

2019 Results

(January - December)

Michael Coombs

Chief Financial Officer
Shiseido Company, Limited

February 6, 2020

The Shiseido logo is positioned in the bottom right corner of the slide. It features a stylized white 'S' symbol followed by the word 'HISEIDO' in a white, uppercase, serif font. The background behind the logo is a dark red gradient that curves upwards from the bottom left towards the right.

SHISEIDO

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.

2019 Q4 Key Headlines

Solid growth sustained by the agility of our global business portfolio

- **Impact of the Japanese market slowdown mitigated with continued strong momentum in China, Travel Retail and EMEA**
- **Global brands achieved steady growth**
- **Proactive cost management, flexible response to market dynamics**

2019 Q4: Executive Summary

Like-for-like sales grew by 4%,
driven by strong momentum in China, Travel Retail and EMEA.
Operating profit increased over 50% with higher cost efficiency.

Net Sales: ¥284.9 Bn YoY change: -1.4%, FX-neutral: +1.6%, Like-for-like*1: +4.1%

- Our global business portfolio and agility delivered solid growth
- Like-for-like: China +21%, Travel Retail +24%, EMEA +19%
- Japan: -10% due to the impact of inbound slowdown and tax hike
- Growth drivers: *SHISEIDO*, *IPSA*, *NARS* and *Dolce&Gabbana* (double-digit growth)

Operating Profit: ¥10.5 Bn YoY change: +¥3.6 Bn, +51.4%; OPM: 3.7%, +130 bps

- Improved profitability from brand mix, strategic marketing investments and overall cost management

Net Profit Attributable to Owners of Parent: ¥1.1 Bn YoY change: +¥3.7 Bn

*1. Excluding the impacts of (1) business withdrawals (the amenity goods business in 2018 and dermatologic agent brands *FERZEA* and *Encron* in 2019) in Japan, (2) the adoption of the new revenue recognition standard, ASC 606 in the Americas in 2019, and (3) the acquisition of the American skincare brand *Drunk Elephant*.

FY 2019: Executive Summary

Resilient performance
despite external challenges and increasing uncertainties.
Record-high Sales, Operating Profit and Net Profit.
Operating Margin reached 10.1%, up 20 bps.

Net Sales: ¥1,131.5 Bn YoY change: +3.4%, FX-Neutral: +5.7%, Like-for-Like*1: +6.8%

- Prestige: main driver of global growth with successful launches (+10%*1)
- Steady/Strong: China, Travel Retail, EMEA and Asia Pacific
Challenging: Japan, Americas
- Impacts from macro uncertainties continued

Operating Profit: ¥113.8 Bn YoY change: +¥5.5 Bn, +5.1%; OPM: 10.1%, +20 bps

- Improved brand mix, strategic marketing investments and profitability improvement in Americas and EMEA

Net Profit Attributable to Owners of Parent: ¥73.6 Bn YoY change: +¥12.2 Bn, +19.8%

EPS: ¥ 184.2/share YoY change: +¥30.4/share, +19.8%

Annual Dividend: ¥60/share (plan): 4th consecutive year of dividend increase

*1. Like-for-Like, excluding the impacts of (1) business withdrawals (the amenity goods business in 2018 and dermatologic agent brands *FERZEA* and *Encron* in 2019) in Japan
(2) the adoption of the new revenue recognition standard, ASC 606 in the Americas in 2019, and (3) the acquisition of the American skincare brand *Drunk Elephant*.

Summary of FY 2019 Results

(Billion yen)	2019		2018		YoY Change	YoY Change %	YoY Change FX-Neutral %	Like-for-Like FX-Neutral % ^{*3}	Change from Nov. Forecast ^{*4}
		% of Net Sales		% of Net Sales					
Net Sales	1,131.5	100	1,094.8	100	+36.7	+3.4	+5.7	+6.8	-2.5
Cost of Sales	254.8	22.5	231.9	21.2	+22.9	+9.9			
Gross Profit	876.7	77.5	862.9	78.8	+13.8	+1.6			
SG&A	762.9	67.4	754.5	68.9	+8.3	+1.1			
Operating Profit	113.8	10.1	108.4	9.9	+5.5	+5.1			+0.8
Extraordinary Income/Loss	(1.4)	(0.1)	(5.2)	(0.5)	+3.8	-			
Net Profit ^{*1}	73.6	6.5	61.4	5.6	+12.2	+19.8			-4.9
EPS (¥/share)	184.2	-	153.7	-	+30.4	+19.8			
EBITDA ^{*2}	169.3	15.0	150.3	13.7	+19.0	+12.7			

Exchange rates: USD 1 = JPY 109.1 (YoY change: -1.2%), EUR 1 = JPY 122.1 (-6.4%), CNY 1 = JPY 15.8 (-5.6%)

*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 (1) business withdrawals (the amenity goods business in 2018 and dermatologic agent brands *FERZEA* and *Encron* in 2019) in Japan,

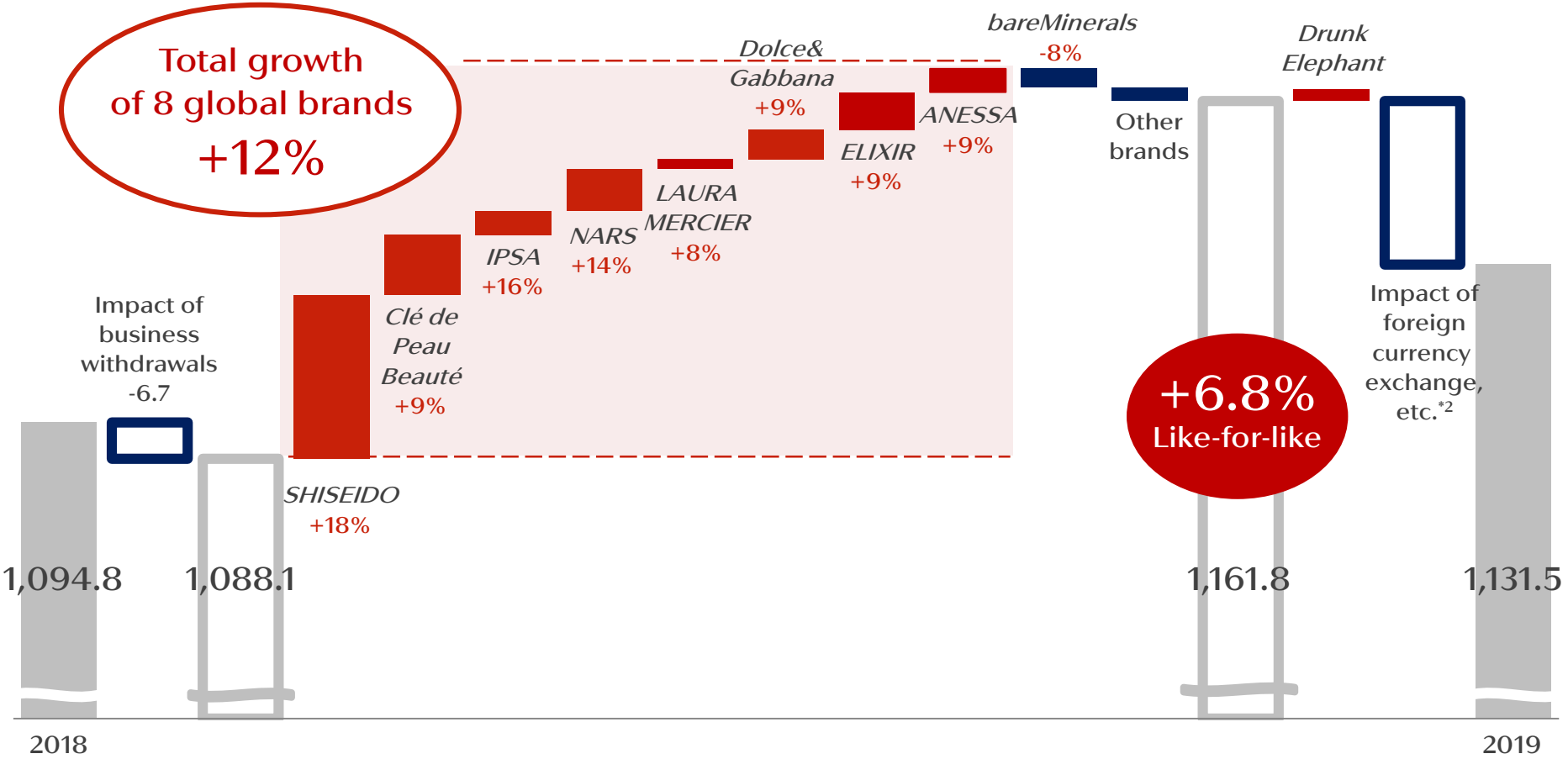
(2) the adoption of the new revenue recognition standard, ASC 606 in the Americas in 2019, and (3) the acquisition of the American skincare brand *Drunk Elephant*.

*4. Difference from the lower limit of the forecast range

Double-digit Growth in FY 2019 from Eight Global Brands Combined

Change in net sales by brand (billion yen)

YoY change (%), excl. the impact of foreign exchange and adoption of the new revenue recognition standard, ASC 606 in the Americas in 2019)



*1. YoY change (%) for each brand is calculated based on initial exchange rate assumptions.

*2. "Impact of foreign currency exchange, etc." includes impacts of (1) foreign currency exchange -26.1 billion yen, (2) the adoption of the new revenue recognition standard, ASC 606 in the Americas in 2019, and (3) business withdrawals (dermatologic agent brands FERZEA and Encron in 2019) in Japan.

FY 2019 Sales: Momentum Varied by Region

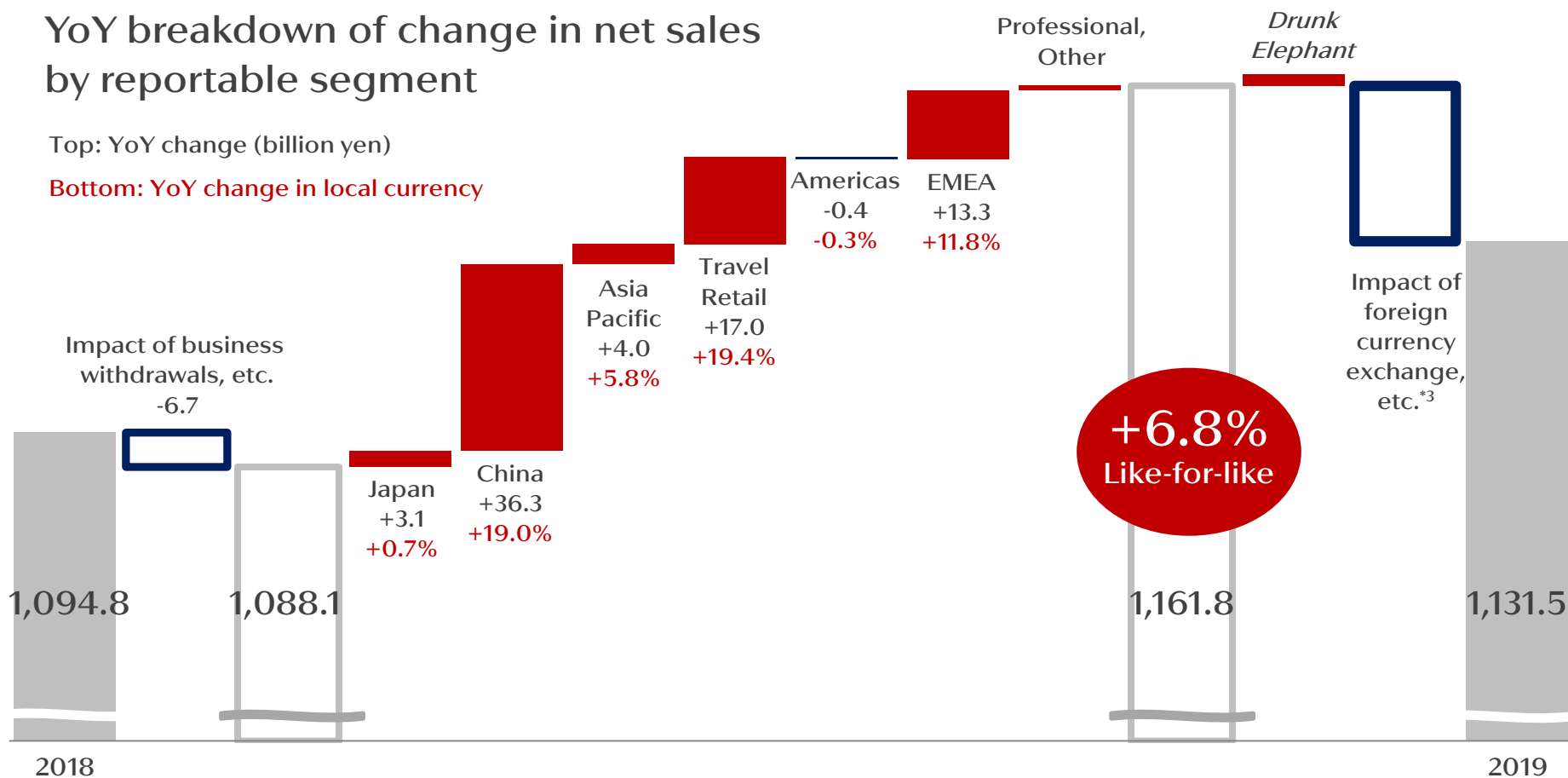
Solid Performance in China, TR, Asia Pacific and EMEA

Slowdown in Japan and Americas

YoY breakdown of change in net sales by reportable segment

Top: YoY change (billion yen)

Bottom: YoY change in local currency



*1. The year-on-year change in local currency terms for each business was calculated based on the actual exchange rates.

*2. See Supplemental Data 17-1 for details about segment classifications.

*3. "Impact of foreign currency exchange, etc." includes impacts of (1) foreign currency exchange -26.1 billion yen, (2) the adoption of the new revenue recognition standard, ASC 606 in the Americas in 2019, and (3) business withdrawals (dermatologic agent brands *FERZEA* and *Encron* in 2019) in Japan.

