The figures for these financial statements are prepared in accordance with the accounting principles based on Japanese law. Accordingly, they do not necessarily match the figures in the Annual Report issued by the Company, which present the same statements in a form that is more familiar to foreign readers through certain reclassifications or summarization of accounts.

February 6, 2020

Consolidated Settlement of Accounts for the Fiscal Year Ended December 31, 2019 [Japanese Standards]

Shiseido Company, Limited

Listings: Tokyo Stock Exchange, First Section (Code Number 4911)
URL: https://corp.shiseido.com/en
Representative: Masahiko Uotani, Representative Director, President and CEO
Contact: Harumoto Kitagawa, Vice President, Investor Relations Department
Tel. +81-3-3572-5111

Annual meeting of shareholders: March 25, 2020 (plan)
Filing date of securities report: March 25, 2020 (plan)
Start of cash dividend payments: March 26, 2020 (plan)
Supplementary materials prepared: Yes
Financial results information meeting held: Yes (For institutional investors, analysts, etc.)

1. Performance for the Fiscal Year Ended December 31, 2019 (From January 1 to December 31, 2019)

* Amounts under one million yen have been rounded down.

(1) Consolidated Operating Results

(Millions of yen; percentage increase (decrease) figures denote year-on-year change)

	Net Sales		Operating Profit		Ordinary Profit		Net Profit Attributable to Owners of Parent	
Fiscal Year Ended December 31, 2019	1,131,547	[3.4%]	113,831	[5.1%]	108,739	[(0.7)%]	73,562	[19.8%]
Fiscal Year Ended December 31, 2018	1,094,825	[8.9%]	108,350	[34.7%]	109,489	[36.3%]	61,403	[169.9%]

Note: Comprehensive income
Fiscal Year ended December 31, 2019: ¥72,653 million [66.0%]
Fiscal Year ended December 31, 2018: ¥43,775 million [3.1%]

	Net Profit per Share (Yen)	Fully Diluted Net Profit per Share (Yen)	Return on Equity	Ordinary Profit/ Total Assets	Operating Profit/ Net Sales
Fiscal Year Ended December 31, 2019	184.18	183.99	15.6%	9.8%	10.1%
Fiscal Year Ended December 31, 2018	153.74	153.56	14.1%	11.2%	9.9%

[Reference] Equity in earnings (losses) of affiliates: As of December 31, 2019: ¥330 million
As of December 31, 2018: ¥301 million

(2) Consolidated Financial Position

(Millions of yen)

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share (Yen)
As of December 31, 2019	1,218,795	517,857	40.7%	1,242.85
As of December 31, 2018	1,009,618	468,462	44.4%	1,123.19

[Reference] Equity: As of December 31, 2019: ¥496,437 million
As of December 31, 2018: ¥448,580 million

(3) Consolidated Cash Flows

(Millions of yen)

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at Year-End
Fiscal Year Ended December 31, 2019	75,562	(202,823)	113,678	97,466
Fiscal Year Ended December 31, 2018	92,577	(103,112)	(29,722)	111,767

2. Cash Dividends

	Cash Dividends per Share (Yen)					Total Dividends Paid (Full Year) (Millions of Yen)	Payout Ratio (Consolidated)	Dividends Paid/ Net Assets (Consolidated)
	Q1	Q2	Q3	Year-End	Full Year			
Fiscal Year Ended December 31, 2018	–	20.00	–	25.00	45.00	17,970	29.3%	4.1%
Fiscal Year Ended December 31, 2019	–	30.00	–	30.00	60.00	23,965	32.6%	5.1%
Fiscal Year Ending December 31, 2020 (Forecast)	–	30.00	–	30.00	60.00		30.9%	

3. Forecast for the Fiscal Year Ending December 31, 2020 (From January 1 to December 31, 2020)

(Millions of yen; percentage figures denote year-on-year change)

	Net Sales		Operating Profit		Ordinary Profit		Net Profit Attributable to Owners of Parent		Net Profit per Share (Yen)
Fiscal Year Ending December 31, 2020	1,220,000	[7.8%]	117,000	[2.8%]	117,000	[7.6%]	77,500	[5.4%]	194.02

A coronavirus is currently spreading worldwide and while we are evaluating the impact, it has not been incorporated in the earnings forecast noted above. See "1. Analysis of Operating Results and Financial Position (1) Consolidated Performance, 2) Earnings Forecasts for Next Fiscal Year" on page 8 for further details.

Notes

(1) Changes in significant subsidiaries during the period (changes in specific subsidiaries causing a change in the scope of consolidation): None

(2) Changes in accounting policies; changes in accounting estimates; restatements
1) Changes in accounting policies due to amendments of accounting standards: Yes
2) Other changes in accounting policies: None
3) Changes in accounting estimates: None
4) Restatements: None

Group subsidiaries that have adopted IFRS standards have implemented IFRS 16, Leases, from the first quarter of fiscal year 2019. Group subsidiaries that use U.S. accounting standards are also applying ASC 606, Revenue from Contracts with Customers, from the consolidated fiscal year under review onward. See "3. Consolidated Financial Statements and Notes (5) Notes Concerning Consolidated Financial Statements (Changes in Accounting Policies)" on page 20 for further details.

(3) Shares outstanding (common stock) at year-end
1) Number of shares outstanding (including treasury stock)
As of December 31, 2019: 400,000,000
As of December 31, 2018: 400,000,000
2) Number of treasury stocks outstanding
As of December 31, 2019: 564,455
As of December 31, 2018: 618,049
3) Average number of shares over the period
Fiscal year ended December 31, 2019: 399,411,340
Fiscal year ended December 31, 2018: 399,409,125

[Reference] Summary of Nonconsolidated Results

Performance in the Fiscal Year Ended December 31, 2019 (January 1 to December 31, 2019)

(1) Nonconsolidated Operating Results

(Millions of yen; percentage figures denote year-on-year change)

	Net Sales		Operating Profit		Ordinary Profit		Net Profit	
Fiscal Year Ended December 31, 2019	303,663	[12.1%]	22,002	[10.4%]	51,816	[22.9%]	98,506	[161.9%]
Fiscal Year Ended December 31, 2018	270,789	[22.9%]	19,930	[152.8%]	42,163	[77.3%]	37,613	[—%]

	Net Profit per Share (Yen)	Fully Diluted Net Profit per Share (Yen)
Fiscal Year Ended December 31, 2019	246.63	246.38
Fiscal Year Ended December 31, 2018	94.17	94.06

(2) Nonconsolidated Financial Position

(Millions of yen)

	Total Assets	Net Assets	Equity Ratio (%)	Net Assets per Share (Yen)
As of December 31, 2019	790,009	427,838	54.0%	1,067.94
As of December 31, 2018	674,102	352,688	52.2%	880.70

[Reference] Equity at year-end:
Fiscal year ended December 31, 2019: ¥426,574 million
Fiscal year ended December 31, 2018: ¥351,736 million

This report is not subject to auditing by a certified public accountant or audit firm.

Appropriate use of business forecasts; other special items

In this report, statements other than historical facts are forward-looking statements that reflect the Company’s plans and expectations. These forward-looking statements involve risks, uncertainties and other factors that may cause our actual results and achievements to differ from those anticipated in these statements. Please refer to “1. Analysis of Operating Results and Financial Position (1) Consolidated Performance, 2) Earnings Forecasts for Next Fiscal Year” on page 8 for information on preconditions underlying the above outlook and other related information.

