 −0.2	+0.4% —	+0.4% —	+0.4% —
Other	9.4 −6.8	3.3% −15.1%	— −14.8%	8.1 −9.2	3.0% −23.9%	— −23.6%	−1.4 −2.4	−14.6% —	−14.6% —	−14.6% —
Subtotal	284.9 19.0	100% 5.6%	— 6.4%	267.2 0.9	100% 0.3%	— 1.0%	−17.7 −18.2	−6.2% −95.3%	−5.8% —	−8.0% —
Adjustment	— −8.5	— —	— —	— 5.2	— —	— —	— +13.7	— —	— —	— —
Total	284.9 10.5	100% 3.7%	— 4.7%	267.2 6.1	100% 2.3%	— 3.2%	−17.7 −4.5	−6.2% −42.4%	−5.8% —	−8.0% —

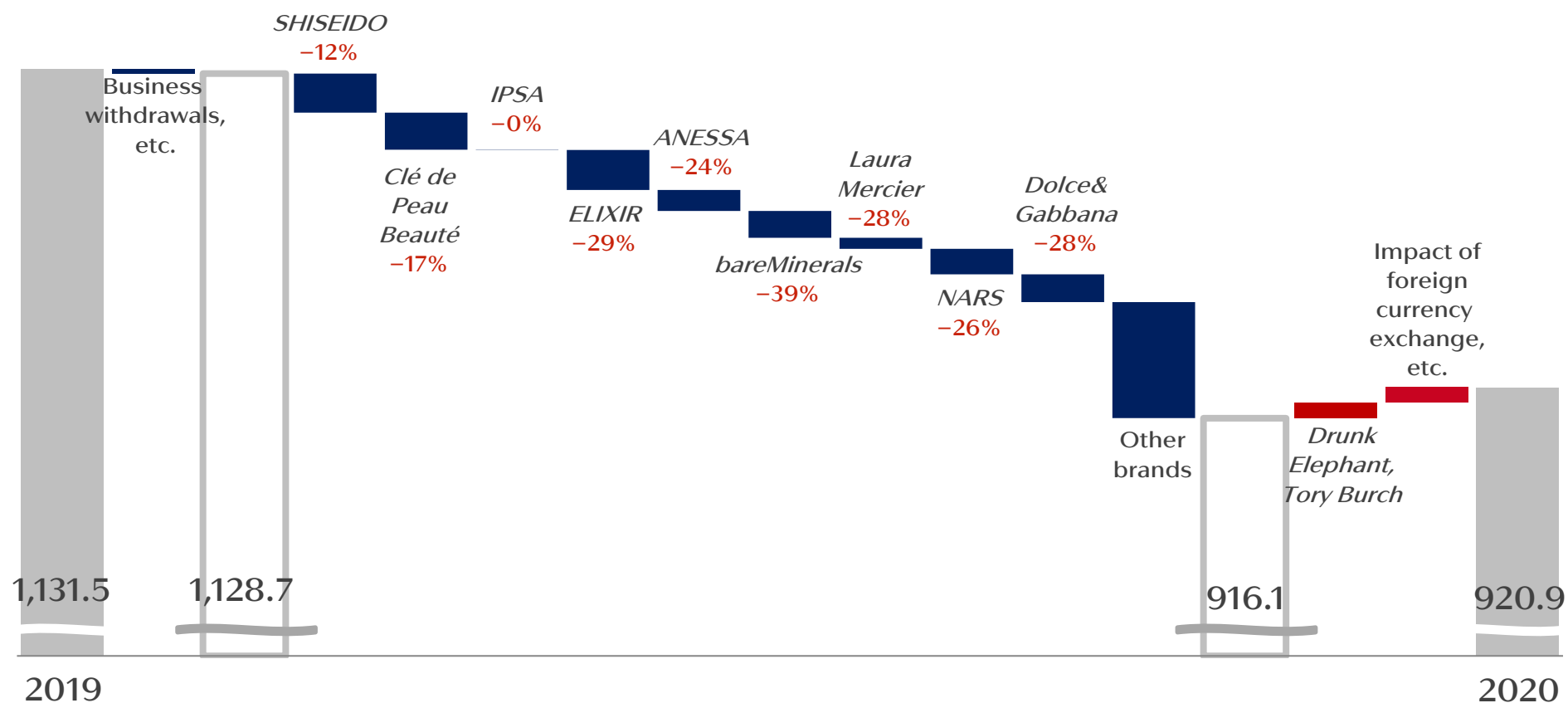
*1. OPM is calculated using net sales including intersegment sales.