Japan: Challenges in Responding to Market Changes

● Market YTD:

Modest growth due to inbound slowdown and tax hike

● Shiseido Consumer Purchases*1:

YTD flat, Q4 -10%

➤ Inbound Q4: **-12%**

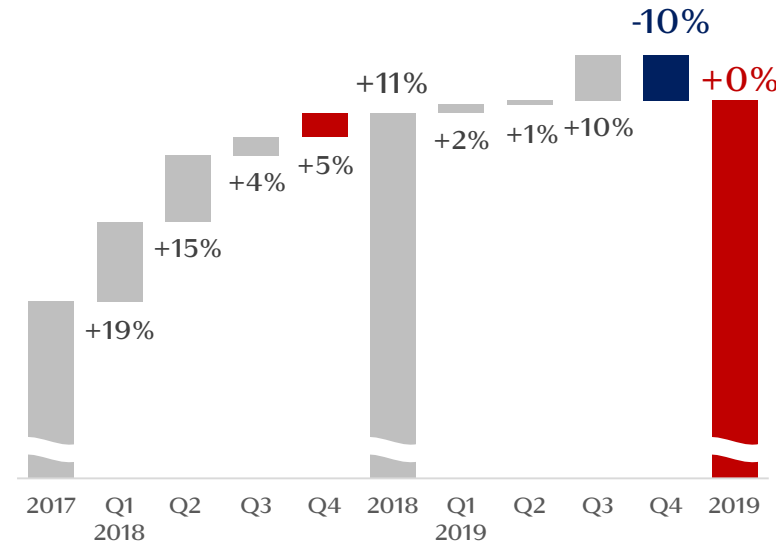
- Tourists: **-5%**
- Buyers: **-30%**

➤ Local Q4: weaker than expected after tax hike

➤ 2019 Achievements

- Strong performance with renewals/new launches
Clé de Peau Beauté skincare line,
SHISEIDO eye serum and foundation
- Capturing demand in new fields
d program, *UNO*
- Cross-brand promotions
Disney tie-in promotion,
Medicated care-hybrid foundation project

■ Growth in Consumer Purchases



Clé de Peau Beauté:
New skincare line



d program:
Essence that protects skin
from temperature fluctuations

*1. "Consumer purchases" and "External sales" are equivalent to "sell-out" and "sell-in" in Shiseido terminology, respectively.

Americas: Turnaround Continuing in a Tough Market

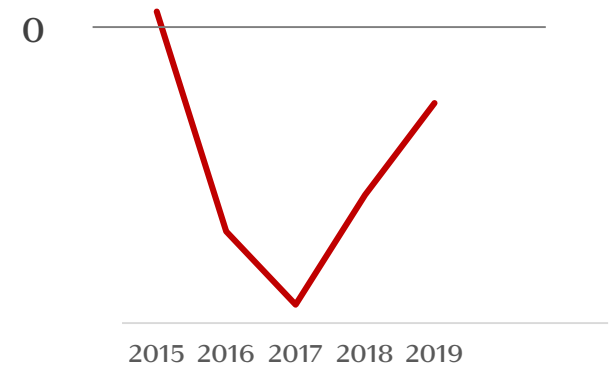
- Market: Up in skincare & fragrance, down in makeup
- Progress of *bareMinerals*' restructuring

● Shiseido External Sales:

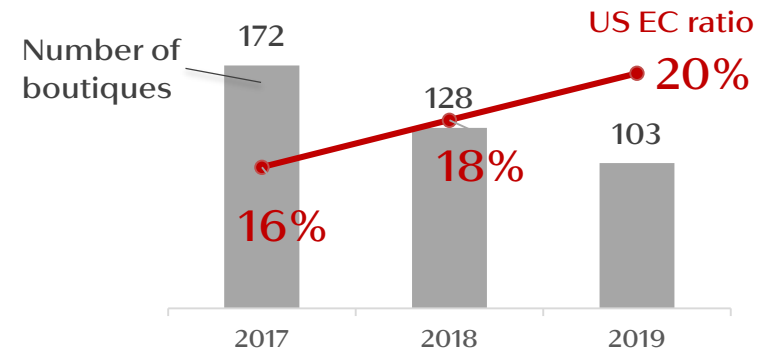
YTD -0.3%*1

- *bareMinerals*' turnaround
 - Strengthened positioning as a clean brand
 - Reduced SKUs, improving productivity
 - Boutique closures on track
 - EC*2 ratio steadily increasing
- Cost management measures
- *Dolce&Gabbana, SHISEIDO* and *Clé de Peau Beauté* performed well
- *Drunk Elephant*
Solid sales growth; PMI on track

(1) Consumer Purchases Growth Ratio YoY



(2) Channel Optimization



*1. Excluding the impacts of the adoption of the new revenue recognition standard, ASC 606 in the Americas in 2019

*2. E-Commerce

Asia Pacific: Steady Performance

- Market:
South Korea*, Taiwan* and Thailand* faced headwinds
(less traffic, unfavorable FX fluctuations)
- Shiseido External Sales: **YTD +6%, Q4 +2%**
excl. South Korea: YTD +10%, Q4 +10%
 - Strong momentum in ASEAN: YTD +approx. 20%, Q4 +over 20%
NARS, ANESSA and *Clé de Peau Beauté* contributed
 - JV establishment in the Philippines, new distributor in Australia



NARS arrived in Indonesia with a great stand-alone store in the luxury shopping mall Senayan City in Jakarta

China: Accelerated, Driven by Singles' Day/W11

- Market: Strong growth continued, while Hong Kong remained unstable

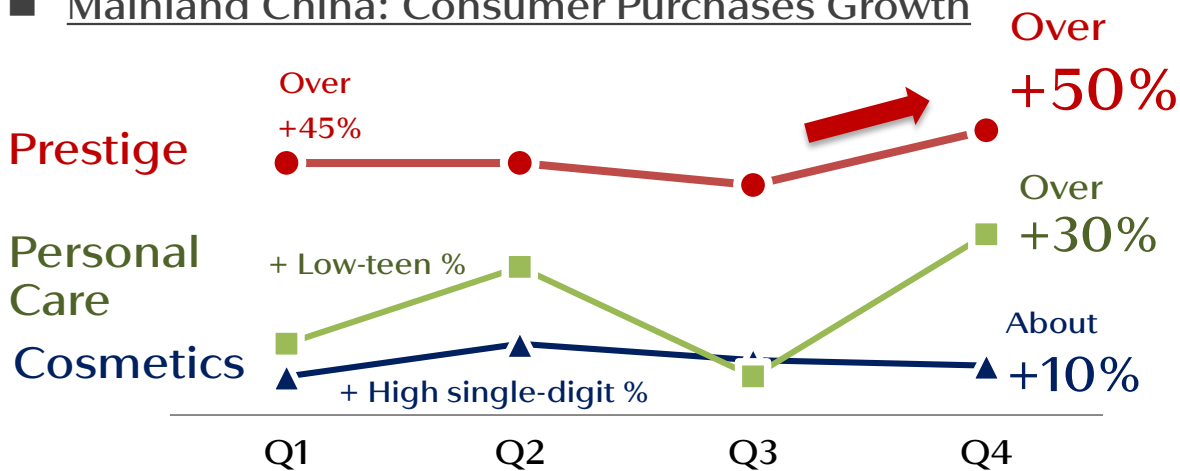
- Shiseido Consumer Purchases:

YTD +high-teens%, accelerated in Q4

Mainland China: YTD +over 20%, Q4 +high 20%

Ratio of Prestige: up 400 bps (2018: 44%, 2019: 48%)

■ Mainland China: Consumer Purchases Growth



- Robust W11 (2016-2019 CAGR +80%*)

- Solid growth both offline and online, EC sales: +40%; EC ratio: mid-30%

- Strong: *SHISEIDO*, *Clé de Peau Beauté*, *ELIXIR* and *ANESSA*



Travel Retail: Fastest-growing, Exceeded Sales of 100 Billion Yen

- Market: YTD almost +20%, led by prestige skincare
Fragrance remains challenging
- Shiseido Consumer Purchases: **positive momentum**
YTD +mid-20%, Q4 +about 30%; Asia: YTD +over 35%, Q4 +over 45%
 - Continued strong growth of core brands (*SHISEIDO, NARS*)
 - Successful roll-outs (*IPSA, ELIXIR*)
 - Exclusive and limited items contributed



EMEA: Double-digit Growth in a Challenging Market

- Market:

Up in skincare and fragrance, down in makeup

Up in Italy and Spain, down in the UK and France

- Shiseido External Sales:

YTD +12%, Q4 +19%

- New launches in fragrances boosted sales:

K by Dolce&Gabbana;

Rose & Rose/Wood & Wood, *ISSEY MIYAKE*;

PURE MUSC, *narciso rodriguez*

- Prestige performed well

- Successful launch of

Clé de Peau Beauté in Harrods, London

- Launched *bareMinerals*

in Spain and the Netherlands



FY 2019 OPM 10.1%:

Led by Higher Margins in China, Travel Retail, Americas and EMEA

2019 Operating Profit by Reportable Segment

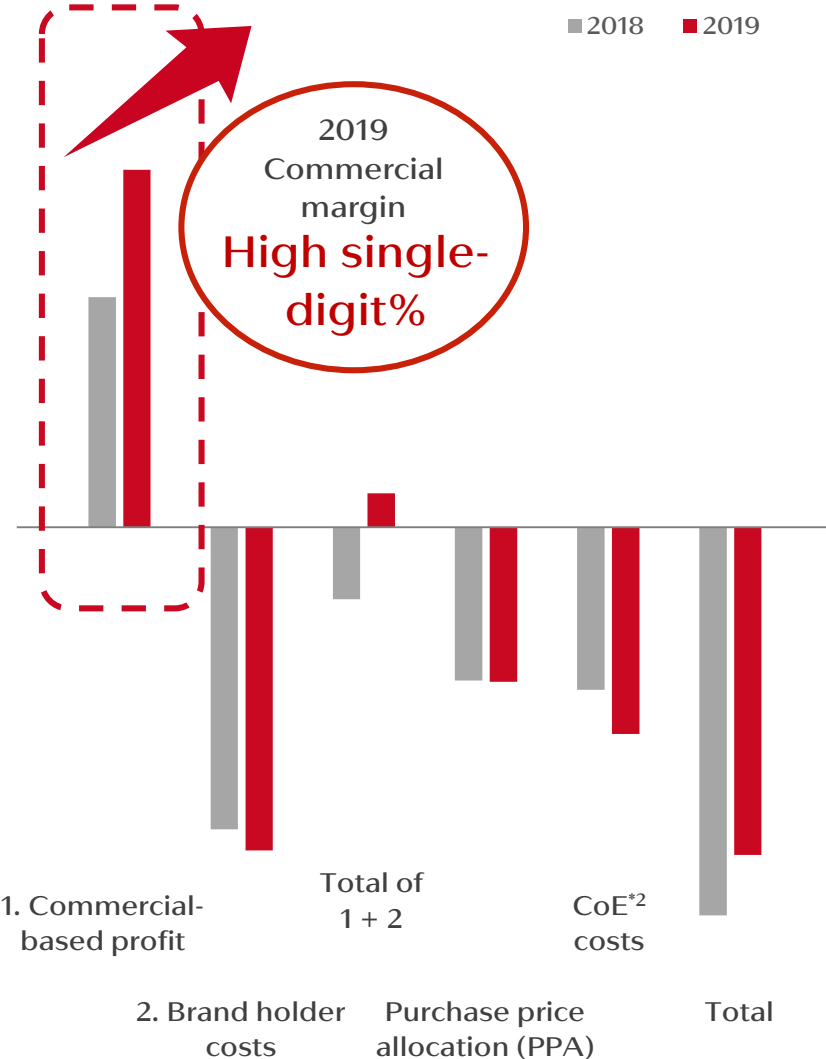
(Billion yen)	2019		2018		YoY Change	YoY Change %
		OPM %		OPM %		
Japan	91.1	18.3	91.3	18.8	-0.2	-0.3
China	29.2	13.5	24.5	12.8	+4.7	+19.2
Asia Pacific	7.4	10.2	7.8	11.1	-0.4	-4.9
Americas	(11.4)	(6.9)	(14.8)	(8.7)	+3.4	-
Before Amortization of Goodwill, etc.	(5.7)	(3.5)	(9.5)	(5.6)	+3.8	-
EMEA	(2.2)	(1.7)	(8.0)	(6.4)	+5.8	-
Before Amortization of Goodwill, etc.	(0.4)	(0.3)	(6.2)	(5.0)	+5.8	-
Travel Retail	22.1	21.5	17.6	20.0	+4.5	+25.5
Professional	0.3	2.2	0.4	2.7	-0.1	-15.9
Other	(11.1)	(7.1)	(5.5)	(3.9)	-5.6	-
Subtotal	125.5	9.2	113.4	8.8	+12.1	+10.6
Adjustments	(11.6)	-	(5.0)	-	-6.6	-
Total	113.8	10.1	108.4	9.9	+5.5	+5.1

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

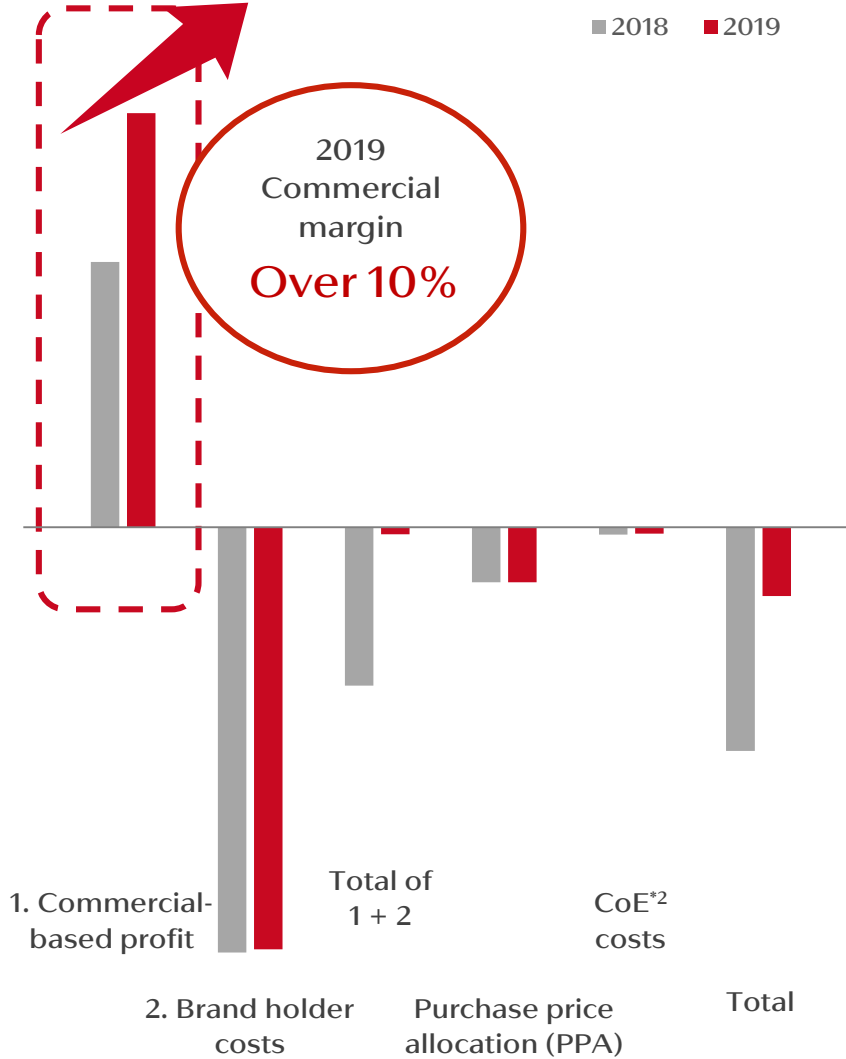
*2. See Supplemental Data 17-1 for details about changes in reportable segments. The previous year's results are restated to reflect the new reportable segments.