Contents

1. Analysis of Operating Results and Financial Position

(1) Consolidated Performance

(Millions of yen unless otherwise stated)

	Net Sales	Operating Profit	Ordinary Profit	Net Profit Attributable to Owners of Parent	Net Profit per Share (Yen)
Fiscal Year Ended December 31, 2019	1,131,547	113,831	108,739	73,562	184.18
Fiscal Year Ended December 31, 2018	1,094,825	108,350	109,489	61,403	153.74
Percentage Change Increase (Decrease)	3.4%	5.1%	(0.7)%	19.8%	19.8%
Percentage Change FX-Neutral	5.7%				
Percentage Change Like-for-Like	6.8%				

1) Review of Performance in the Fiscal Year Ended December 31, 2019

For fiscal year 2019, economic conditions in Japan continued along a path of moderate recovery underpinned by improvement in employment and income gains. At the same time, the consumption tax hike from October and typhoons and other natural disasters led to continued uncertainty over the outlook for consumer spending. In the domestic cosmetics market, inbound demand from foreigners visiting Japan, which continued to trend upward, remained firm, and the overall recovery trend continued despite the last-minute surge in demand prior to the consumption tax hike and the subsequent pullback. In the overseas cosmetics market, performance was weak in Europe, where demand varied by country, and the negative growth in the makeup market also continued in the Americas, resulting in weak delivery overall. China and the rest of Asia were affected by the tough market environments in Hong Kong and other factors. However, growth remained firm overall.

In 2015, the Shiseido Group (hereafter, “the Group”) launched its medium-to-long-term strategy VISION 2020 in a bid to ensure that it remains vital for the next 100 years. We are shifting all of our activities toward a consumer-oriented focus and working to globally enhance our brand value to gain a competitive advantage as a global beauty company with Japanese heritage.

This fiscal year was the second year of the latter three-year period known as the second phase of VISION 2020. We worked to accomplish the new strategy to accelerate growth. To achieve this, we concentrated marketing investments on prestige brands, a key driver of growth, and made-in-Japan cosmetics brands, and promoted larger investments in digital marketing and innovation. In addition, we worked on building supply capability and improving profitability in the Americas and EMEA, both of which were challenges that needed to be addressed.

As a result, record-high net sales, operating profit, and net profit attributable to owners of parent were reached in the fiscal year under review. Net sales increased 5.7% year-on-year on an FX-neutral basis, driven by the prestige category in which we have continued to strategically strengthen investments. When converted into yen, net sales rose 3.4% year-on-year to ¥1,131.5 billion. Like-for-like growth was 6.8% excluding the impact of withdrawal from the amenity goods business last fiscal year, the application of U.S. accounting standard ASC 606 to the current fiscal year and the acquisition of the U.S. skincare brand ***Drunk Elephant***.

Operating profit rose 5.1% year-on-year to ¥113.8 billion, due to higher margins accompanying growth in sales and other factors, which compensated for larger investments in marketing, research and development, and personnel.

Net profit attributable to owners of parent rose to ¥73.6 billion, an increase of 19.8% year-on-year, thanks to a decline in tax expenses and other factors on top of the increase in operating profit.

The consolidated operating profit margin was 10.1%. Consolidated ROE (return on equity) was 15.6%, and consolidated ROIC (return on invested capital) was 12.9%.

Major foreign currency exchange rates applicable to income and expense accounting line items in the Company's financial statements are JPY109.1/USD, JPY122.1/EUR, and JPY15.8/CNY for fiscal year 2019.

[Consolidated Performance]

(Millions of yen)

Classification		Fiscal Year Ended December 31, 2019	% of Total	Fiscal Year Ended December 31, 2018	% of Total	Year-on-Year Increase (Decrease)		
						Amount	Percentage	FX-Neutral
Net Sales	Japan Business	451,587	39.9%	454,535	41.5%	(2,948)	(0.6)%	(0.6)%
	China Business	216,241	19.1%	190,799	17.4%	25,441	13.3%	19.0%
	Asia Pacific Business	69,835	6.2%	68,120	6.2%	1,715	2.5%	5.8%
	Americas Business (Note 1)	124,323	11.0%	131,733	12.0%	(7,409)	(5.6)%	(3.9)%
	EMEA Business	118,417	10.5%	113,164	10.3%	5,253	4.6%	11.8%
	Travel Retail Business	102,204	9.0%	87,621	8.0%	14,582	16.6%	19.4%
	Professional Business	14,685	1.3%	14,145	1.3%	539	3.8%	6.0%
	Other	34,252	3.0%	34,704	3.3%	(451)	(1.3)%	(1.3)%
	Subtotal	1,131,547	100.0%	1,094,825	100.0%	36,722	3.4%	5.7%
	Adjustments	—	—	—	—	—	—	—
	Total	1,131,547	100.0%	1,094,825	100.0%	36,722	3.4%	5.7%

(Millions of yen)

Classification		Intersegment sales or sales including internal transfers between accounts	
		Fiscal Year Ended December 31, 2019	Fiscal Year Ended December 31, 2018
Net Sales	Japan Business	496,982	486,715
	China Business	217,094	191,267
	Asia Pacific Business	72,477	70,409
	Americas Business (Note 1)	165,393	169,096
	EMEA Business	129,902	125,020
	Travel Retail Business	102,576	87,838
	Professional Business	15,381	14,838
	Other	157,279	142,576
	Subtotal	1,357,088	1,287,762
	Adjustments	(225,540)	(192,937)
	Total	1,131,547	1,094,825

(Millions of yen)

Classification		Fiscal Year Ended December 31, 2019	Ratio to Net Sales	Fiscal Year Ended December 31, 2018	Ratio to Net Sales	Year-on-Year Increase (Decrease)	
						Amount	Percentage
Operating Profit (Loss)	Japan Business	91,094	18.3%	91,326	18.8%	(232)	(0.3)%
	China Business	29,225	13.5%	24,514	12.8%	4,710	19.2%
	Asia Pacific Business	7,426	10.2%	7,808	11.1%	(381)	(4.9)%
	Americas Business (Note 1)	(6.9)%	(6.9)%	(14,775)	(8.7)%	3,389	—
	EMEA Business	(2,187)	(1.7)%	(7,988)	(6.4)%	5,801	—
	Travel Retail Business	22,091	21.5%	17,606	20.0%	4,485	25.5%
	Professional Business	336	2.2%	400	2.7%	(63)	(15.9)%
	Other	(11,148)	(7.1)%	(5,508)	(3.9)%	(5,640)	—
	Subtotal	125,453	9.2%	113,384	8.8%	12,068	10.6%
	Adjustments	(11,621)	—	(5,034)	—	(6,586)	—
	Total	113,831	10.1%	108,350	9.9%	5,481	5.1%

Notes:

1. Group subsidiaries that use U.S. accounting standards have applied ASC 606, Revenue from Contracts with Customers, to the consolidated financial statements from the consolidated fiscal year under review onward. Subsidiaries subject to application of this standard are private companies in the U.S. and are therefore applying the standard to the financial statements for the consolidated fiscal year under review onward, as specified in the U.S. standard. Under this standard, some customer payments that had been treated conventionally as SG&A expenses are excluded from net sales for the consolidated fiscal year under review. In addition, some expenses that were treated conventionally as SG&A expenses are recorded in cost of sales and inventory assets. In applying this standard, we have adopted the method of recognizing the impact from this accounting standard from the date on which application commenced as a permitted transitional measure, and have not revised the previous fiscal years for comparison.
2. The Group has revised its reportable segment classification method in line with its internal management structure, effective from the consolidated fiscal year under review. Shiseido Beauty Salon Co., Ltd., which was previously included in the Professional Business, is now included in the Other segment. Shiseido Astech Co., Ltd. and Hanatsubaki Factory Co., Ltd., which were previously included in the Japan Business, are now included in the Other segment. The segment information for the previous fiscal year has been restated in line with the new method of classification.
3. The Other segment includes head office administration departments, IPSA Co., Ltd., Shiseido Beauty Salon Co., Ltd., manufacturing operations, the Frontier Science business and the Restaurant business, etc.
4. The ratio of operating profit (loss) to net sales shows operating profit as a percentage of total sales including intersegment sales, or sales including internal transfers between accounts.
5. The operating profit (loss) adjustment amount is mainly the elimination of transactions between segments.

Results by reportable segment are provided below.

[Japan Business]
In the Japan Business, we continued to focus on the "skin trinity category" of skincare, base makeup, and sun care, where we have strengths, in order to achieve sustainable growth. Strong sales of ***ULTIMUNE*** serum and foundation in the ***SHISEIDO*** brand largely contributed to the increase in sales. ***HAKU*** and ***d program*** also achieved sales growth with launches of "Medicated Care-Hybrid Foundation" products that promote both a more beautiful complexion and a beautiful finish. Stronger cross-border marketing throughout the Asian region steadily captured growing inbound demand, despite the negative impact of lower sales to inbound buyers owing to appreciation of the Japanese yen and enactment of a new e-commerce law in China, and the negative effect of unfavorable weather on local demand. Furthermore, rush demand ahead of the consumption tax hike was followed by weakness in consumer sentiment after the hike, which also affected sales.

The above performance resulted in a 0.6% year-on-year decrease in net sales to ¥451.6 billion. Net sales growth excluding such factors as the impact of withdrawal from the amenity goods business last fiscal year, or like-for-like, was 0.7%. Operating profit fell 0.3% year-on-year to ¥91.1 billion, due to lower margins accompanying a decline in sales and increased investment.

[China Business]
In the China Business, the high-paced performance of prestige brands such as ***SHISEIDO***, ***Clé de Peau Beauté***, ***IPSA*** and ***NARS*** continued. Among cosmetics, robust growth was also maintained for made-in-Japan brands ***ELIXIR*** and ***ANESSA***. E-commerce sales recorded strong results from the roll-out of digital marketing and stronger collaboration with major local Chinese online platforms, in addition to an aggressive launch schedule for products in the prestige and cosmetics categories. High consumer demand in mainland China persisted despite the impact of demonstrations in Hong Kong in the latter half of 2019.

As a result, net sales rose 19.0% year-on-year on an FX-neutral basis, or 13.3% year-on-year to ¥216.2 billion when converted to yen. Operating profit rose 19.2% year-on-year to ¥29.2 billion due to higher margins accompanying growth in sales, which compensated for the increased investments in digital marketing.

[Asia Pacific Business]
In the Asia Pacific Business, sales of the prestige brands ***LAURA MERCIER*** and ***Clé de Peau Beauté*** continued to be strong amid uncertain economic conditions, and sales of ***ELIXIR***, ***ANESSA*** and the fragrance brand ***Dolce&Gabbana*** grew significantly. Conditions in South Korea were tough due to changes in the market environment; however, sales performance in the Southeast Asian region was strong due to expansion of the number of boutiques and increased investment in marketing.

The above factors resulted in net sales growth of 5.8% year-on-year on an FX-neutral basis, or 2.5% year-on-year growth to ¥69.8 billion when converted into yen. Operating profit fell 4.9% year-on-year to ¥7.4 billion, mainly due to increased marketing investments, despite higher margins accompanying growth in sales.

[Americas Business]
In the Americas Business, sales of ***SHISEIDO*** and ***Dolce&Gabbana*** continued to grow in spite of the severe market environment. In the ***bareMinerals*** brand, the company continued to make progress on closing unprofitable boutiques and other structural reforms. We also acquired the ***Drunk Elephant*** skincare brand in November 2019, which is continuing to see rapid growth, primarily in the U.S. market. The addition of this U.S.-based brand, for which expansion of global demand is anticipated, will further strengthen and expand our core prestige skincare business. It will also strengthen the revenue base of the Americas Business.

The above factors resulted in a 3.9% year-on-year decline in net sales on an FX-neutral basis, or a 5.6% year-on-year decline to ¥124.3 billion when converted into yen. Net sales excluding the impact from application of U.S. accounting standard ASC 606 and the acquisition of ***Drunk Elephant*** declined 0.3% on a like-for-like basis. Lower structural reform expenses and other factors resulted in an operating loss of ¥11.4 billion, an improvement of ¥3.4 billion compared to last fiscal year. Broken down by function, the Americas Business consists of the commercial business in the Americas and the makeup brand holder function aimed at global-scale development. It also possesses the Center of Excellence* function that serves as the value creation base for makeup, digital, and technology and assumes the cost of strategic investment in these global functions. The operating margin in the commercial business was in the high-single digit range. The Americas Business turned profitable absorbing the investment in the brand holder function. We will pursue reforms for ***bareMinerals***, and strengthen and expand the newly acquired ***Drunk Elephant*** in order to improve profitability in the future.

[EMEA Business]

In the EMEA Business, fragrance brands such as ***Dolce&Gabbana*** and ***narciso rodriguez*** saw sales growth due to strong performance of new products. The ***SHISEIDO*** brand achieved solid performance in makeup products, and ***NARS*** continued to grow. ***Clé de Peau Beauté*** opened a boutique in London in October and will pursue further expansion in Europe in the future.

The above factors resulted in net sales growth of 11.8% year-on-year on an FX-neutral basis, or 4.6% year-on-year growth to ¥118.4 billion yen when converted to yen. Higher profit margins accompanying sales growth led to an operating loss of ¥2.2 billion, a substantial improvement of ¥5.8 billion versus the previous year. Broken down by function, the EMEA Business consists of the commercial business in EMEA, the fragrance brand holder function, and the Center of Excellence function for fragrances, and assumes the cost of strategic investment in these global functions. The commercial business achieved a double-digit operating margin, leading to improvement of profitability significantly after absorbing the investment in the brand holder function. We will improve profitability in the future as we expand sales while accelerating the pace of skincare development in addition to fragrances.

[Travel Retail Business]

In the Travel Retail Business (sales of cosmetics and fragrances mainly through airport duty-free stores) is expanding its market with the increase in travelers, mainly in Asia. We are working actively to strengthen it as one of our most important businesses to further reinforce Shiseido's position in the global prestige market as we recognize the significant potential for further growth of this business.

During the fiscal year under review, we actively engaged in promotions and advertising in airports around the world. This resulted in continued outstanding growth in sales of ***SHISEIDO***, ***Clé de Peau Beauté***, ***NARS***, and ***ANESSA***, mainly in South Korea, China, Thailand, and other countries in Asia. To accelerate growth, we expanded the introduction of the ***IPSA*** and ***ELIXIR*** brands and strengthened strategic sales counters.