*2. See Supplemental Data 12 for details about changes in reportable segments. The previous year's results are restated to reflect the new reportable segments.

Supplemental Data 6

FY 2020 Change in Net Sales by Brand

Like-for-like
(Billion yen)

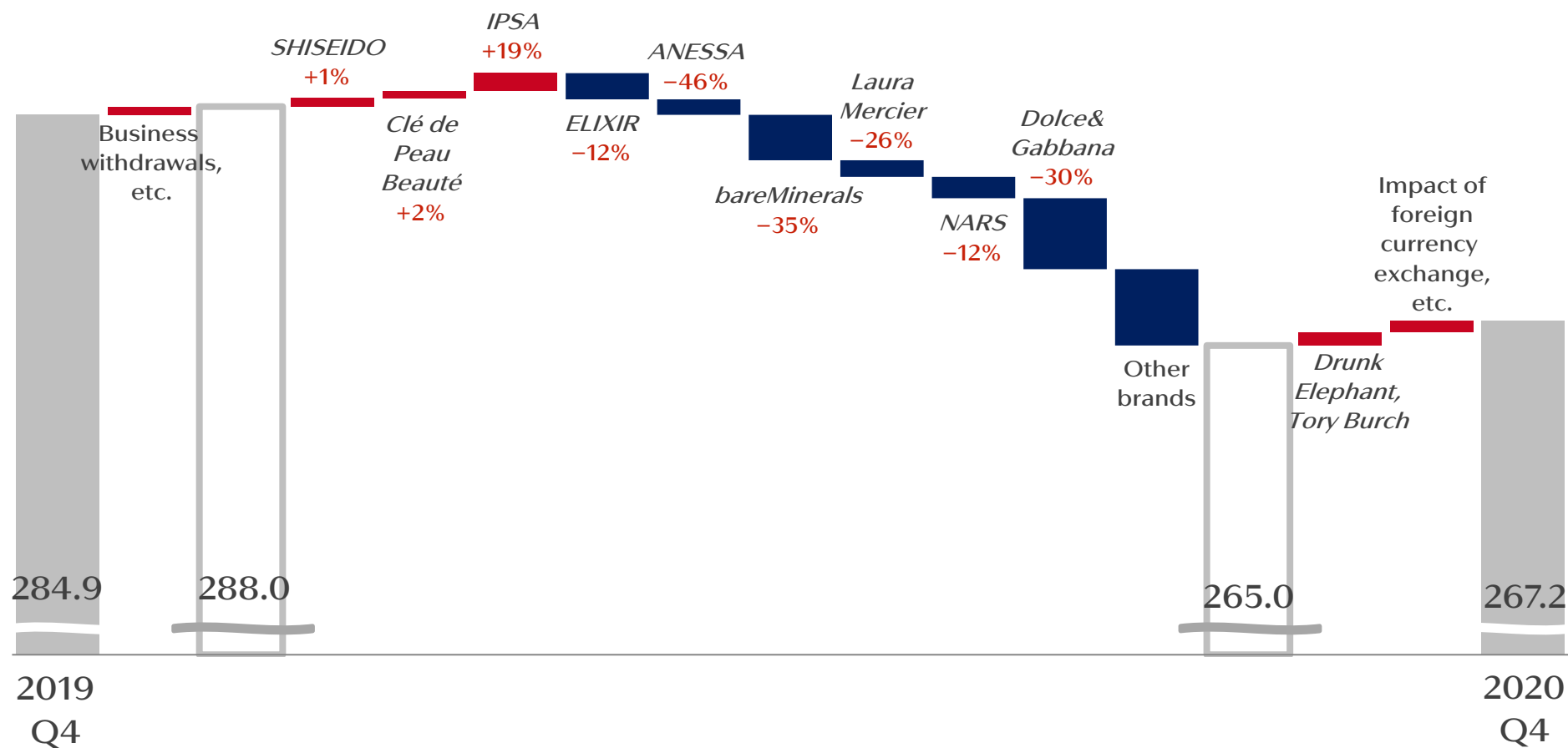


* YoY change (%) for each brand is calculated based on initial exchange rate assumptions. Excluding the impact of foreign currency exchange, etc.

Supplemental Data 7

Q4 Change in Net Sales by Brand

Like-for-like
(Billion yen)



* YoY change (%) for each brand is calculated based on initial exchange rate assumptions. Excluding the impact of foreign currency exchange and the adoption of the new revenue recognition standard, ASC 606 in the Americas, etc.

Supplemental Data 8

FY 2020 Sales in Japan, China and Asia Pacific by Category

Japan	(Billion yen)	2019		2020		YoY Change	YoY Change % / YoY Change FX-Neutral %
			% of Net Sales		% of Net Sales		
	Prestige	115.1	26.7%	68.3	22.5%	-46.7	-40.6%
	Premium	235.1	54.6%	162.9	53.8%	-72.2	-30.7%
	Lifestyle	55.4	12.8%	48.1	15.9%	-7.3	-13.2%
	Others	25.5	5.9%	23.7	7.8%	-1.7	-6.8%
	Japan Sales	431.0	100%	303.0	100%	-128.0	-29.7%