Healthy Swing in Functional P&L in Americas and EMEA

■ Americas profit structure*1



■ EMEA profit structure



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

Supply: Strengthening Production and Shipment Capabilities to Meet Medium- to Long-term Growth in Demand

- Halved opportunity losses YoY
 - Prioritized product allocation
 - Improved production efficiency
 - Increased capacity (Nasu factory)
 - Reduced material constraints
- SKU reduction
 - Reduced 4,300 SKUs, on track
 - Optimal production based on consumer needs
- Increase in inventory
 - Stock-up for global new product launches in 2020
 - Challenge: demand forecast capability
 - Further optimization measures
- Focus on year-on-year COGs ratio reduction

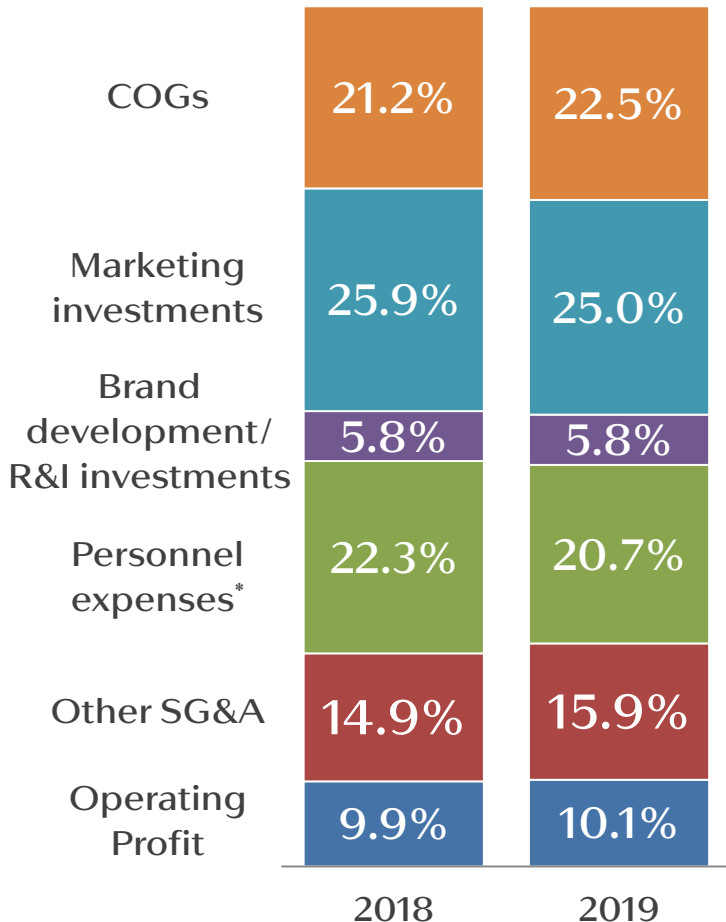


Nasu factory started shipments on Dec. 24, 2019

Improved Marketing ROI

Focused Investment for Long-term Growth

Cost Structure



- COGs +130 bps (excl. ASC 606 +90 bps)

- Increase in inventory
- Nasu factory
- US-China tariffs
- Increase in outsourcing share

- Marketing investments -90 bps (excl. ASC 606 -70 bps)

Absolute value amount (FX-neutral) increased

- Stable and strategic investment into core brands
- Continuing shift to digital
- Optimized expense in Hong Kong & South Korea

- Personnel expenses -160 bps (excl. ASC 606 -110 bps)

- POS personnel decrease in US

- Other SG&A +100 bps

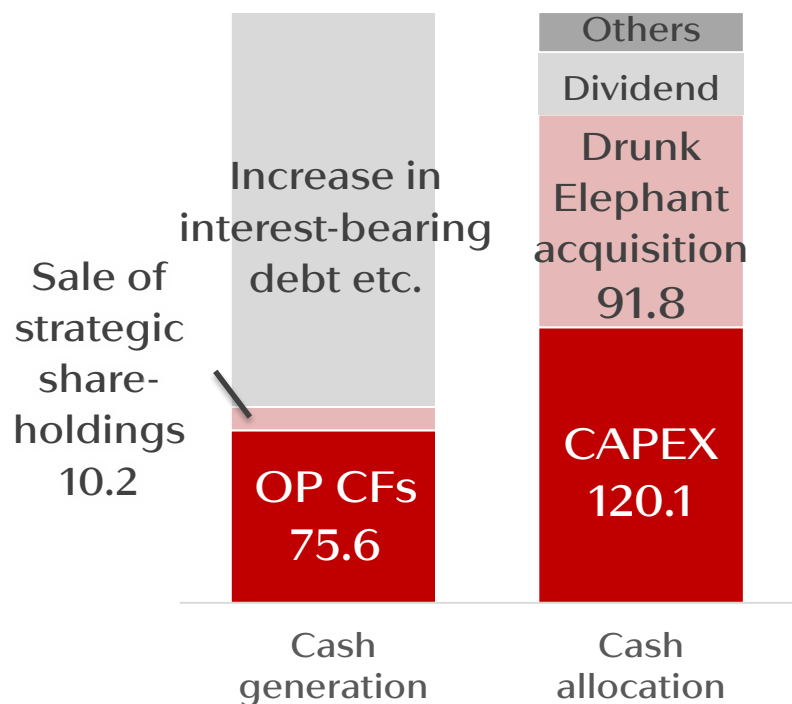
- Freight mix deterioration
- PPA and one-time costs for *Drunk Elephant*

* POS personnel expenses are included in "Personnel expenses"

Consolidated Statement of Cash Flows: Allocation of Cash for Long-term Growth

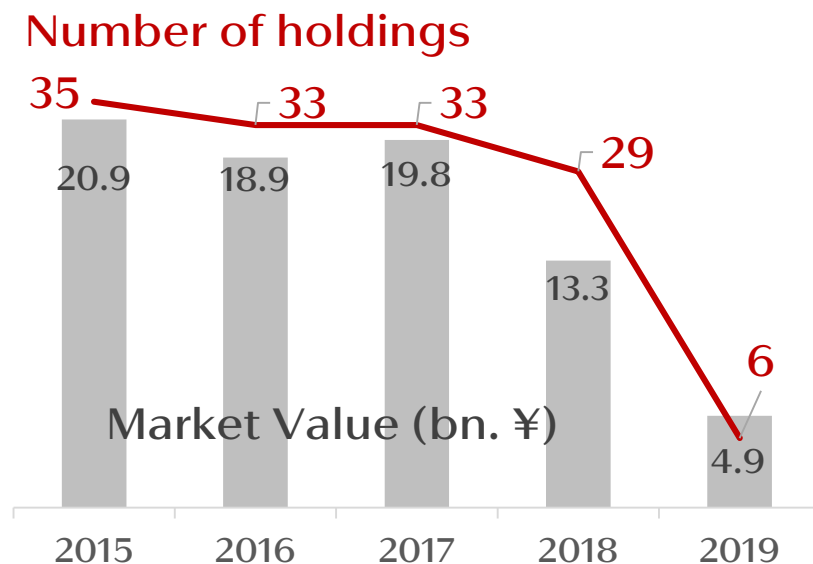
- Cash generation included selling strategic shareholdings
- *Drunk Elephant* acquisition financed by a bridge loan, to be switched to long-term debt in 2020
- Dec. 2019: Debt/Equity ratio: 0.5, Interest-bearing debt to EBITDA ratio: 1.0

■ Cash Generation & Allocation (bn. ¥)



■ Strategic Shareholdings

(Non-consolidated HQ, listed companies)

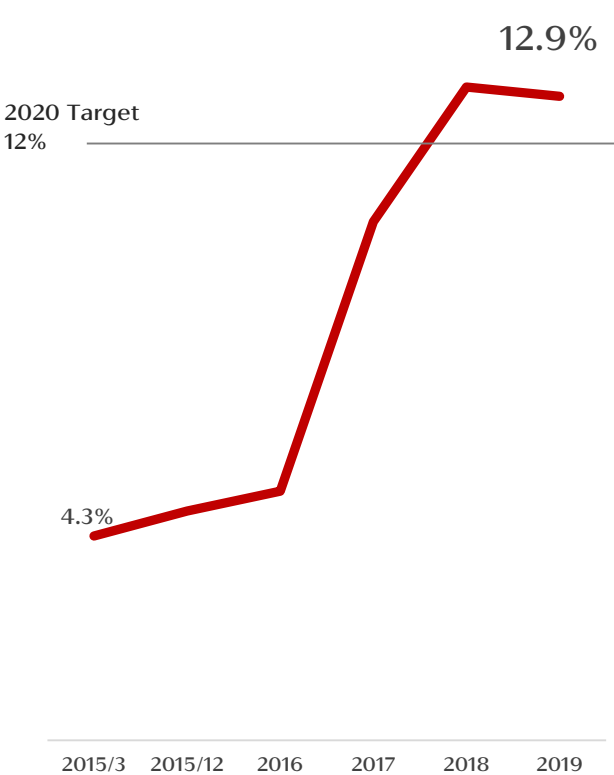


ROIC: Deterioration due to Increase in Interest-bearing Debt Following Acquisition