The factors mentioned above resulted in net sales growth of 19.4% year-on-year on an FX-neutral basis. When converted into yen, net sales rose 16.6% to ¥102.2 billion. Operating profit increased 25.5% year-on-year to ¥22.1 billion, boosted mainly by higher margins accompanying a sales increase.

[Professional Business]

In the Professional Business, we sell professional products such as hair care, styling, color and perm products to hair salons. During the fiscal year under review, we worked to strengthen products and marketing. This resulted in high growth in China and strong performance in Malaysia, Singapore, and other countries as well.

The above factors resulted in net sales growth of 6.0% year-on-year on an FX-neutral basis, or 3.8% year-on-year growth to ¥14.7 billion when converted into yen. Operating profit decreased 15.9% year-on-year to ¥0.3 billion, due to increased investment in marketing.

* "Center of Excellence" (CoE) refers to a system where each product category is led by the region that excels in that category. The designated CoE then formulates global strategies and develops products for the whole Group. Japan hosts the CoE for skincare; the Americas, for makeup, digital and technology; and EMEA, for fragrance.

2) Earnings Forecasts for Next Fiscal Year

Consolidated Net Sales (Billions of yen)

Classification	Fiscal Year Ending December 31, 2020 (Forecast)	After Reclassification: (For Reference) Fiscal Year Ended December 31, 2019	After Reclassification: Percentage Change	After Reclassification: Percentage Change Like-for-Like (Note)	Before Reclassification: Fiscal Year Ended December 31, 2019
Net Sales	1,220.0	1,131.5	8%	7%	1,131.5
Japan Business	438.0	430.9	2%	2%	451.6
China Business	251.5	216.2	16%	16%	216.2
Asia Pacific Business	73.5	69.8	5%	5%	69.8
Americas Business	140.5	123.0	14%	3%	124.3
EMEA Business	126.0	118.4	6%	6%	118.4
Travel Retail Business	140.0	122.8	14%	14%	102.2
Professional Business	15.0	14.7	2%	2%	14.7
Other	35.5	35.7	(1)%	(1)%	34.3

Note: The Group has revised its reportable segment classifications from the fiscal year ending December 31, 2020. The business results of the airport duty-free business, etc. 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 management functions of ***THE GINZA***, the same subsidiary's brand, are now included in the Other segment. In addition, the business results of Bare Escentuals K.K., which operates in Japan, previously included in the Americas Business, are now included in the Other segment. Furthermore, following the transfer of brand holder functions* 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. The simple method has been used to recombine the results for the fiscal year ended December 31, 2019. The results for the fiscal year ended December 31, 2019 after segment reclassification could change in the future.

* Functions of global marketing strategy planning, product development, communication and creative development, and brand management, etc.

Consolidated Profit (Billions of yen)

Classification	Fiscal Year Ending December 31, 2020 (Forecast)	Ratio to Net Sales	Fiscal Year Ended December 31, 2019 (Results)	Ratio to Net Sales	Percentage Change
Operating Profit	117.0	9.6%	113.8	10.1%	2.8%
Ordinary Profit	117.0	9.6%	108.7	9.6%	7.6%
Quarterly Net Profit Attributable to Owners of Parent	77.5	6.4%	73.6	6.5%	5.4%

(Yen)

Classification	Fiscal Year Ending December 31, 2020 (Forecast)	Fiscal Year Ended December 31, 2019 (Results)
ROE (Return on Equity)	14.8%	15.6%
Net Profit per Share	194.02	184.18
DOE (Dividends on Equity)	4.6%	5.1%
Dividends per Share		
Interim	30.00	30.00
Year-end	30.00	(plan) 30.00

In 2020, we initially planned to accelerate growth by sustaining growth in prestige brands, expanding the China and Travel Retail Businesses, improving profitability in the Americas and EMEA Businesses, steadily growing the Japan Business, establishing a stronger supply base, and integrating and expanding ***Drunk Elephant***. However, from the second half of 2019, the economic environment remained uncertain due to deterioration in the Hong Kong and South Korean markets, the impact of trade friction between the U.S. and China, and fluctuations in the exchange rate. In addition, the Japan Business fell significantly below our plan before and after the consumption tax hike. In response to these changes in the business environment, we forecast consolidated net sales of ¥1,220 billion, operating profit of ¥117 billion, ordinary profit of ¥117 billion, and net profit attributable to owners of parent of ¥77.5 billion.

Currently, the forecast for the next fiscal year does not take into account the worldwide spread of a coronavirus. We are evaluating the impact on our business and companies in Japan, China, and Travel Retail. We plan to more carefully assess this impact and reflect it in our business forecasts as appropriate.

We have formulated plans containing the above forecasts based on the following main exchange rate assumptions for the full year: JPY109.1/USD, JPY122.1/EUR, and JPY 15.8/CNY.

Please see the presentation materials disclosed on our corporate website for further details:
https://corp.shiseido.com/en/ir/library/tanshin/

(2) Financial Position

Total assets were ¥1,218.8 billion yen, an increase of ¥209.2 billion over the end of the previous consolidated fiscal year. This was mainly due to investments in property, plant and equipment accompanying the construction of new plants and the Global Innovation Center in Japan, the application of IFRS 16, Leases, from the consolidated fiscal year under review, and the goodwill recognized from the acquisition of Drunk Elephant Holdings, LLC. Total liabilities were ¥700.9 billion, an increase of ¥159.8 billion. This resulted mainly from an increase in debt. Net assets were ¥517.9 billion, an increase of ¥49.4 billion, due mainly to the increase in retained earnings.

The debt/equity ratio, which indicates the percentage of interest-bearing debt to equity, was 0.5 and the net debt/EBITDA ratio was 1.0 times. This reflects the ratio of interest-bearing debt to earnings before interest expenses, taxes, depreciation, and amortization.

Net cash provided by operating activities during the current consolidated fiscal year was ¥75.6 billion. Net cash used in investing activities was ¥202.8 billion, mainly due to investment in the Global Innovation Center and the new plants in Japan, and the acquisition of Drunk Elephant Holdings, LLC. Net cash provided by financing activities was ¥113.7 billion. This was mainly owing an increase in debt. As a result of the above factors, the balance of cash and cash equivalents as of the end of the current consolidated fiscal year stood at ¥97.5 billion, ¥14.3 billion less than the beginning of the period.

Consolidated Cash Flows (Summary)

(Billions of yen)

Category	Amount
Cash and cash equivalents at beginning of period	111.8
Net cash provided by operating activities	75.6
Net cash used in investing activities	(202.8)
[Investments in fixed assets]	
Net cash used in financing activities	113.7
Effect of exchange rate changes on cash and cash equivalents	(0.7)
Net change in cash and cash equivalents	(14.3)
Cash and cash equivalents at end of period	97.5

(3) Basic Shareholder Return Policy; Cash Dividends

Our total shareholder return policy emphasizes maximizing returns to shareholders through direct means, in addition to generating medium-to-long-term share price gains. To this end, our fundamental policy is to give highest priority to strategic investments aimed at sustainable growth to drive increases in earnings and improvements in capital efficiency, which will lead to medium-to-long-term increases in dividends and higher share prices. We focus on consolidated performance and free cash flow in determining dividends, and have set a dividend on equity ratio (DOE) of 2.5% or higher as one indicator that reflects our capital policy to ensure stable and consistent growth in shareholder return over the long-term. Our policy with respect to share-buybacks is to remain flexible and base such decisions on the market environment.