China YoY change excluding the impact of business withdrawals in 2019 was -29.6%.

	Prestige	103.1	47.7%	123.1	52.2%	+20.1	+21.6%
	Cosmetics	72.9	33.7%	61.8	26.2%	-11.0	-13.5%
	Personal Care	37.9	17.5%	48.1	20.4%	+10.3	+29.4%
	Others	2.5	1.1%	2.7	1.2%	+0.3	+12.7%
	China Sales	216.2	100%	235.8	100%	+19.6	+11.0%

Asia Pacific

	Prestige	37.8	54.2%	30.3	51.2%	-7.5	-19.0%
	Cosmetics	14.8	21.2%	11.8	19.9%	-3.0	-21.0%
	Personal Care	12.0	17.1%	12.4	20.9%	+0.4	+4.5%
	Others	5.3	7.5%	4.7	8.0%	-0.5	-9.8%
	Asia Pacific Sales	69.8	100%	59.2	100%	-10.7	-14.7%

*1. Sub-segments within the Japan Business have been reclassified in line with the management structure change from 2020, and 2019 figures are restated accordingly.
 "Lifestyle" and "Premium" are equivalent to what was previously referred to as "Personal Care" and "Cosmetics," respectively. Healthcare Business and *ettusais*, etc., previously included in "Others," are now included in "Lifestyle," and Future Business, previously included in "Others," is now included in "Prestige."

*2. See Supplemental Data 12 for details about changes in reportable segments. The previous year's results are restated to reflect the new reportable segments.