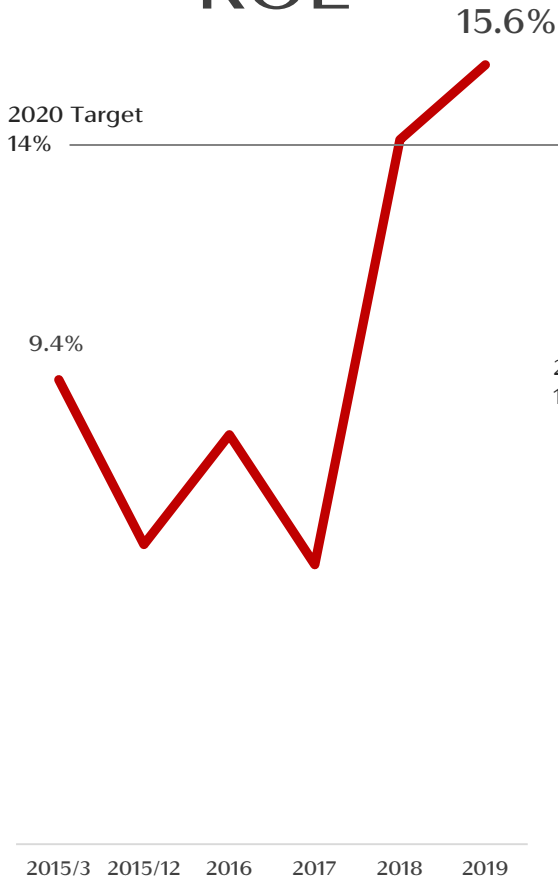
ROE: Improved over Last Year

CCC: Up 23 Days due to Inventory Increase

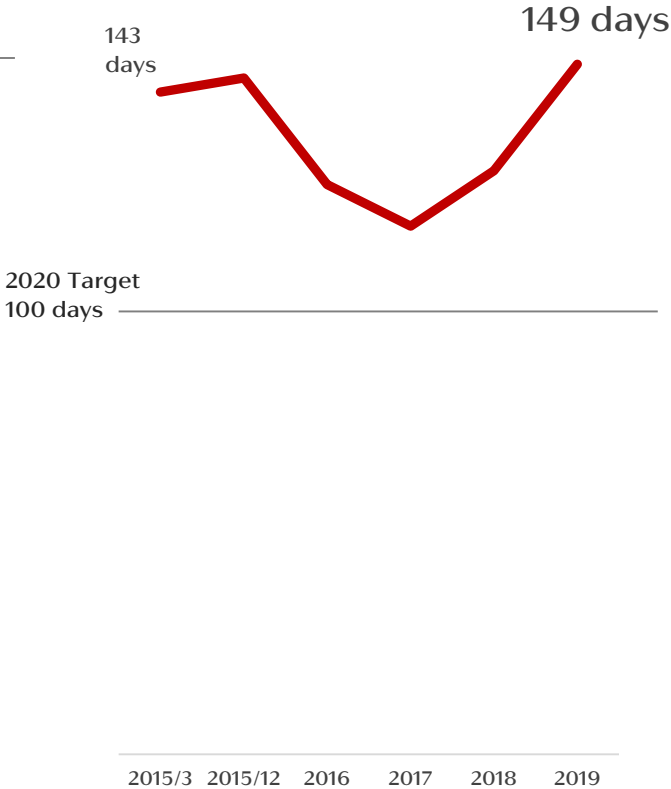
ROIC



ROE



CCC

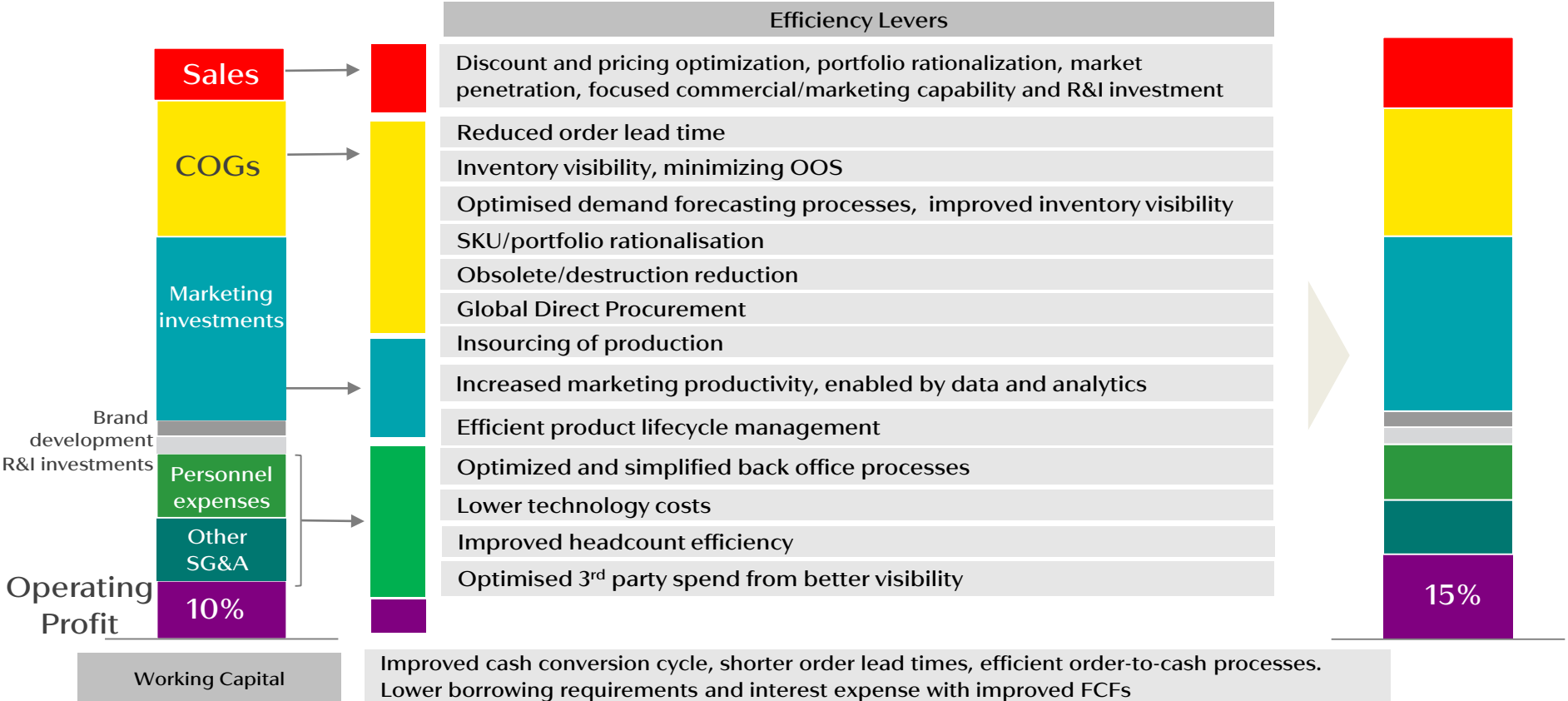


2019: Established IT Business Transformation Function

2020: Strengthen and Harmonize Global IT System to Become a “Data-empowered Organization”



Unlocking Value across our Business
Major System Transformation under way



Achievements and Challenges

Achievements

- Growth drivers: China, Travel Retail and EMEA
 - Focus on prestige and skincare
 - Shift to digital; cross-border marketing
 - Successful renewals/new launches
 - Brand portfolio enhancement: acquisition of *Drunk Elephant*, license for *Tory Burch*
- Profitability improvement in the Americas and EMEA
- Proactive cost management while ensuring investments for long-term growth

Challenges

- Japan: addressing/capturing local demand
- Further improvement of the Americas and EMEA profitability
- Inventory management, demand forecast accuracy
- IT system capabilities

Tackling Market Uncertainties for Long-term Growth

Masahiko Uotani

Representative Director, President and CEO
Shiseido Company, Limited

February 6, 2020

The Shiseido logo, featuring a stylized white 'S' symbol followed by the word 'SHISEIDO' in a white, uppercase, serif font, set against a dark red background.

Background of 2020 Plan

-
- Continuing growth of global brands
 - Growth of China and Travel Retail Businesses
 - Profitability improvement in Americas and EMEA
 - Steady trajectory of Japan Business
 - Further enhancement of supply capability
 - Integration and expansion of *Drunk Elephant*
 - Execution of sustainability strategy
- Impact of the Hong Kong* and South Korea* markets
 - US-China tariffs
 - Exchange rates fluctuations
- Emergency response to coronavirus

2020 Forecast (excluding coronavirus impact)

(Billion yen)	2020		2019	YoY Change %	YoY Change FX-Neutral %
		% of Net Sales			
Net Sales	1,220.0	100	1,131.5	+7.8	+8 Like-for-Like +7
Operating Profit	117.0	9.6	113.8	+2.8	
Ordinary Profit	117.0	9.6	108.7	+7.6	
Net Profit Attributable to Owners of Parent	77.5	6.4	73.6	+5.4	
EBITDA	195.7	16.0	169.3	+15.6	

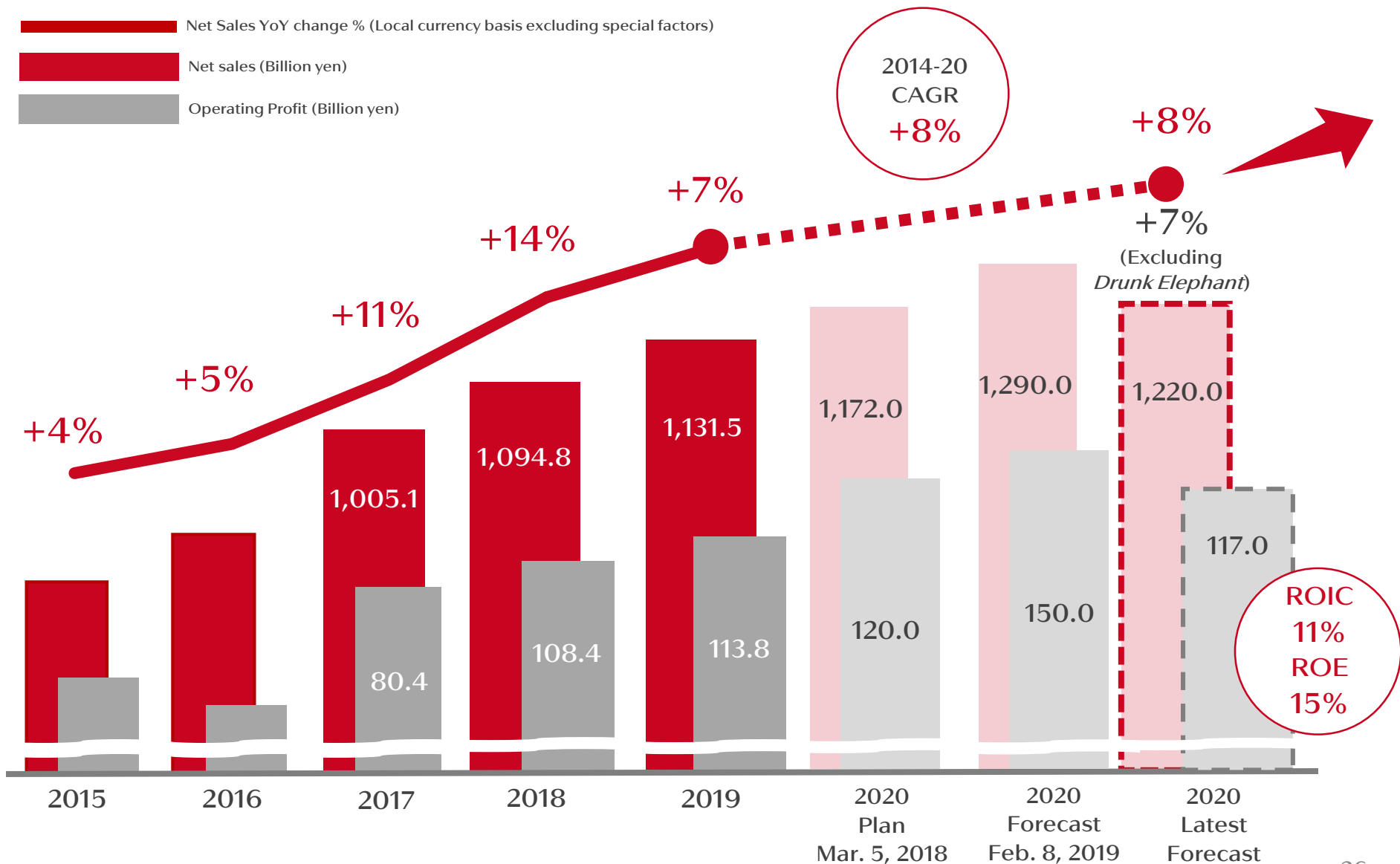
ROE Forecast: 14.8%

Exchange rates (YoY change): USD 1 = JPY 109.1 (±0%), EUR 1 = JPY 122.1 (±0%), CNY 1 = JPY 15.8 (±0%)

Dividends Forecast: interim dividend ¥30/share, year-end dividend ¥30/share

VISION 2020

█ Net Sales YoY change % (Local currency basis excluding special factors)
█ Net sales (Billion yen)
█ Operating Profit (Billion yen)



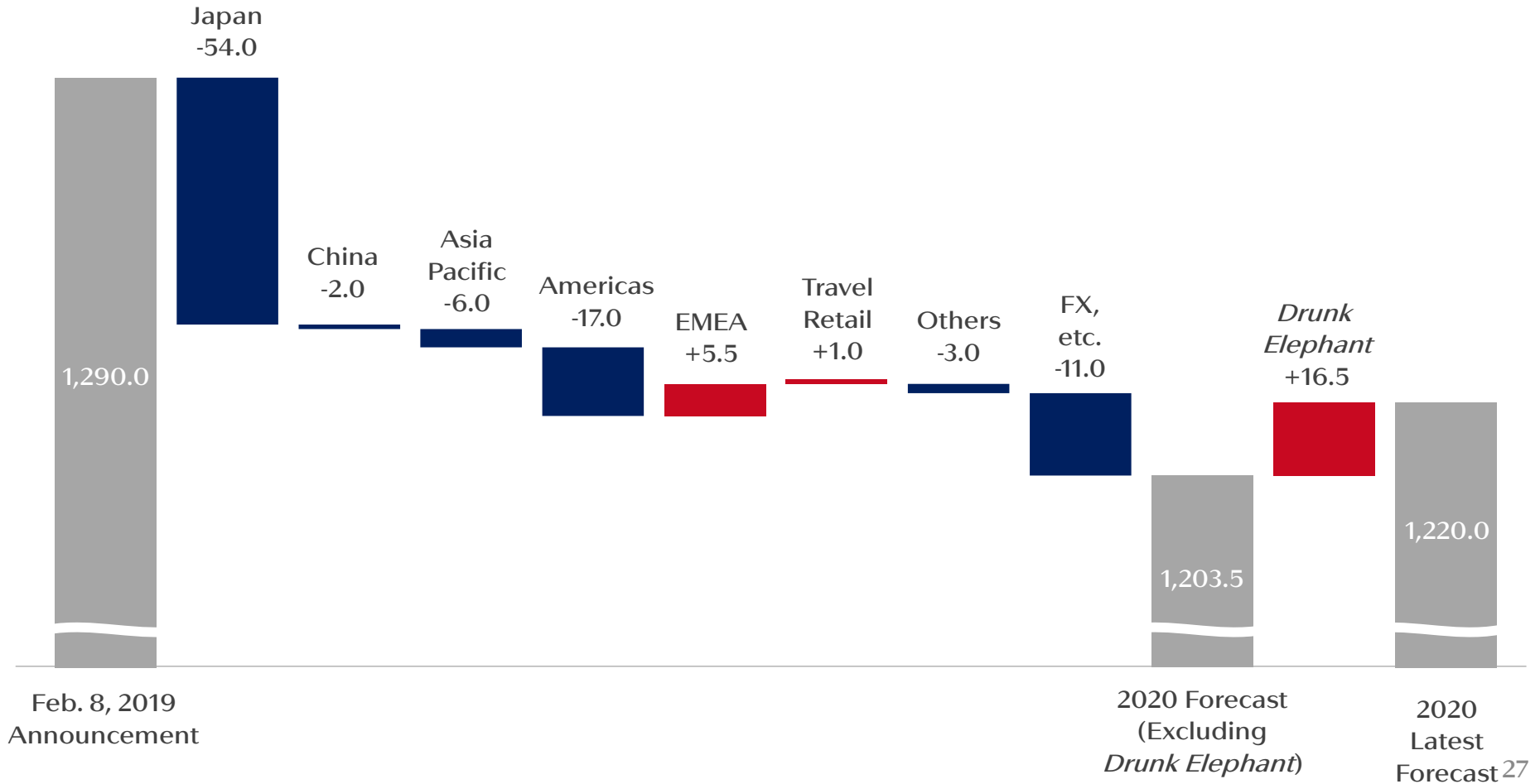
*2014 excludes the impact of the reactional drop in demand following the consumption tax hike, market inventory optimization in China and Asia, and distribution center problems in the Americas.