Based on this policy, we plan to declare a year-end dividend of ¥30 per share, which, combined with the interim dividend of ¥30 per share, amounts to total dividends of ¥60 per share for the fiscal year. This will result in DOE of 5.1%.

For the next fiscal year, we plan to declare interim and year-end dividends of ¥30 per share, for total dividends of ¥60 per share. We project DOE of 4.6%.

2. Basic Approach to Selection of Accounting Standards

The Group applies Japanese accounting standards.

We believe that financial statements based on Japanese accounting standards provide appropriate disclosure of the Group’s business results, financial position and cash flow status.

With respect to implementing International Financial Reporting Standards (IFRS), we are currently undertaking an assessment while monitoring convergence with Japanese standards and revisions of IFRS itself, taking into account the impact of changes in standards as well as responses to such changes on our operations.

3. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	As of December 31, 2018	As of December 31, 2019
ASSETS		
Current Assets:		
Cash and time deposits	125,891	110,342
Notes and accounts receivable	166,491	172,905
Inventories	149,788	181,104
Other current assets	42,811	71,012
Less: Allowance for doubtful accounts	(1,989)	(2,741)
Total current assets	482,994	532,623
Fixed Assets:		
Property, Plant and Equipment:		
Buildings and structures	191,335	223,611
Less: Accumulated depreciation	(103,727)	(101,735)
Buildings and structures, net	87,607	121,875
Machinery, equipment and vehicles	84,055	104,566
Less: Accumulated depreciation	(61,867)	(60,284)
Machinery, equipment and vehicles, net	22,188	44,281
Tools, furniture and fixtures	81,024	94,939
Less: Accumulated depreciation	(51,968)	(53,840)
Tools, furniture and fixtures, net	29,055	41,099
Land	49,795	45,040
Leased assets	8,231	9,643
Less: Accumulated depreciation	(3,630)	(4,394)
Leased assets, net	4,601	5,248
Right-of-use assets	—	26,395
Less: Accumulated depreciation	—	(6,702)
Right-of-use assets, net	—	19,693
Construction in progress	41,937	37,518
Total property, plant and equipment	235,185	314,757
Intangible Assets:		
Goodwill	12,610	64,499
Leased assets	233	536
Trademarks	111,001	135,209
Other intangible assets	41,561	48,963
Total intangible assets	165,406	249,209
Investments and Other Assets:		
Investments in securities	23,026	13,915
Long-term prepaid expenses	15,363	16,690
Deferred tax assets	30,001	55,313
Other investments	28,016	36,317
Less: Allowance for doubtful accounts	(66)	(31)
Total investments and other assets	126,031	122,205
Total Fixed Assets	526,624	686,172
Total Assets	1,009,618	1,218,795

(Millions of yen)

	As of December 31, 2018	As of December 31, 2019
LIABILITIES		
Current Liabilities:		
Notes and accounts payable	56,870	31,336
Electronically recorded obligations – operating	45,422	65,601
Short-term debt	2,725	120,496
Current portion of long-term debt	730	730
Current portion of corporate bonds scheduled for redemption	10,000	15,000
Lease obligations	1,746	8,722
Other payables	73,836	89,124
Accrued income taxes	20,129	11,951
Reserve for sales returns	10,795	5,333
Refund liabilities	4,741	9,899
Accrued bonuses for employees	30,782	25,132
Accrued bonuses for directors	211	101
Provision for liabilities and charges	471	341
Provision for loss on business withdrawal	3,204	117
Other current liabilities	78,272	80,383
Total current liabilities	339,940	464,273
Long-Term Liabilities:		
Bonds	30,000	15,000
Long-term debt	28,105	70,791
Lease obligations	2,469	17,368
Long-term payables	54,639	49,153
Liability for retirement benefits	76,877	69,804
Allowance for losses on guarantees	350	350
Allowance for environmental measures	144	54
Deferred tax liabilities	3,316	2,712
Other long-term liabilities	5,312	11,430
Total long-term liabilities	201,215	236,665
Total Liabilities	541,156	700,938
NET ASSETS		
Shareholders' Equity:		
Common stock	64,506	64,506
Capital surplus	70,748	70,741
Retained earnings	319,001	371,435
Treasury stock	(2,829)	(2,591)
Total shareholders' equity	451,427	504,092
Accumulated Other Comprehensive Income:		
Unrealized gains (losses) on available-for-sale securities	4,992	3,106
Foreign currency translation adjustments	15,645	10,839
Accumulated adjustments for retirement benefits	(23,484)	(21,600)
Total accumulated other comprehensive income	(2,846)	(7,654)
Stock Acquisition Rights	952	1,263
Non-Controlling Interests in Consolidated Subsidiaries	18,929	20,156
Total Net Assets	468,462	517,857
Total Liabilities and Net Assets	1,009,618	1,218,795

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

	Fiscal Year Ended December 31, 2018 (January 1 to December 31, 2018)	Fiscal Year Ended December 31, 2019 (January 1 to December 31, 2019)
Net Sales	1,094,825	1,131,547
Cost of Sales	231,928	254,844
Gross Profit	862,896	876,703
Selling, General and Administrative Expenses	754,545	762,871
Operating Profit	108,350	113,831
Other Income		
Interest income	1,227	1,243
Dividend income	490	333
Equity in earnings of affiliates	301	330
Rental income	734	625
Subsidy income	2,783	1,056
Other	1,575	2,086
Total other income	7,113	5,674
Other Expenses		
Interest expense	769	2,292
Foreign exchange loss	2,900	5,375
Other interest on debt	1,392	1,266
Other	910	1,831
Total other expenses	5,974	10,766
Ordinary Profit	109,489	108,739
Extraordinary Gains		
Gain on sales of property, plant and equipment	2,853	654
Gain on sales of investments in securities	2,739	3,449
Gain on transfer of business	48	—
Total extraordinary gains	5,641	4,103
Extraordinary Losses		
Loss on disposal of property, plant and equipment	1,698	1,683
Loss on sales of investments in securities	—	165
Loss on valuation of investment securities	—	27
Business structure improvement expenses	—	1,637
Structural reform expenses	3,739	1,483
Loss on liquidation of subsidiaries and affiliates	936	466
Loss on business withdrawal	4,446	—
Total extraordinary losses	10,821	5,465
Profit before Income Taxes	104,310	107,378
Income Taxes – Current	41,249	22,538
Income Taxes for Prior Years	—	4,504
Income Taxes – Deferred	(1,844)	3,033
Total Income Taxes	39,405	30,076
Net Profit	64,905	77,301
Net Profit Attributable to Non-Controlling Interests	3,501	3,739
Net Profit Attributable to Owners of Parent	61,403	73,562

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Fiscal Year Ended December 31, 2018 (January 1 to December 31, 2018)	Fiscal Year Ended December 31, 2019 (January 1 to December 31, 2019)
Net Profit	64,905	77,301
Other Comprehensive Income		
Unrealized gains (losses) on available-for-sale securities	(3,600)	(1,756)
Foreign currency translation adjustments	(14,151)	(4,801)
Adjustment for retirement benefits	(3,373)	1,904
Share of other comprehensive income of associates accounted for under the equity method	(4)	4
Total other comprehensive income (loss)	(21,129)	(4,648)
Comprehensive Income	43,775	72,653
(Breakdown)		
Comprehensive income attributable to owners of parent	41,230	68,754
Comprehensive income attributable to non-controlling interests	2,544	3,898