*3. YoY Change for Japan, and YoY Change FX-Neutral for China and Asia Pacific

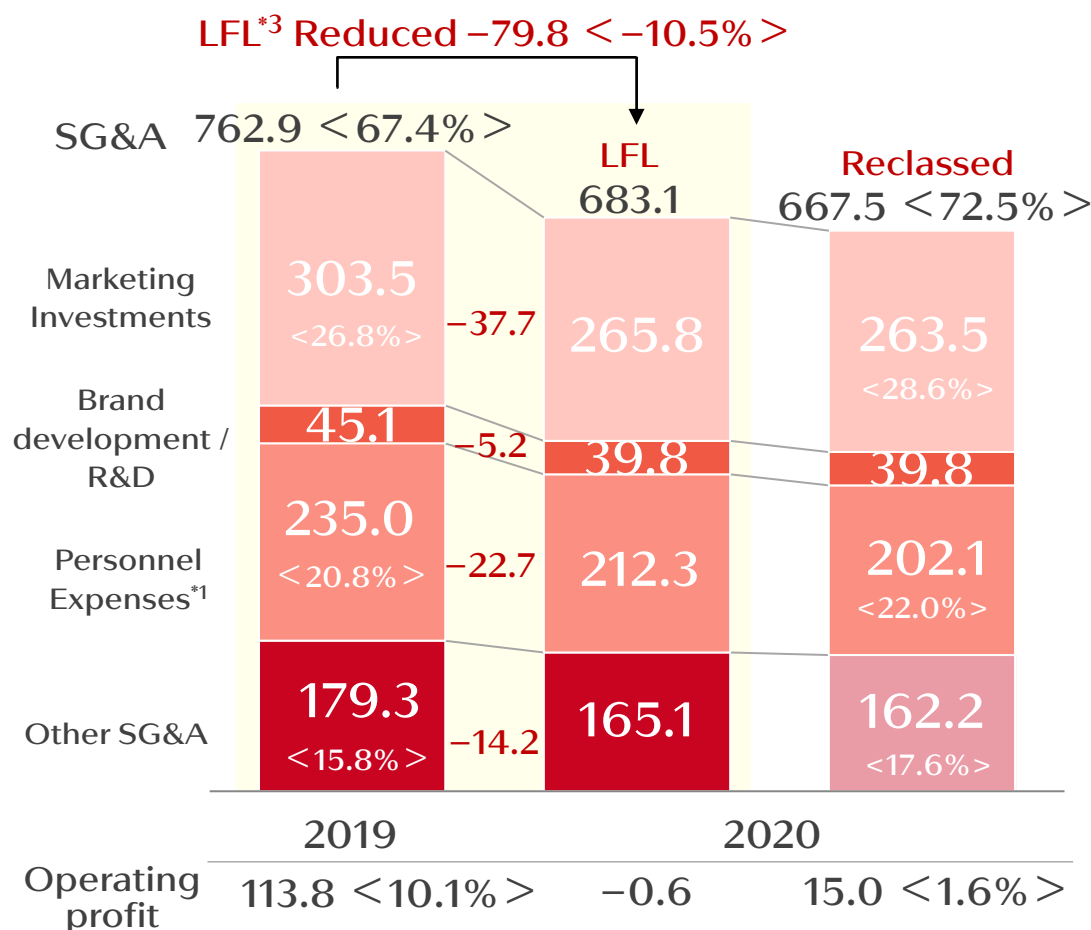
Supplemental Data 9

FY 2020 Cost Management

(Billion yen)
< % of net sales >

	2019	2020	vs. LY	YoY Change
Net Sales	1,131.5	920.9	-210.7	-18.6%
COGs	254.8	238.4	-16.4	-6.5%
Gross Profit	876.7	682.5	-194.2	-22.2%

Improved gross profit recovery rate^{*2}
2020: 41%
(Q1: 19%, Q2: 42%, Q3: 55%, Q4: 66%)



● COGs

- Increased inventory write-off provision
- Product mix deterioration
- Revision in inventory provision in line with enhanced inventory management and accuracy in sales planning
- Inventory returns (Q4: Japan ¥1.6 bn)
- Lower productivity due to decreased production

● Marketing investments

- Managed in line with sales fluctuations
- Strategic investment in China, enhanced digital communication (digital media ratio: +ca. 20 pts)

● Personnel expenses

- Reduced performance-linked remuneration

● Other SG&A

- Revised non-essential costs
- Amortization of *Drunk Elephant* goodwill, etc.
- Depreciation of IT investment and software development costs

*1. Including POS personnel expenses *2. Vs. LY SG&A / vs. LY Gross Profit

*3. Excluding the impact of reclassification to extraordinary loss on COVID-19, etc.