2020 Sales Forecast

(Changes from Feb. 2019 disclosure)

■ Breakdown of Changes

(Billion yen)

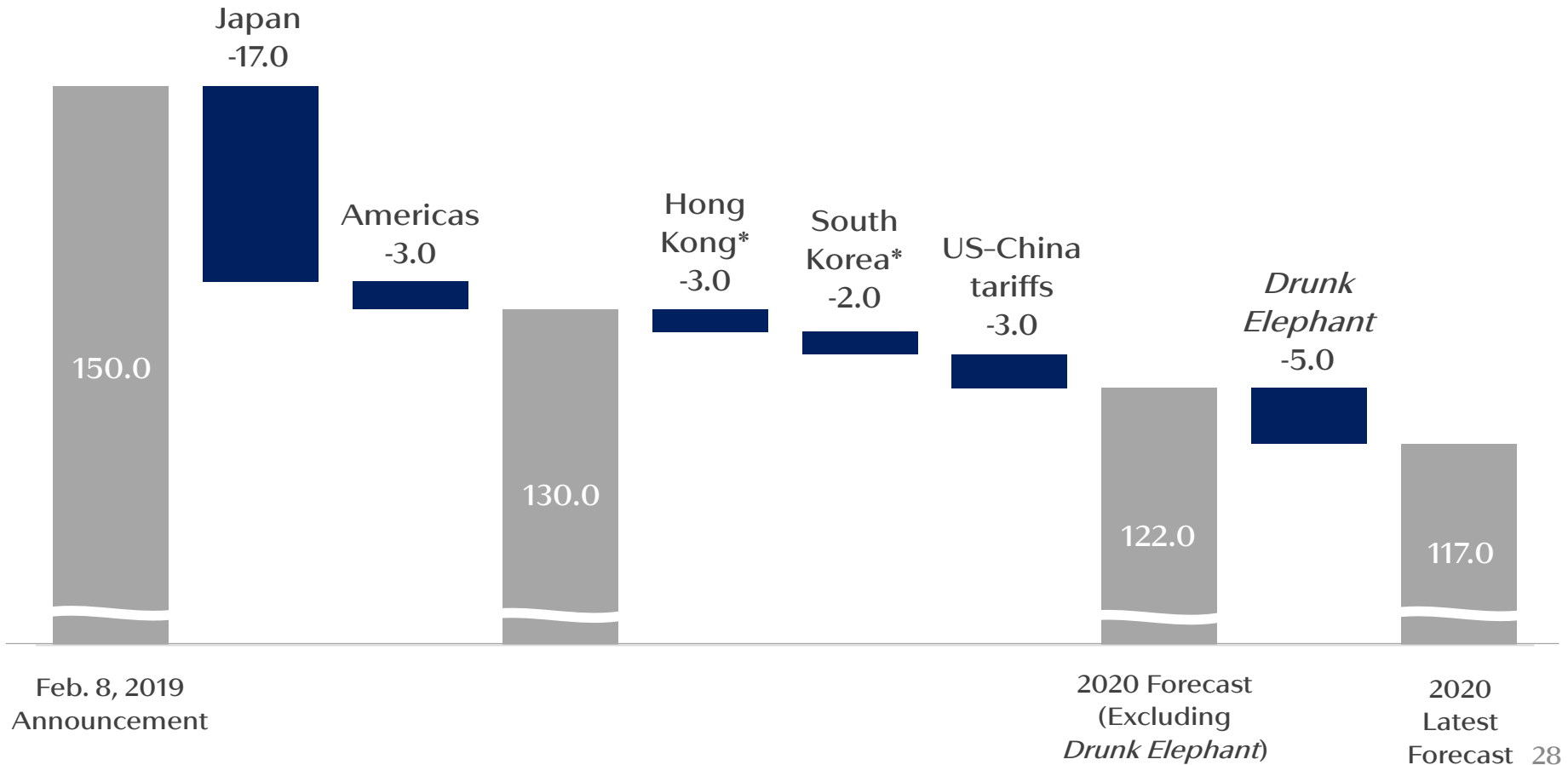


2020 Operating Profit Forecast

(Changes from Feb. 2019 disclosure)

■ Breakdown of Changes

(Billion yen)

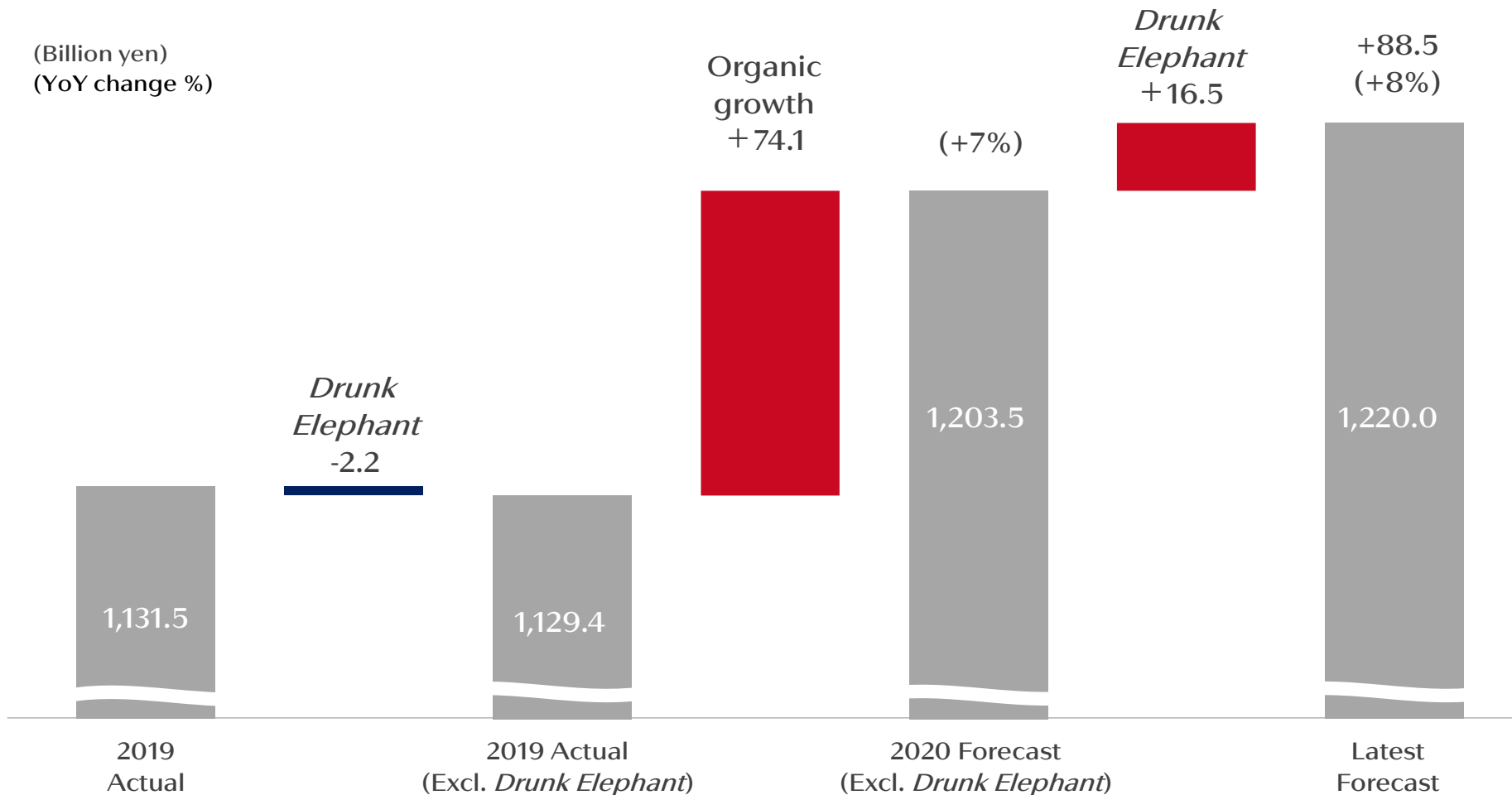


*Country/Region

2020 Sales Forecast (vs. 2019)

■ Breakdown of Changes

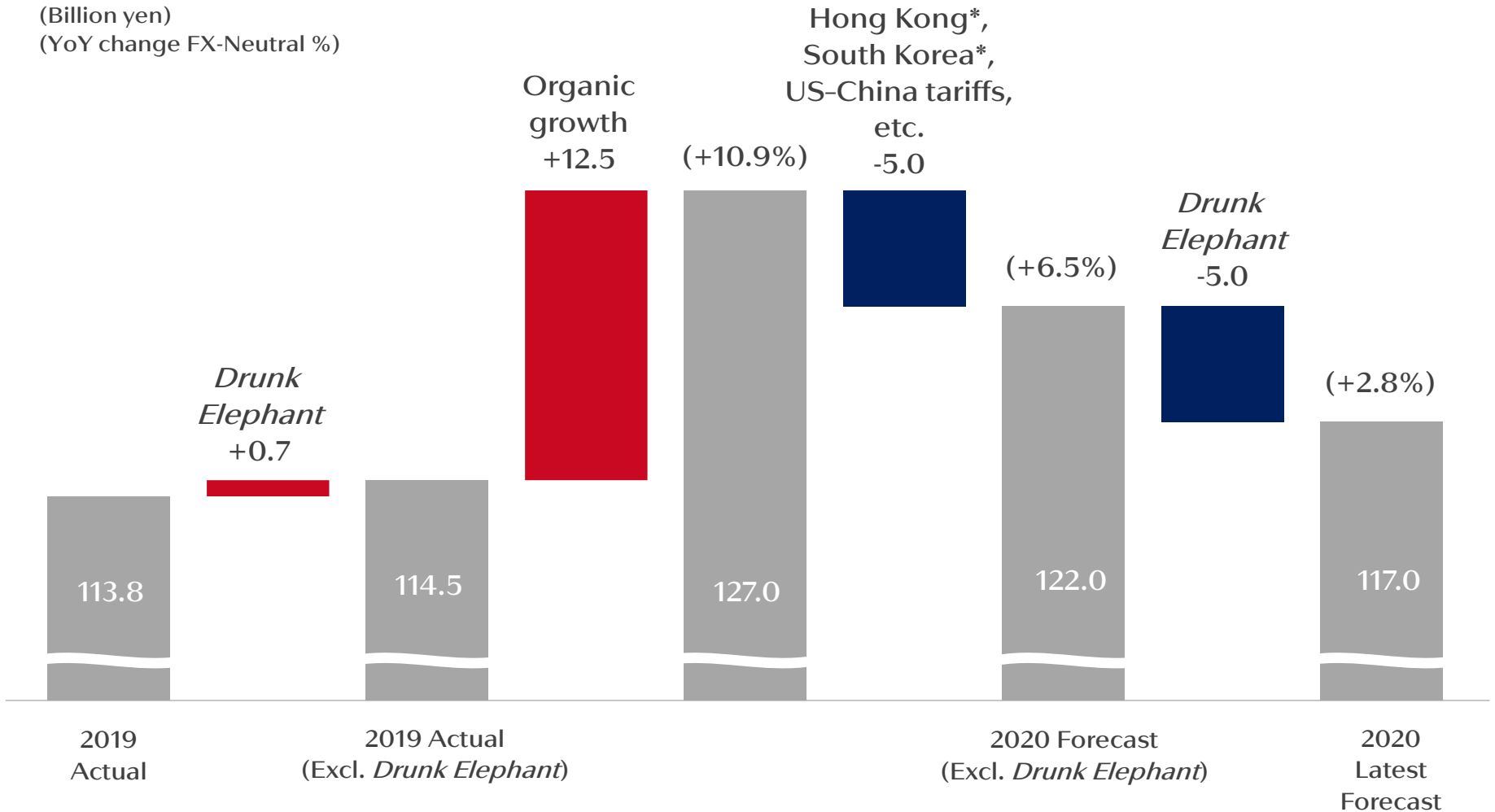
(Billion yen)
(YoY change %)



2020 Operating Profit Forecast (vs. 2019)

■ Breakdown of Changes

(Billion yen)
(YoY change FX-Neutral %)



*Country/Region

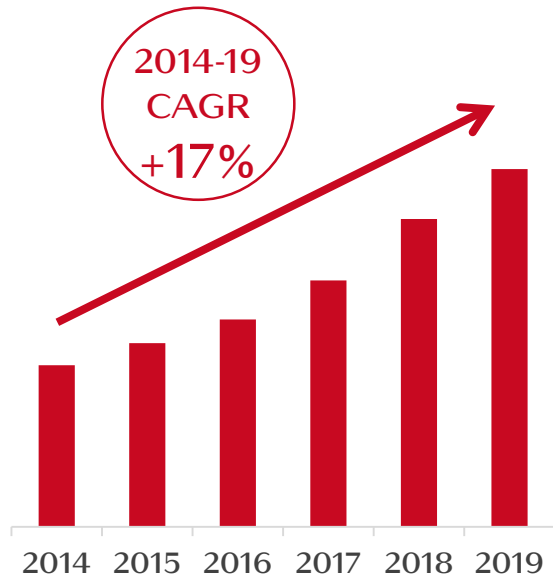
2020 Sales Forecast by Region

(Billion yen)	2020	2019*1	YoY Change %	
				Like-for-Like*2
Net Sales	1,220.0	1,131.5	+ 8	+ 7
Japan	438.0	430.9	+ 2	+ 2
China	251.5	216.2	+16	+16
Asia Pacific	73.5	69.8	+ 5	+ 5
Americas	140.5	123.0	+14	+ 3
EMEA	126.0	118.4	+ 6	+ 6
Travel Retail	140.0	122.8	+14	+14
Professional	15.0	14.7	+ 2	+ 2
Other	35.5	35.7	-1	-1

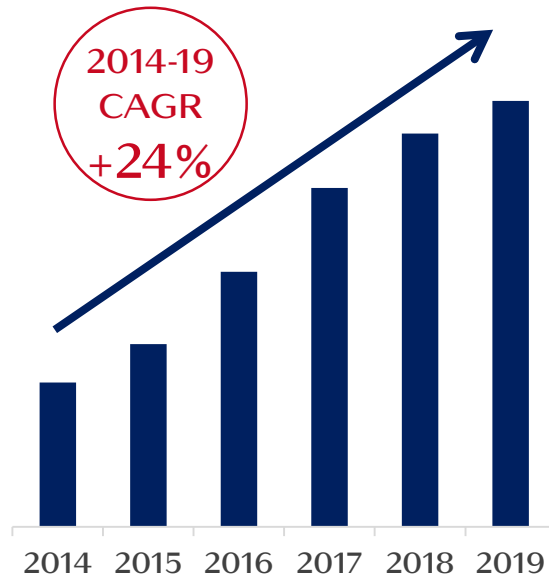
Exchange rates (YoY change): USD 1 = JPY 109.1 ($\pm 0.0\%$), EUR 1 = JPY 122.1 ($\pm 0.0\%$), CNY 1 = JPY 15.8 ($\pm 0.0\%$)