(3) Consolidated Statements of Changes in Net Assets

Fiscal Year Ended December 31, 2018 (January 1 to December 31, 2018)

(Millions of yen)

	Shareholders' Equity				
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock, at Cost	Total Shareholders' Equity
Balance at beginning of period	64,506	70,808	271,681	(874)	406,121
Cumulative effects of changes in accounting policies					—
Restated balance	64,506	70,808	271,681	(874)	406,121
Changes during period					
Dividend from retained earnings			(13,979)		(13,979)
Net profit attributable to owners of parent			61,403		61,403
Acquisition of treasury stock				(2,431)	(2,431)
Disposal of treasury stock		(55)	(165)	476	255
Non-controlling interests, capital transactions, others		(4)	61		57
Net changes of items other than shareholders' equity					—
Total changes during period	—	(60)	47,319	(1,954)	45,305
Balance at end of period	64,506	70,748	319,001	(2,829)	451,427

	Accumulated Other Comprehensive Income				**Stock Acquisition Rights**	**Non-Controlling Interests**	**Total Net Assets**
	Unrealized Gains (Losses) on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Accumulated Adjustment for Retirement Benefits	Total Accumulated Other Comprehensive Income			
Balance at beginning of period	8,664	28,726	(20,064)	17,326	874	21,550	445,872
Cumulative effects of changes in accounting policies							—
Restated balance	8,664	28,726	(20,064)	17,326	874	21,550	445,872
Changes during period							
Dividend from retained earnings							(13,979)
Net profit attributable to owners of parent							61,403
Acquisition of treasury stock							(2,431)
Disposal of treasury stock							255
Non-controlling interests, capital transactions, others							57
Net changes of items other than shareholders' equity	(3,672)	(13,081)	(3,419)	(20,172)	78	(2,621)	(22,715)
Total changes during period	(3,672)	(13,081)	(3,419)	(20,172)	78	(2,621)	22,589
Balance at end of period	4,992	15,645	(23,484)	(2,846)	952	18,929	468,462

Fiscal Year Ended December 31, 2019 (January 1 to December 31, 2019)

(Millions of yen)

	Shareholders' Equity				
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock, at Cost	Total Shareholders' Equity
Balance at beginning of period	64,506	70,748	319,001	(2,829)	451,427
Cumulative effects of changes in accounting policies			1,049		1,049
Restated balance	64,506	70,748	320,050	(2,829)	452,476
Changes during period					
Dividend from retained earnings			(21,966)		(21,966)
Net profit attributable to owners of parent			73,562		73,562
Acquisition of treasury stock				(22)	(22)
Disposal of treasury stock			(145)	259	114
Non-controlling interests, capital transactions, others		(6)	(64)		(71)
Net changes of items other than shareholders' equity					—
Total changes during period	—	(6)	51,384	237	51,615
Balance at end of period	64,506	70,741	371,435	(2,591)	504,092

	Accumulated Other Comprehensive Income				**Stock Acquisition Rights**	**Non-Controlling Interests**	**Total Net Assets**
	Unrealized Gains (Losses) on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Accumulated Adjustment for Retirement Benefits	Total Accumulated Other Comprehensive Income			
Balance at beginning of period	4,992	15,645	(23,484)	(2,846)	952	18,929	468,462
Cumulative effects of changes in accounting policies							1,049
Restated balance	4,992	15,645	(23,484)	(2,846)	952	18,929	469,511
Changes during period							
Dividend from retained earnings							(21,966)
Net profit attributable to owners of parent							73,562
Acquisition of treasury stock							(22)
Disposal of treasury stock							114
Non-controlling interests, capital transactions, others							(71)
Net changes of items other than shareholders' equity	(1,885)	(4,805)	1,883	(4,807)	311	1,227	(3,269)
Total changes during period	(1,885)	(4,805)	1,883	(4,807)	311	1,227	48,346
Balance at end of period	3,106	10,839	(21,600)	(7,654)	1,263	20,156	517,857

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal Year Ended December 31, 2018 (January 1 to December 31, 2018)	Fiscal Year Ended December 31, 2019 (January 1 to December 31, 2019)
Cash Flows from Operating Activities:		
Profit before income taxes	104,310	107,378
Depreciation and amortization	41,994	55,732
Amortization of goodwill	1,851	2,678
(Gain) Loss on disposal of property, plant and equipment	(1,155)	1,028
(Gain) Loss on sales of investments in securities	(2,739)	(3,283)
Gain on transfer of business	(48)	—
Increase (Decrease) in allowance for doubtful accounts	176	770
Increase (Decrease) in reserve for sales returns	(2,977)	(5,626)
Increase (Decrease) in refund liabilities	4,860	5,306
Increase (Decrease) in accrued bonuses for employees	6,190	(5,637)
Increase (Decrease) in accrued bonuses for directors	91	(109)
Increase (Decrease) in provision for liabilities and charges	(1,453)	(110)
Increase (Decrease) in liability for retirement benefits	(1,991)	(3,859)
Increase (Decrease) in allowance for environmental measures	(116)	(90)
Increase (Decrease) in provision for loss on business withdrawal	3,204	(3,086)
Interest and dividend income	(1,718)	(1,576)
Interest expense	769	2,292
Other interest on debt	1,392	1,266
Equity in (earnings) losses of affiliates	(301)	(330)
(Increase) Decrease in notes and accounts receivable	(10,659)	(9,209)
(Increase) Decrease in inventories	(24,291)	(31,217)
Increase (Decrease) in notes and accounts payable	13,916	10,190
Other	4,939	6,408
Subtotal	136,245	128,914
Interest and dividends received	1,867	1,673
Interest paid	(795)	(2,021)
Interest paid on other debt	(1,392)	(1,266)
Income tax paid	(43,347)	(51,736)
Net cash provided by operating activities	92,577	75,562

(Millions of yen)

	Fiscal Year Ended December 31, 2018 (January 1 to December 31, 2018)	Fiscal Year Ended December 31, 2019 (January 1 to December 31, 2019)
Cash Flows from Investing Activities:		
Transfers to time deposits	(20,999)	(9,833)
Proceeds from maturity of time deposits	21,750	10,781
Acquisition of investments in securities	(1,694)	(462)
Proceeds from sales of investment securities	4,664	10,181
Proceeds from transfer of business	606	—
Payments for acquisition of business	(2,250)	(1,090)
Acquisition of property, plant and equipment	(80,596)	(92,202)
Proceeds from sales of property, plant and equipment and intangible assets	4,352	1,190
Acquisition of intangible assets	(17,084)	(19,598)
Payments of long-term prepaid expenses	(8,108)	(8,305)
Payments for lease and guarantee deposits	(4,016)	(1,997)
Payment for acquisition of shares in a subsidiary resulting in a change in the scope of consolidation	—	(91,768)
Other	264	(282)
Net cash used in investing activities	(103,112)	(202,823)
Cash Flows from Financing Activities:		
Net increase (decrease) in short-term debt and commercial papers	(5,140)	117,751
Proceeds from long-term debt	—	43,624
Repayment of long-term debt	(730)	(730)
Redemption of bonds	—	(10,000)
Repayment of lease obligations	(2,116)	(8,278)
Acquisition of treasury stock	(2,431)	(22)
Disposal of treasury stock	255	114
Cash dividends paid	(13,940)	(22,028)
Cash dividends paid to non-controlling interests	(4,112)	(5,133)
Repayment of long-term accounts payable	(1,478)	(1,618)
Other	(27)	—
Net cash used in financing activities	(29,722)	113,678
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(4,809)	(693)
Net Change in Cash and Cash Equivalents (Decrease)	(45,066)	(14,276)
Decrease in Cash and Cash Equivalents Resulting from Exclusion of Subsidiaries from Consolidation	—	(24)
Cash and Cash Equivalents at Beginning of Period	156,834	111,767
Cash and Cash Equivalents at End of Period	111,767	97,466

(5) Notes Concerning Consolidated Financial Statements

(Note on Assumptions of a Going Concern)

Not applicable.