Supplemental Data 10

FY 2020 SG&A

(Billion yen)	2020			YoY Change	YoY Change %	YoY Change FX-Neutral %
		% of Net Sales	Change in % of Net Sales			
SG&A	667.5	72.5%	+5.1 pts	−95.3	−12.5%	−11.8%
Marketing Investments ^{*1}	348.4	37.9%	+1.6 pts	−61.9	−15.1%	−14.3%
Brand Development/ R&D Investments	39.8	4.3%	+0.3 pts	−5.3	−11.7%	−11.5%
Personnel Expenses	117.1	12.7%	+1.4 pts	−11.1	−8.6%	−7.8%
Other SG&A Expenses	162.2	17.6%	+1.8 pts	−17.1	−9.5%	−8.9%

*1. Marketing Investments includes POS personnel expenses.

*2. From 2020, the Company reclassified costs, e.g. a part of media costs are reclassified from brand development investments to marketing investments. Results for the previous year have been restated accordingly.

Supplemental Data 11

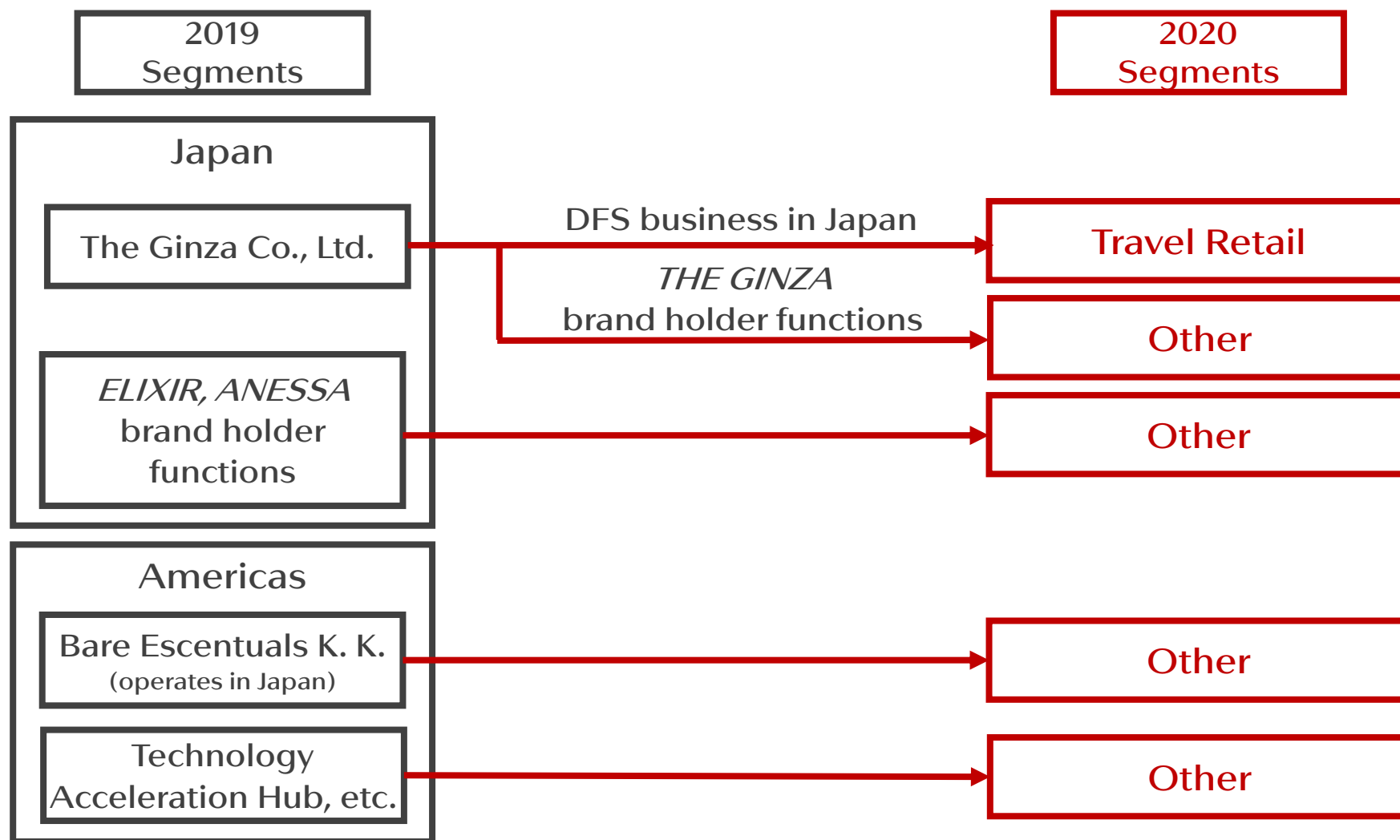
Capital Expenditures; Depreciation and Amortization