*1 After segment changes, *2 Excluding *Drunk Elephant*

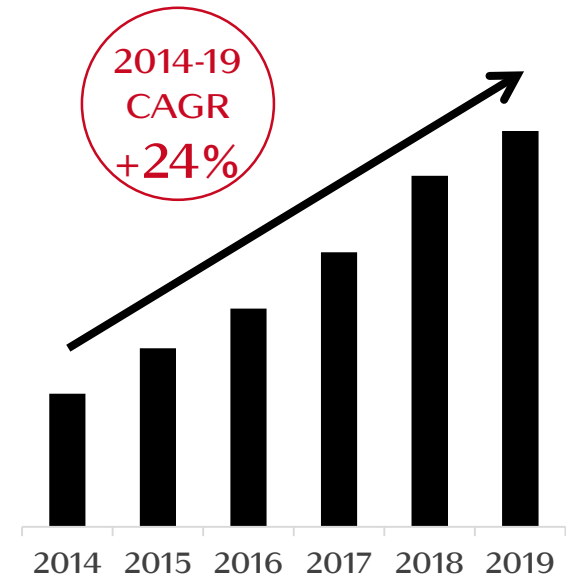
2020 Prestige Brands Drive Growth



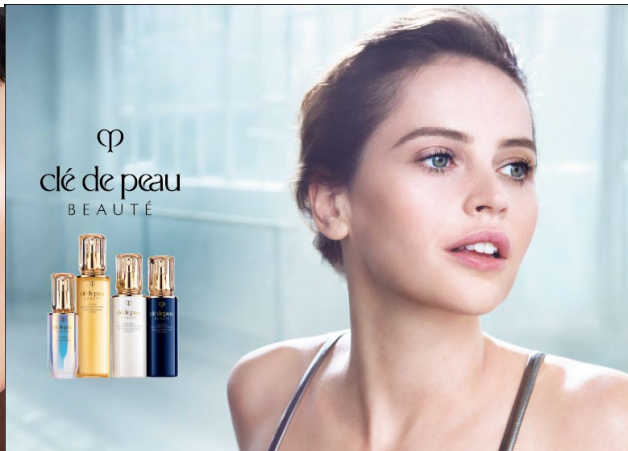
SHISEIDO



Clé de Peau Beauté



NARS



New Product Launches

- **SHISEIDO**

- New *Synchro Skin* foundation
- *White Lucent* “Illuminating Micro-Spot Serum”
- *Vital Perfection* “Uplifting And Firming Cream”

- **Clé de Peau Beauté**

- Cream: “La Crème”
- Primer: “Voile Crème Correcteur”

- **LAURA MERCIER**

- Primer: “Pure Canvas Primer”



New Product Launches

- *REVITAL*: Rebranding
- *ANESSA* “Perfect UV Sunscreen Skincare Milk”
Technology that increases UV protection with heat
- *ELIXIR*
 - *ELIXIR ADVANCE* “Skin Finisher”
 - *ELIXIR REFLET* “Balancing Oshiroi Milk” limited-edition cherry blossom design package
- *d program*
“Medicated gentle cleansing series” for sensitive skin
- *PRIOR* “BB Gel Cream Foundation”

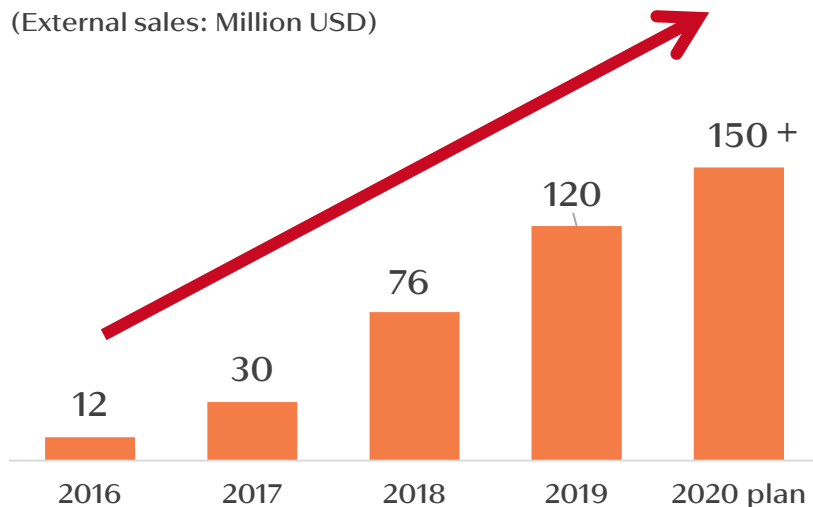


Drunk Elephant Integration and Expansion

- Americas: Strengthen marketing
- EMEA: Roll-out in Europe
- Asia: Prepare to roll-out
in Japan/ China
- Continue expansion in E-commerce
- Carefully manage integration while preserving culture

■ Sales Growth

(External sales: Million USD)



Voices of US Investors

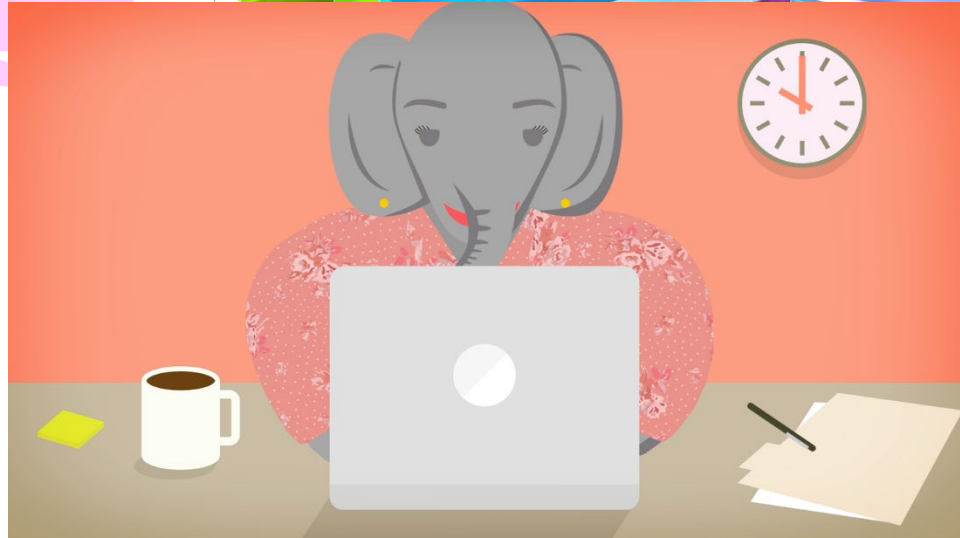
Great growing "clean" brand that resonates with young people. You have insight.

A promising brand with lots of potential. We are excited!

You can grow the brand dramatically with Shiseido's network.

A bit pricy but unique and next generation.

We expect contribution to the group profit.



Evolving Innovation to Accelerate New Value Creation

● Sustainable Packaging

- Product launches with biodegradable packaging
- “LOOP”

Shopping platform with re-usable packaging

● Strong Research Capabilities

- Strengthening holistic beauty innovations based on leading dermatologic research (IFSCC grand prize)
- Enhancing UV protection with heat

● New Research Areas

- Technology Acceleration Hub
 - Strengthen digital with new development bases
- Beauty Innovation through synergy with cosmetics



Product image using biodegradable polymer PHBH®



Sustainability Management

Environment (Main environmental load reduction targets)

- | | | |
|-----------------|--|------|
| ● CO2 emissions | Achieve carbon neutrality | 2026 |
| ● Palm oil | 100% sustainable palm oil (RSPO certified - more than Mass Balance type) | 2026 |
| ● Paper | 100% sustainable paper (certified and recycled paper) *1 | 2023 |
| ● Water | Reduce water consumption by 40%(vs. 2014)*2 | 2026 |
| ● Waste | Zero landfill*3 | 2022 |

Empowerment

Internal

- Female leaders*4 exceeded 40% in 2020
- Female directors and auditors*5 46%

External

- 30% Club: Signed a memorandum on partnerships with the Japan Business Federation
- Started “TOPIX Executives Meeting” with 19 CEOs of listed companies (both Dec. 2019)



*1 For products, *2 For the entire Shiseido Group, intensity per sales, *3 For owned factories

*4 Leaders with subordinates or salaried employees with subordinates

*5 Directors to be finalized at the 120th General Meeting of Shareholders scheduled for late March 2020.

Diverse Global Management



Japan

Challenges

- Dependence on inbound demand
- Insufficient response to changes in values and purchase behavior of Japanese consumers
- Lack of flexibility and agility in processes and corporate culture
- Product shortages/supply constraints

Delay in response to market changes

Structural Reform Outline

- **Repositioning of Japan Business**
 - Focus on stable profitability (Quality over Quantity)
 - Innovation platform: Japanese Beauty to the world
 - Separate management of local, inbound and export businesses
- **Consumer orientedness**
 - Management and evaluation based on consumer purchases
 - Brand portfolio reflecting the values of Japanese consumers (incl. new brands)
- **Overhaul of organization and management structure**
 - Management fully aligned with HQ
 - GEMBA first/ bottom-up culture
 - Diverse talent

Coronavirus

Current Consumer Purchases

Date	China	Travel Retail (Japan)	Japan
Jan. 1-23	+47%*	+25%	-3%
Jan. 24-30	-55%*	+13%	-16%
Jan. 31-Feb. 3	—	-6% (-Feb.1)	-17%
Others	Increase of store reopening after Feb. 10		

*YoY%: 4 brands in total (*SHISEIDO, Clé de Peau Beauté, NARS, ELIXIR*)

Emergency response

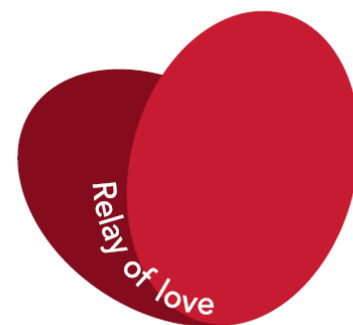
- Ensure health and safety of consumers and employees
- Launch “Relay of Love Project”
- Suspend/postpone marketing activities for the next three months
- Strengthen E-commerce and cross-border E-commerce
- Strengthen marketing activities in the second half
- Manage and optimize group-wide expenses throughout the year

Estimate the impact on sales based on specific conditions
Carefully examine and reflect to future business plans

“Relay of Love Project”

Shiseido will return the gratitude to China as a friend from a neighboring country, whose company name originates from China’s classical literature and whose sales in China started in Beijing from 1981

- Donate 10 million CNY for medical treatment and infection prevention
- Contribute 1% of sales (Feb.-Jul.) from Asian markets to “Relay of Love Project”
 - Donations
 - Offer products
 - Offer various support to invigorate people



爱心接力

SHISEIDO

To all affected by the novel coronavirus in China and other regions

About the "Relay of Love Project"

First of all, let me express my deepest sympathies to those who have suffered loss from and who are affected by the novel coronavirus. We strongly share the anxiety of those who are spending each day under these worrisome circumstances.

To support those in need, Shiseido announces the "Relay of Love Project", in the hope that everyone affected may return to health and safety as soon as possible. Shiseido firstly donates 10 million RMB to support the procurement of necessary materials for medical treatment and infection prevention. We will also donate a portion of regional sales for continuous supporting actions.

For Shiseido, which originates from Japan, China is our dear neighbor, and the name "Shiseido" comes from the Chinese Yi Jing, the Book of Changes. Since beginning sales in Beijing in 1981, Shiseido, together with customers in China, has nurtured a lifestyle of beauty and culture nearly 40 years. Shiseido Group has more than 10,000 Chinese employees around the world. Especially in this difficult time, we respectfully pledge to stand beside you all as customers, partners, and friends.

Throughout this unforeseeable situation, we can move ahead together toward the future through our "Relay of Love".

We believe we can help to overcome the crisis of this world we share.

Shiseido Company, Limited
CEO
Masahiko Uotani

About the "Relay of Love Project"

- Shiseido donates 10 million RMB (approximately 150 million yen) to the Shanghai Charity Foundation
 - 1% of Shiseido Group sales from Asian markets will be reserved* as in-house funds to support the following activities
 - Donate to charity to support the restoration of daily lives
 - Offer utility products from Shiseido Group to areas in need
 - Offer various support to invigorate people through the power of beauty
- * Starting from February 2020, for 6 months or until the situation is resolved;
Expected amount: 130 million RMB (approximately 2 billion yen)

Project Logo



2020 Initiatives

Basic Policy

- Increase trust by promoting our unique ESCG activities
- Continue long-term investment to maintain growth momentum (sales CAGR +8%)
- Implement structural reforms to increase OPM (long-term target 15%)
- Proactively respond to temporary negative factors such as geopolitical risks and coronavirus

2020 Initiatives

- Further growth of global brands
- Maintain growth momentum for China/Travel Retail
- Rebuild foundation of Japan Business
- Improve profitability of Americas/EMEA Business
- Smooth integration and global expansion of *Drunk Elephant*
- Accelerate innovation
- Further enhance supply capabilities
- Strengthen global management structure and talent capabilities

**Be a Global Winner
with Our Heritage**

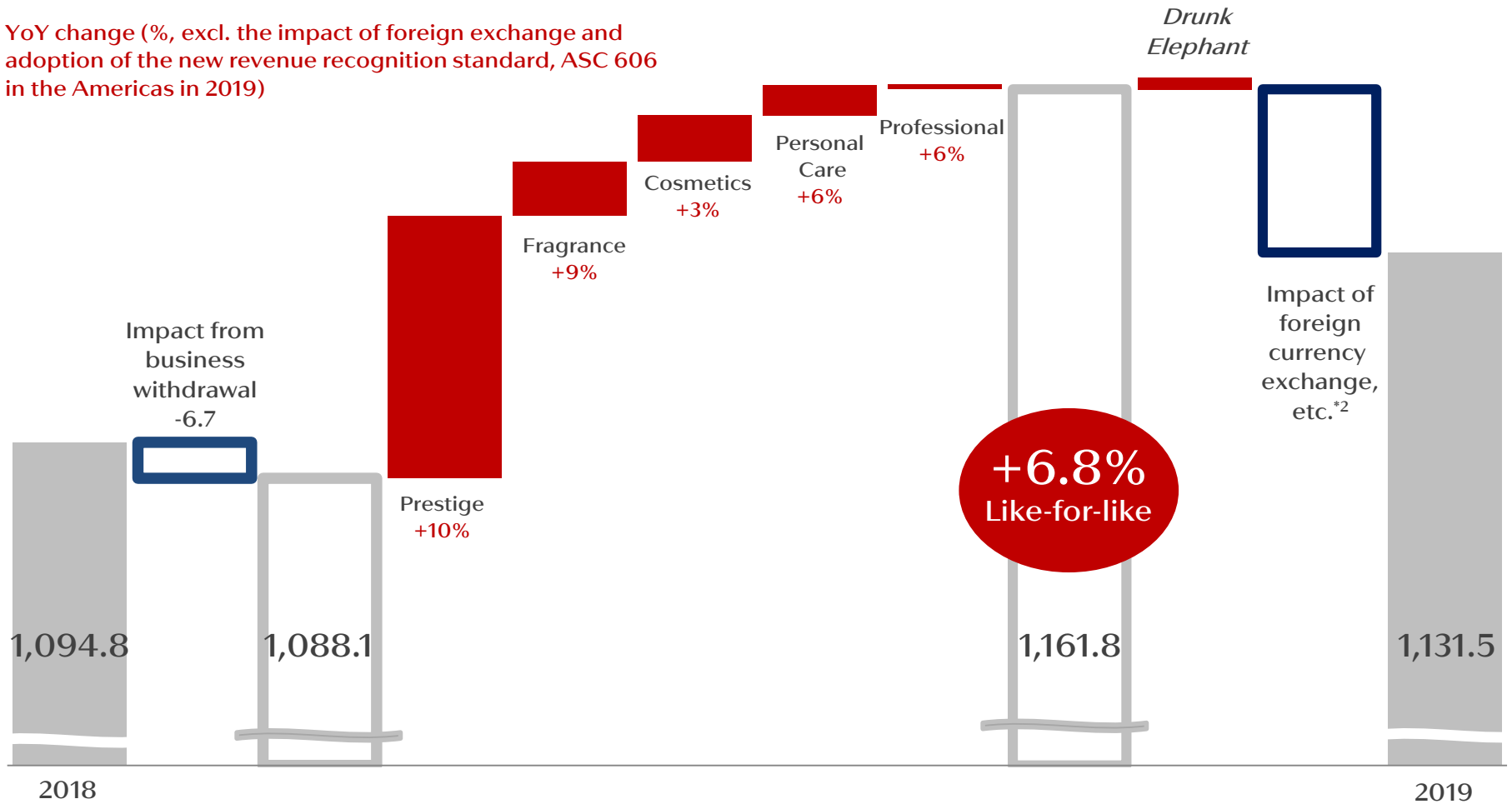


SHISEIDO

Supplemental Data 1 Growth in All Categories on Like-for-Like Basis, Driven by Prestige and Made-in-Japan Brands

Change in 2019 net sales by category (billion yen)

YoY change (%), excl. the impact of foreign exchange and adoption of the new revenue recognition standard, ASC 606 in the Americas in 2019)



*1. YoY change (%) for each division is calculated based on initial exchange rate assumptions.