(Changes in Accounting Policies)

(Application of IFRS 16, Leases)

Group subsidiaries that have adopted IFRS standards have implemented IFRS 16, Leases, from the first quarter of fiscal year 2019.

Conventionally, the Company has treated lease transactions when it is the debtor as operating leases and finance leases. With the application of this standard, all of lease transactions are recorded as right-of use assets and lease obligations from the first quarter of fiscal year 2019. However, short-term leases and leases of low-value assets are not recognized as lease obligations.

Right-of-use assets and lease obligations recognized under this standard are included in the consolidated balance sheets in the amounts of ¥19,693 million as right-of-use assets, net, ¥6,691 million in lease obligations under current liabilities, and ¥14,848 million in lease obligations under long-term liabilities. Furthermore, the cumulative total amount of depreciation of right-of-use assets as of December 31, 2019 was ¥6,702 million.

The impact of these changes on the profit and loss for consolidated fiscal year 2019 is minor.

For the application of this standard, we have adopted a method in which the cumulative impact from the application is recognized as a transitional measure on the first day on which the standard is applied. To measure the right-of-use assets, we have adopted the method of adjusting the measurement of lease obligations by prepaid or accrued lease prepayments. As a result, there is no impact on retained earnings at the beginning of the year.

(Application of ASC 606, Revenue from Contracts with Customers)

Group subsidiaries that use U.S. accounting standards are applying ASC 606, Revenue from Contracts with Customers, to the consolidated financial statements for the consolidated fiscal year under review and forward. Because the subsidiaries subject to application of this standard are private companies, they are applying this standard from the consolidated fiscal year under review, as specified in the U.S. accounting standards.

As a result of this standard, some customer payments previously treated as SG&A expenses have been excluded from net sales in the consolidated financial statements for the consolidated fiscal year under review. Some expenses associated with the sale of goods are also posted to cost of sales and inventories. The application of this standard has resulted in a decrease in net sales of ¥6,900 million, an increase in cost of sales of ¥3,758 million, a decrease in SG&A expenses of ¥10,812 million, and an increase in inventories of ¥1,197 million, compared to the previous accounting standard.

In addition, following the application of this standard, we have made changes to the presentation method of the consolidated balance sheet. As a result, the reserve for sales returns in the consolidated balance sheet for the fiscal year under review declined ¥5,455 million and refund liabilities increased ¥5,455 million compared to the previous accounting standards.

Furthermore, in applying this standard, we have adopted the method of recognizing the impact from application of this accounting standard from the date on which it was first applied as a permitted transitional measure. Retained earnings at the beginning of the period have been adjusted ¥1,049 million and previous fiscal years have not been revised for comparison.

(Consolidated Statements of Income)

<u>Business Structural Improvement Expenses</u>

Fiscal year 2019 (From January 1 to December 31, 2019)

These expenses include manufacturing compensation expenses and lease cancellation expenses incurred as a result of initiatives aimed at improving the profitability of some brands.

Structural Reform Expenses

Fiscal year 2019 (From January 1 to December 31, 2019)

These are expenses from office relocation as part of the extraordinary expenses for global structural reform in progress.

Loss on Liquidation of Subsidiaries and Affiliates

Fiscal year 2019 (From January 1 to December 31, 2019)

The loss follows from foreign currency translation adjustments accompanying the liquidation of an overseas consolidated subsidiary.

Income Taxes for Prior Years

Fiscal year 2019 (From January 1 to December 31, 2019)

This is the estimated additional tax amount, mainly on transactions between the Company and its overseas consolidated subsidiaries.

(Business Combinations, etc.)

Fiscal year 2019 (From January 1 to December 31, 2019)

Business combination through acquisition

On October 8, 2019, the Company entered into an agreement on the acquisition of Drunk Elephant Holdings, LLC (hereafter, "the Acquiree"), owner of the ***Drunk Elephant*** brand which is growing rapidly mainly in the U.S. market, via Shiseido's consolidated subsidiary Shiseido Americas Corporation (hereafter, "SAC"). The equity transfer agreement was concluded with SAC, the Acquiree, and the shareholders of the Acquiree.

1. Overview of business combination

(1) Name and business description of the Acquiree

Name: Drunk Elephant Holdings, LLC*

Business description: Cosmetics marketing, etc.

* A company by the name of VMG Drunk Elephant Blocker, Inc. (hereafter, "VMG") exists to temporarily hold a portion of equity (under 10%) to organize the equity owners of the Acquiree. SAC will also acquire VMG and hold 100% of the equity in the Acquiree, either directly or indirectly.

(2) Reason for business combination

Drunk Elephant has a strong presence in the "clean" market, one segment of the cosmetics market that is growing mainly in the Americas and EMEA regions and is expected to achieve even higher growth in the future. We have added this brand to further strengthen and expand our core prestige skincare business as part of our strategy to accelerate global growth and maximize use of our management resources and the competitiveness of each regional headquarters, which are goals of our medium-to-long-term strategy VISION 2020. We will simultaneously target higher profitability in the Americas Business through further expansion of our highly profitable core skincare business.

(3) Date of business combination:

November 7, 2019

(4) Legal form of business combination:

Cash share acquisition

(5) Name after combination:

No change

(6) Percentage of equity acquired:

100%

(7) Main basis for selecting this company for acquisition:

For Shiseido's subsidiary SAC to acquire the shares and cosmetic brand for cash.

2. Acquiree’s results included in the consolidated financial statements for the following period
   From November 7, 2019 to December 31, 2019

3. Detailed breakdown of acquisition cost and payment method

Payment method:	Cash payment	¥92,863 million
Acquisition cost:		¥92,863 million

4. Main acquisition-related expenses and amount
   Advisory fees, etc.: ¥1,277 million

5. Amount of goodwill, reason for recognition of goodwill, and amortization method and period

(1) Goodwill recognized
¥55,007 million
The amount noted above was calculated on a provisional basis because only a short amount of time remained before the fiscal year-end settlement date following the business combination. The specification and valuation estimates of identifiable assets and liabilities as of the date of the business combination and the allocation of acquisition costs was therefore not complete.

(2) Reason for recognition
To recognize the additional future earning power anticipated from future development of the business.