	2019	2020	2021 Outlook
(Billion yen)			
Capital Expenditures*¹	132.2	97.9	95.0
Property, Plant and Equipment	101.5	71.8	58.0
Intangible Assets, etc.	30.7	26.1	37.0
Depreciation and Amortization	55.7	61.9	68.5
Property, Plant and Equipment	32.2	38.1	
Intangible Assets, etc.	23.5	23.7	

*1. Investments in capital expenditures; property, plant and equipment; intangible fixed assets (excl. goodwill, trademark rights, etc.); and long-term prepaid expenses)

Supplemental Data 12

Change in Reportable Segments



The Group has revised its reportable segment classifications from the fiscal year 2020. (1) The business results of the airport duty-free business in Japan of The Ginza Co., Ltd., which were previously included in the Japan Business, are now included in the Travel Retail Business, and the business results related to the brand holder functions of *THE GINZA*, the same subsidiary's brand, are now included in the Other segment. (2) The business results of Bare Escentuals K.K., which operates in Japan, and the business results and other costs associated with the Technology Acceleration Hub, previously included in the Americas Business, are now included in the Other segment. (3) Following the transfer of brand holder functions (global marketing strategy development, product development, communication and creative development, brand management functions, etc.) of the *ELIXIR* and *ANESSA* brands from Shiseido Japan Co., Ltd. to Shiseido Co., Ltd., the business results related to the brand holder functions of both brands, previously included in the Japan Business, are now included in the Other segment.

Supplemental Data 13

Historical Trends in Financial Indicators and Strategic Shareholdings

Financial indicators	Unit	2015/3	2015/12		2016/12	2017/12	2018/12	2019/12	2020/12
			Irregular Account Settlement	After Adjustment					
OPM	%	3.6	4.9	5.1	4.3	8.0	9.9	10.1	1.6
EBITDA margin	%	11.7	10.6	-	10.6	15.5	13.7	15.0	7.8
EPS	Yen	84.4	58.2	73.8	80.4	57.0	153.7	184.2	-29.2
BPS	Yen	970	981.4	-	984.1	1,060	1,123	1,243	1,212
Cash dividend per share	Yen	20	20	-	20	27.5	45	60	40
ROE	%	9.4	6.0	7.6	8.2	5.6	14.1	15.6	-2.4
ROIC	%	4.7	4.7	-	4.9	10.4	13.1	12.9	1.3
Interest-bearing debt to EBITDA ratio	Times	1.2	1.1	-	1.3	0.5	0.5	1.0	4.0
D/E ratio	Times	0.28	0.22	-	0.31	0.19	0.17	0.5	0.67
CCC	Days	143	146	-	123	114	126	149	199

Strategic shareholdings	Unit	2015/3	2015/12		2016/12	2017/12	2018/12	2019/12	2020/12
			Irregular Account Settlement	After Adjustment					
Number of holdings	Companies	97	90	-	84	80	75	52	47
Amount	Billion yen	21.5	21.5	-	19.4	20.3	14.3	5.9	5.0

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