*2 "Impact of foreign currency exchange, etc." includes impacts of (1) foreign currency exchange -26.1 billion yen, (2) the adoption of the new revenue recognition standard, ASC 606 in the Americas in 2019, and (3) business withdrawals (dermatologic agent brands *FERZEA* and *Encron* in 2019) in Japan.

Supplemental Data 2

Sales Growth Driven by China, Travel Retail and EMEA

2019 Sales by Reportable Segment

(Billion yen)	2019		2018		YoY Change	YoY Change %	YoY Change FX-Neutral %	Like-for-Like FX-Neutral % ^{*2}
		% of Net Sales		% of Net Sales				
Japan	451.6	39.9	454.5	41.5	-2.9	-0.6	-0.6	+0.7
China	216.2	19.1	190.8	17.4	+25.4	+13.3	+19.0	+19.0
Asia Pacific	69.8	6.2	68.1	6.2	+1.7	+2.5	+5.8	+5.8
Americas	124.3	11.0	131.7	12.0	-7.4	-5.6	-3.9	-0.3
EMEA	118.4	10.5	113.2	10.3	+5.3	+4.6	+11.8	+11.8
Travel Retail	102.2	9.0	87.6	8.0	+14.6	+16.6	+19.4	+19.4
Professional	14.7	1.3	14.1	1.3	+0.5	+3.8	+6.0	+6.0
Other	34.3	3.0	34.7	3.3	-0.5	-1.3	-1.3	-1.3
Total	1,131.5	100	1,094.8	100	+36.7	+3.4	+5.7	+6.8

*1. See Supplemental Data 17-1 for details about changes in reportable segments. The previous year's results are restated to reflect the new reportable segments.

*2. Excluding the impacts of business withdrawals (the amenity goods business in 2018 and dermatologic agent brands *FERZEA* and *Encron* in 2019) in Japan and the adoption of the new revenue recognition standard, ASC 606 in the Americas in 2019

Supplemental Data 3

Japan: Like-for-like Sales Growth: +0.7%

(Billion yen)	2019		2018		YoY Change	YoY Change %
		%		%		
Prestige/ Specialty Store	153.9	34.1	154.5	34.0	-0.6	-0.4
Cosmetics	205.4	45.5	206.0	45.3	-0.5	-0.3
Personal Care	55.4	12.3	54.9	12.1	+0.4	+0.8
Others*	36.9	8.1	39.1	8.6	-2.2	-5.7
Sales	451.6	100	454.5	100	-2.9	-0.6

YoY change excluding the impact of business withdrawals (the amenity goods business in 2018 and dermatologic agent brands *FERZEA* and *Encron*) was **+0.7%**.

(Billion yen)	2019		2018		YoY Change	YoY Change %
Operating Profit	91.1	91.3	-0.2	-0.3		
OPM %	18.3	18.8	-0.5 points			
Income Before Amortization of Goodwill, etc.	91.3	91.5	-0.2	-0.2		
OPM %	18.4	18.8	-0.4 points			

*1. "Others" include Healthcare Business and others.

*2. OPM is calculated using net sales including intersegment transactions.

*3. See Supplemental Data 17-1 for details about changes in reportable segments. The previous year's results are restated to reflect the new reportable segments.

Supplemental Data 4

China: Profit Grew +19% with an OPM Improvement of 0.7 Points

(Billion yen)	2019		2018		YoY Change	YoY Change %	YoY Change FX-Neutral %
		% of Net Sales		% of Net Sales			
Prestige	102.9	47.6	83.6	43.8	+19.3	+23.1	+28.6
Cosmetics	72.9	33.7	70.4	36.9	+2.5	+3.6	+9.5
Personal Care	37.9	17.5	34.9	18.3	+3.0	+8.5	+14.2
Others	2.6	1.2	2.0	1.0	+0.6	+31.4	+35.7
Sales	216.2	100	190.8	100	+25.4	+13.3	+19.0

(Billion yen)	2019	2018	YoY Change	YoY Change %
Operating Profit	29.2	24.5	+4.7	+19.2
OPM %	13.5	12.8	+0.7 points	
Income Before Amortization of Goodwill, etc.	29.6	24.9	+4.7	+19.0
OPM %	13.6	13.0	+0.6 points	

*1. See Supplemental Data 17-1 for details about changes in reportable segments. The previous year's results are restated to reflect the new reportable segments.

*2. OPM is calculated using net sales including intersegment transactions.

Supplemental Data 5

Asia Pacific: Sales Growth +5.8%, Maintained Double-digit OPM

(Billion yen)	2019		2018		YoY Change	YoY Change %	YoY Change FX-Neutral %
		% of Net Sales		% of Net Sales			
Prestige	37.8	54.2	36.6	53.8	+1.2	+3.2	+6.1
Cosmetics	14.8	21.2	14.4	21.2	+0.4	+2.8	+6.2
Personal Care	12.0	17.1	12.0	17.5	-0.0	-0.0	+3.3
Fragrance, Others	5.3	7.5	5.1	7.5	+0.2	+3.1	+8.8
Sales	69.8	100	68.1	100	+1.7	+2.5	+5.8

(Billion yen)	2019	2018	YoY Change	YoY Change %
Operating Profit	7.4	7.8	-0.4	-4.9
OPM %	10.2	11.1	-0.9 points	
Income Before Amortization of Goodwill, etc.	7.6	7.9	-0.3	-3.9
OPM %	10.4	11.2	-0.8 points	

*1. See Supplemental Data 17-1 for details about changes in reportable segments. The previous year's results are restated to reflect the new reportable segments.

*2. OPM is calculated using net sales including intersegment transactions.

Supplemental Data 6

Americas: Turnaround Continuing, Significant Improvement in Profitability

(Billion yen)	2019	2018	YoY Change	YoY Change %	YoY Change FX-Neutral %
Sales	124.3	131.7	-7.4	-5.6	-3.9

YoY change excluding the impact of the adoption of the new revenue recognition standard, ASC 606 in the Americas in 2019 was **-0.3%**.

(Billion yen)	2019	2018	YoY Change	YoY Change %
Operating Profit	-11.4	-14.8	+3.4	-
OPM %	-6.9	-8.7	+1.8 points	
Income Before Amortization of Goodwill, etc.	-5.7	-9.5	+3.8	-
OPM %	-3.5	-5.6	+2.1 points	

*1. See Supplemental Data 17-1 for details about changes in reportable segments. The previous year's results are restated to reflect the new reportable segments.

*2. OPM is calculated using net sales including intersegment transactions.

Supplemental Data 7

EMEA: Significant Profitability Improvement

(Billion yen)	2019	2018	YoY Change	YoY Change %	YoY Change FX-Neutral %
Sales	118.4	113.2	+5.3	+4.6	+11.8

(Billion yen)	2019	2018	YoY Change	YoY Change %
Operating Profit	-2.2	-8.0	+5.8	-
OPM %	-1.7	-6.4	+4.7 points	
Income Before Amortization of Goodwill, etc.	-0.4	-6.2	+5.8	-
OPM %	-0.3	-5.0	+4.7 points	

*1. See Supplemental Data 17-1 for details about changes in reportable segments. The previous year's results are restated to reflect the new reportable segments.

*2. OPM is calculated using net sales including intersegment transactions.

Supplemental Data 8

Travel Retail: Exceeded Sales of 100 Billion Yen, OPM Improved +1.5 Points

(Billion yen)	2019	2018	YoY Change	YoY Change %	YoY Change FX-Neutral %
Sales	102.2	87.6	+14.6	+16.6	+19.4

(Billion yen)	2019	2018	YoY Change	YoY Change %
Operating Profit	22.1	17.6	+4.5	+25.5
OPM %	21.5	20.0	+1.5 points	
Income Before Amortization of Goodwill, etc.	22.2	17.6	+4.6	+26.1
OPM %	21.6	20.0	+1.6 points	

*1. See Supplemental Data 17-1 for details about changes in reportable segments. The previous year's results are restated to reflect the new reportable segments.

*2. OPM is calculated using net sales including intersegment transactions.

Supplemental Data 9

Professional: Solid Growth

(Billion yen)	2019	2018	YoY Change	YoY Change %	YoY Change FX-Neutral %
Sales	14.7	14.1	+0.5	+3.8	+6.0

(Billion yen)	2019	2018	YoY Change	YoY Change %
Operating Profit	0.3	0.4	-0.1	-15.9
OPM %	2.2	2.7	-0.5 points	
Income Before Amortization of Goodwill, etc.	0.3	0.4	-0.1	-15.9
OPM %	2.2	2.7	-0.5 points	

*1. See Supplemental Data 17-1 for details about changes in reportable segments. The previous year's results are restated to reflect the new reportable segments.

*2. OPM is calculated using net sales including intersegment transactions.

Supplemental Data 10

SG&A Expense Breakdown

	(Billion yen)	2019		YoY Change %	YoY Change	YoY Change FX-Neutral
		% of Net Sales	Change in % of Net Sales			
SG&A	762.9	67.4	-1.5	+1.1	+8.3	+24.8
Marketing Investments ^{*2}	389.3	34.4	-2.2	-3.0	-11.9	-2.1
Brand Development/ R&I Investments	66.0	5.8	+0.0	+3.9	+2.5	+3.7
Personnel Expenses	128.2	11.3	-0.3	+0.8	+1.0	+3.6
Other SG&A Expenses	179.4	15.9	+1.0	+10.3	+16.7	+19.5

*1. The "+" and "-" symbols in YoY Change are used to indicate increase and decrease in amount and percentage of net sales, respectively.

*2. Marketing Investments includes POS personnel expenses.

Supplemental Data 11

Other Income and Expenses and Extraordinary Income and Losses

Other Income and Expenses			Extraordinary Income and Losses		
(Billion yen)	2019	2018	(Billion yen)	2019	2018
Interest Income	1.2	1.2	Gain on Disposal of Property, Plant and Equipment	0.7	2.9
Interest Expense	(2.3)	(0.8)	Profits on Investment in Securities	3.4	2.7
Net Interest Income and Expense	(1.0)	0.5	Loss on Disposal of Property, Plant and Equipment	(1.7)	(1.7)
Foreign Exchange Gain/Loss	(5.4)	(2.9)	Structural Reform Expenses	(1.5)	(3.7)
Others	1.3	3.6	Loss on Business Withdrawal	-	(4.4)
Total	(5.1)	1.1	Business Structure Improvement Costs	(1.6)	-
			Loss on Liquidation of Subsidiaries and Affiliates etc.	(0.7)	(0.9)
			Total	(1.4)	(5.2)

Supplemental Data 12

Net Profit Attributable to Owners of Parent and Comprehensive Income

(Billion yen)	2019	2018
Net Profit before Income Taxes	107.4	104.3
Income Taxes <Tax Rate %>	30.1 <28.0%>	39.4 <37.8%>
Net Profit Attributable to Non- Controlling Interests	3.7	3.5
Net Profit Attributable to Owners of Parent	73.6	61.4

	2019	2018
Comprehensive Income	72.7	43.8

Supplemental Data 13 Consolidated Balance Sheet

(Billion yen)	As of Dec. 31, 2019	Change from Dec. 31, 2018
Total Current Assets	532.6	+49.6
Cash, Time Deposits	110.3	-15.5
Notes & Accounts Receivable	172.9	+6.4
Inventories	181.1	+31.3
Total Fixed Assets	686.2	+159.5
Property, Plant and Equipment	314.8	+79.6
Intangible Assets	249.2	+83.8
Investments and Other Assets	122.2	-3.8
Total Assets	1,218.8	+209.2

(Billion yen)	As of Dec. 31, 2019	Change from Dec. 31, 2018
Total Liabilities	700.9	+159.8
Notes & Accounts Payable and Other Payables	96.9	-5.4
Accrued Income Taxes	12.0	-8.2
Accrued Bonuses	25.1	-5.7
Interest-bearing Debt	248.1	+172.3
Long-term Payables	49.2	-5.5
Total Net Assets	517.9	+49.4
Shareholders' Equity	504.1	+52.7
Accumulated Other Comprehensive Income	(7.7)	-4.8
Non-Controlling Interests	20.2	+1.2
Total Liabilities and Net Assets	1,218.8	+209.2

* Main line items only

Exchange Rates:

Dec. 31, 2019: USD 1 = JPY 108.5 (-2.1%); EUR 1 = JPY 121.8 (-4.0%); CNY 1 = JPY 15.6 (-3.4%)

Dec. 31, 2018: USD 1 = JPY 110.9; EUR 1 = JPY 126.9; CNY 1 = JPY 16.1

Supplemental Data 14

Capital Expenditures/Depreciation and Amortization

(Billion yen)	2019	2018	2020 Forecast
Capital Expenditures*1	132.2	126.2	145.6
Property, Plant and Equipment	101.5	101.2	112.7
Intangible Assets, etc.	30.7	25.0	32.9
Depreciation and Amortization	55.7	42.0	67.9
Property, Plant and Equipment	32.2	20.2	
Intangible Assets, etc.	23.5	21.8	
R&I Expenses*	31.7	29.1	35.5

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

*2. Research and innovation expenses

Supplemental Data 15

2019 Q4 Sales by Reportable Segment

(Billion yen)	2019		2018		YoY Change	YoY Change %	YoY Change FX-Neutral %	Like-for-Like FX-Neutral % ^{*2}
		% of Net Sales		% of Net Sales				
Japan	100.9	35.4	114.4	39.6	-13.5	-11.8	-11.8	-10.1
China	57.7	20.3	50.3	17.4	+7.5	+14.8	+21.1	+21.1
Asia Pacific	16.2	5.7	16.2	5.6	-0.1	-0.4	+1.9	+1.9
Americas	30.8	10.8	37.2	12.9	-6.3	-17.0	-13.8	-0.9
EMEA	42.2	14.8	38.1	13.2	+4.1	+10.9	+18.6	+18.6
Travel Retail	24.2	8.5	20.4	7.0	+3.8	+18.8	+24.5	+24.5
Professional	3.7	1.3	3.6	1.2	+0.1	+2.0	+4.3	+4.3
Other	9.1	3.2	8.9	3.1	+0.2	+2.5	+2.5	+2.5
Total	284.9	100.0	289.1	100.0	-4.1	-1.4	+1.6	+4.1

*1. See Supplemental Data 17-1 for details about changes in reportable segments. The previous year's results are restated to reflect the new reportable segments.