(3) Amortization method and period
Straight-line over 10 years

6. Breakdown of main assets and liabilities received on the date of the business combination

Current assets:	¥5,691 million
Fixed assets:	¥34,879 million
Total assets:	¥40,571 million
Current liabilities:	¥2,040 million
Long-term liabilities:	¥674 million
Total liabilities:	¥2,715 million

7. Amount allocated for intangible assets other than goodwill, breakdown by main asset category, and weighted average amortization period for total intangible assets and by main category

Breakdown by main asset category	Amount	Amortization period
Trademark rights:	¥32,682 million	Not amortized
Customer-related intangible assets:	¥1,573 million	5 years

(Segment Information, etc.)

1. Overview of Reportable Segments

With respect to its reportable segments, the Company is able to obtain delineated financial data from its structural units through co-administration. Accordingly, its segments are subject to regular examination in order to assist decision-making on allocation of managerial resources and evaluation of business performance by the Board of Directors.

Shiseido’s main business is the production and sale of cosmetics. The Company engages in business activities under a matrix organization encompassing five brand categories based on consumer purchasing style (Prestige, Fragrance, Cosmetics, Personal Care and Professional) and six regions (Japan, China, Asia

Pacific, the Americas, EMEA and Travel Retail). This matrix organization gives the leader in each region broad authority as well as responsibility for sales and profits to ensure flexible decision-making. In specific terms, the Company's seven reportable segments, which mainly refer to regions, are the "Japan Business," "China Business," "Asia Pacific Business," "Americas Business," "EMEA Business," "Travel Retail Business" and "Professional Business."

The Japan Business mainly comprises the domestic business by brand category (Prestige, Fragrance, Cosmetics, Personal Care, etc.) and the healthcare business (sale of health & beauty foods as well as over-the-counter drugs).

The China Business covers business in China by brand category (Prestige, Fragrance, Cosmetics, Personal Care, etc.).

The Asia Pacific Business covers business in the Asia and Oceania regions excluding Japan and China by brand category (Prestige, Fragrance, Cosmetics, Personal Care, etc.).

The Americas Business covers business in the Americas region by brand category (Prestige, Fragrance, etc.).

The EMEA Business covers business in Europe, the Middle East and African regions by brand category (Prestige, Fragrance, etc.).

The Travel Retail Business covers the operation of worldwide duty-free stores excluding Japan by brand category (Prestige, Fragrance, Cosmetics, etc.).

The Professional Business encompasses the sale of hair and beauty salon products in Japan, China, and the rest of Asia.

Other includes head office administration departments, IPSA Co., Ltd., manufacturing operations, the Frontier Science business and the Restaurant business, etc.

2. Method of Computing Sales, Profit (Loss), and Other Items by Reportable Segment

The accounting treatment method for the Company's reported business segments is generally the same as described in "Basis of Presenting Consolidated Financial Statements" of the Company's most recent Securities Report (filed on March 26, 2019). Segment profit is based on operating profit. Pricing on intersegment transactions and transfers is determined based on market conditions.

3. Sales, Profit (Loss), and Other Items by Reportable Segment
Fiscal Year Ended December 31, 2019 (From January 1 to December 31, 2019)

(Millions of yen)

	Reportable Segment					
	Japan Business	China Business	Asia Pacific Business	Americas Business	EMEA Business (Note 1)	Travel Retail Business
Net Sales						
Sales to outside customers	451,587	216,241	69,835	124,323	118,417	102,204
Intersegment sales or transfers	45,395	853	2,642	41,069	11,485	372
Total	496,982	217,094	72,477	165,393	129,902	102,576
Segment Profit (Loss)	91,094	29,225	7,426	(11,385)	(2,187)	22,091
Other Items						
Depreciation and amortization	7,613	7,981	3,342	9,727	10,179	751
Amortization of goodwill	172	393	132	1,638	103	113

	Reportable Segment	Other (Note 2)	Total	Adjustments (Note 3)	Total Shown in Consolidated Financial Statements (Note 4)
	Professional Business				
Net Sales					
Sales to outside customers	14,685	34,252	1,131,547	—	1,131,547
Intersegment sales or Transfers	696	123,026	225,540	(225,540)	—
Total	15,381	157,279	1,357,088	(225,540)	1,131,547
Segment Profit (Loss)	336	(11,148)	125,453	(11,621)	113,831
Other Items					
Depreciation and amortization	48	16,088	55,732	—	55,732
Amortization of goodwill	—	124	2,678	—	2,678

Notes:
1. The EMEA Business includes the Middle East and African regions.
2. "Other" includes head office administration departments, IPSA Co., Ltd., Shiseido Beauty Salon Co., Ltd., manufacturing operations, the Frontier Science business and the Restaurant business, etc.
3. Segment profit (loss) adjustment is mainly intersegment transaction eliminations.
4. Segment profit (loss) is adjusted for operating profit described in the consolidated statements of income.
5. Assets and liabilities by segment are not provided because they are not subject to reallocation and appraisal of management resources on a periodic basis.

(Significant Change in the Amount of Goodwill)
An Equity Interest Purchase Agreement was concluded after an agreement was reached with stakeholders following the purchase of Drunk Elephant Holdings, LLC in the consolidated fiscal year under review.

As a result, goodwill of ¥55,007 million was recorded. For details, please refer to "3. Consolidated Financial Statements and Notes (5) Notes Concerning Consolidated Financial Statements (Business Combinations, etc.)."

4. Items Related to Changes in Reportable Segments
(Changes in the Method of Classifying Reportable Segments)
The Group has revised its reportable segment classification method in line with its internal management structure, effective from the consolidated fiscal year under review. Shiseido Beauty Salon Co., Ltd., which

was previously included in the Professional Business, is now included in the Other segment.

Shiseido Astech Co., Ltd. and Hanatsubaki Factory Co., Ltd., which were previously included in the Japan Business, are now included in the Other segment.

The segment information for the previous consolidated fiscal year has been restated in line with the new method of classification.

(Per-Share Data)

(Yen)

Fiscal Year Ended December 31, 2019 (January 1 to December 31, 2019)	
Net assets per share	1,242.85
Net profit per share	184.18
Net profit per share (fully diluted)	183.99

1. The basis for calculating net assets per share is shown below.

	As of December 31, 2019
Total net assets (millions of yen)	517,857
Amount deducted from total net assets (millions of yen)	21,419
[Stock acquisition rights (millions of yen)]	(1,263)
[Non-controlling interests (millions of yen)]	(20,156)
Net assets at term-end related to common stock (millions of yen)	496,437
Common stock at term-end used to calculate net assets per share (thousands of shares)	399,435

2. The basis for calculating net profit (loss) per share and fully diluted net profit per share is shown below.

	Fiscal Year Ended December 31, 2019 (January 1 to December 31, 2019)
Net profit (loss) per share	
Net profit attributable to owners of parent (millions of yen)	73,562
Amount not belonging to common stockholders (millions of yen)	—
Net profit attributable to owners of parent related to common stock (millions of yen)	73,562
Average shares outstanding (thousands of shares)	399,411
Net profit per share (fully diluted)	
Net profit attributable to owners of parent adjustment (millions of yen)	—
Increase in common stock (thousands of shares)	400
(Stock options made available through new share subscription rights) (thousands of shares)	(400)
Latent shares not included in fully diluted net profit per share calculation due to lack of dilution effect	—

(Significant Subsequent Events)

Not applicable.