*2. Excluding the impacts of business withdrawals (the amenity goods business in 2018 and dermatologic agent brands *FERZEA* and *Encron* in 2019) in Japan and the adoption of the new revenue recognition standard, ASC 606 in the Americas in 2019

Supplemental Data 16

2019 Q4 Operating Profit by Reportable Segment

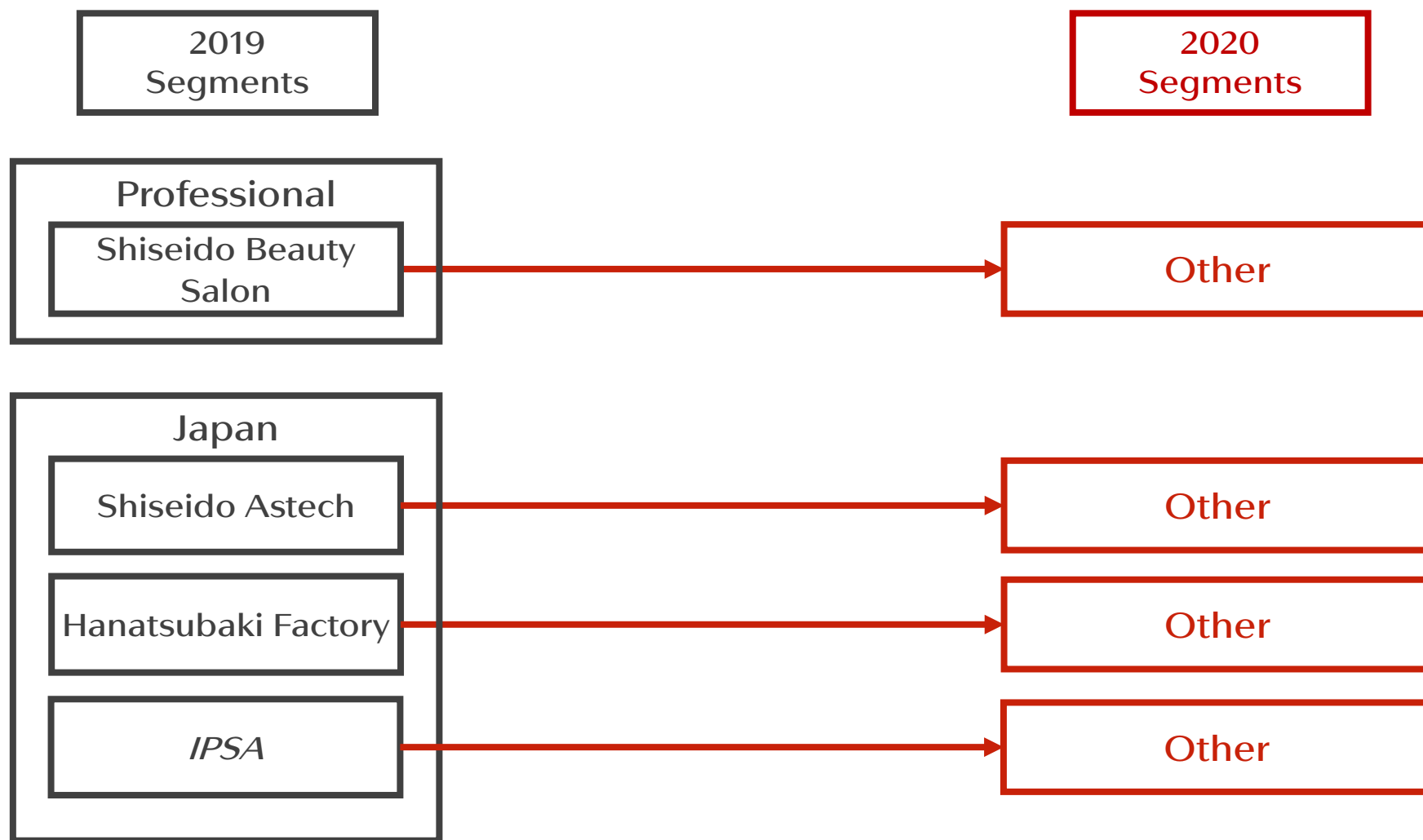
(Billion yen)	2019		2018		YoY Change	YoY Change %
		OPM %		OPM %		
Japan	15.1	13.2	19.7	16.0	-4.6	-23.5
China	5.3	9.1	1.1	2.1	+4.2	+400
Asia Pacific	2.0	11.4	0.7	4.0	+1.3	+189
Americas	(0.1)	(0.2)	(5.2)	(11.0)	+5.1	-
Before Amortization of Goodwill, etc.	1.6	3.9	(3.8)	(8.1)	+5.5	-
EMEA	1.2	2.8	(3.2)	(7.9)	+4.5	-
Before Amortization of Goodwill, etc.	1.8	3.9	(2.8)	(6.8)	+4.6	-
Travel Retail	4.4	17.9	2.6	12.8	+1.7	+66.7
Professional	(0.1)	(2.5)	0.0	0.0	-0.1	-
Other	(8.4)	(21.4)	(6.8)	(18.3)	-1.6	-
Subtotal	19.3	5.6	8.9	2.6	+10.5	+119
Adjustments	(8.8)	-	(1.9)	-	-6.9	-
Total	10.5	3.7	6.9	2.4	+3.6	+51.4

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

*2. See Supplemental Data 17-1 for details about changes in reportable segments. The previous year's results are restated to reflect the new reportable segments.

Supplemental Data 17-1

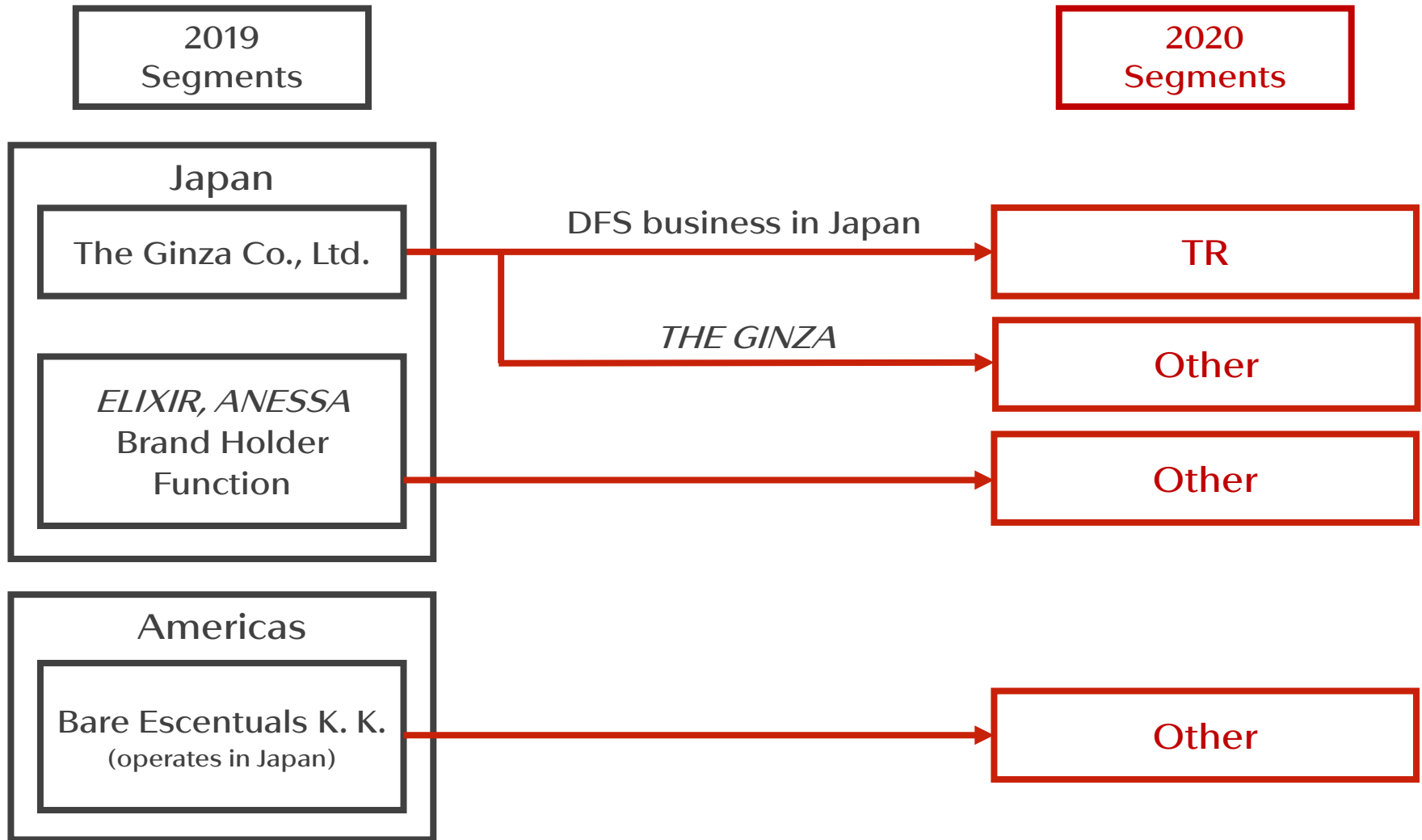
Change in Reportable Segments (2019)



* The Group has revised its reportable segment classifications in line with changes in its internal management structure from the first quarter of FY2019. Shiseido Beauty Salon Co., Ltd., which was previously included in the Professional Business, is now included in Other. Shiseido Astech Co., Ltd. and Hanatsubaki Factory Co., Ltd., which were previously included in the Japan Business, are now included in Other. From the third quarter of the 2018, the results of IPSA Co., Ltd., which were previously included in the Japan Business, are included in Other.

Supplemental Data 17-2

Change in Reportable Segments (2020)



* The Group has revised its reportable segment classifications from FY2020. Airport duty free business, etc., in Japan of The Ginza Co., Ltd., previously included in the Japan Business, is now included in Travel Retail Business, and the management functions of *THE GINZA*, the same subsidiary's brand, are included in Other. Bare Escentuals K.K., operating in Japan and previously included in the Americas Business, and the *ELIXIR* and *ANESSA* brands, previously included in the Japan Business, are now included in Other. The simple method has been used to recombine the results for the fiscal year ended December 31, 2019.

Supplemental Data 18

Historical Trends in Financial Indicators and Other Figures

			2014/3	2015/3	2015/12		2016/12	2017/12	2018/12	2019/12
					Irregular Account Settlement	After Adjustment				
Financial indicators	OPM	%	6.5	3.6	4.9	5.1	4.3	8.0	9.9	10.1
	EBITDA margin	%	12.0	11.7	10.6	-	10.6	15.5	13.7	15.0
	EPS	¥	65.7	84.4	58.2	73.8	80.4	57.0	153.7	184.2
	BPS	¥	849.4	970	981.4	-	984.1	1,060	1,123	1,243
	Cash dividend per share	¥	20	20	20	-	20	27.5	45	60
	ROE	%	8.4	9.4	6.0	7.6	8.2	5.6	14.1	15.6
	ROIC	%	6.0	4.7	4.7	-	4.9	10.4	13.1	12.9
	Interest-bearing debt to EBITDA ratio	Times	1.7	1.2	1.1	-	1.3	0.5	0.5	1.0
	D/E ratio	Times	0.46	0.28	0.22	-	0.31	0.19	0.17	0.5
	CCC	Days	139	143	146	-	123	114	126	149
Share price indicators	PER	Times	27.7	25.3	43.5	34.2	36.8	95.6	44.8	42.3
	PBR	Times	2.1	2.2	2.6	-	3.0	5.1	6.1	6.3
	Market capitalization	Billion yen	723.8	850.7	1,009.3	-	1,181.3	2,175.4	2,756.8	3,112.8
	Year-end share price	¥	1,816	2,133	2,529	-	2,959	5,446	6,892	7,782
	Rate of increase/decrease (For reference)	%	+36.9	+17.5	+18.6	-	+17.0	+84.0	+26.6	+12.9
	TOPIX (year-end)	¥	1,202.89	1,543.11	1,547.30	-	1,518.61	1,817.56	1,494.09	1,721.36
	Rate of increase/decrease	%	+16.3	+28.3	+0.3	-	-1.9	+19.7	-17.8	+15.2

Strategic shareholdings			2014/3	2015/3	2015/12		2016/12	2017/12	2018/12	2019/12
					Irregular Account Settlement	After Adjustment				
	Number of holdings	Companies	103	97	90	-	84	80	75	53
	Amount	Billion yen	18.0	21.5	21.5	-	19.4	20.3	14.3	5.9