

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 9, 2021



## Consolidated Settlement of Accounts for the Fiscal Year Ended December 31, 2020 [Japanese Standards]

### Shiseido Company, Limited

Listings: Tokyo Stock Exchange, First Section (Code Number 4911)  
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Annual meeting of shareholders: March 25, 2021 (plan)  
Filing date of quarterly securities report: March 25, 2021 (plan)  
Start of cash dividend payments: March 26, 2021 (plan)  
Supplementary quarterly materials prepared: Yes  
Financial results information meeting held: Yes (Conference call for institutional investors, analysts, etc.)

### 1. Performance for the Fiscal Year Ended December 31, 2020 (From January 1 to December 31, 2020)

\* 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, 2020	920,888 [(18.6)%]	14,963 [(86.9)%]	9,638 [(91.1)%]	(11,660) [—%]
Fiscal Year Ended December 31, 2019	1,131,547 [3.4%]	113,831 [5.1%]	108,739 [(0.7)%]	73,562 [19.8%]

Note: Comprehensive income

Fiscal Year ended December 31, 2020:	¥10,431 million	[(85.6)%]
Fiscal Year ended December 31, 2019:	¥72,653 million	[66.0%]

	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, 2020	(29.19)	—	(2.4)%	0.8%	1.6%
Fiscal Year Ended December 31, 2019	184.18	183.99	15.6%	9.8%	10.1%

[Reference] Equity in earnings (losses) of affiliates: As of December 31, 2020: ¥269 million  
As of December 31, 2019: ¥330 million

## (2) Consolidated Financial Position

(Millions of yen)

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share (Yen)
As of December 31, 2020	1,204,229	506,593	40.2%	1,212.34
As of December 31, 2019	1,218,795	517,857	40.7%	1,242.85

[Reference] Equity: As of December 31, 2020: ¥484,289 million  
As of December 31, 2019: ¥496,437 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, 2020	64,045	(70,084)	46,880	136,347
Fiscal Year Ended December 31, 2019	75,562	(202,823)	113,678	97,466

## 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, 2019	—	30.00	—	30.00	60.00	23,965	32.6%	5.1%
Fiscal Year Ended December 31, 2020	—	20.00	—	20.00	40.00	15,978	—%	3.3%
Fiscal Year Ending December 31, 2021 (Forecast)	—	20.00	—	30.00	50.00		173.7%	

## 3. Forecast for the Fiscal Year Ending December 31, 2021 (From January 1 to December 31, 2021)

(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, 2021	1,100,000 [19.4%]	35,000 [33.9%]	31,000 [221.6%]	11,500 [—%]	28.79

As announced on February 3, 2021, although we plan to transfer the Personal Care business in the future, the impact on our consolidated financial results is currently being assessed. Since the expected amount of impact on net sales, operating profit and other items cannot be accurately estimated at this time, the forecast announced does not incorporate the impact of the Personal Care business transfer. Details will be announced simultaneously with the financial results for the first quarter of the fiscal year 2021, which is scheduled for May 2021.

## 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: None
  - 2) Other changes in accounting policies: None
  - 3) Changes in accounting estimates: None
  - 4) Restatements: None
- (3) Number of shares issued (common stock)
  - 1) Number of shares issued (including treasury shares)

As of December 31, 2020:	400,000,000
As of December 31, 2019:	400,000,000
  - 2) Number of treasury shares

As of December 31, 2020:	534,198
As of December 31, 2019:	564,455
  - 3) Average number of shares outstanding during the period

Fiscal year ended December 31, 2020:	399,458,494
Fiscal year ended December 31, 2019:	399,411,340

## [Reference] Summary of Nonconsolidated Results

### Performance in the Fiscal Year Ended December 31, 2020 (January 1 to December 31, 2020)

#### (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, 2020	249,335 [(17.9)%]	(1,015) [—%]	31,917 [(38.4)%]	33,867 [(65.6)%]
Fiscal Year Ended December 31, 2019	303,663 [12.1%]	22,002 [10.4%]	51,816 [22.9%]	98,506 [161.9%]

	Net Profit per Share (Yen)	Fully Diluted Net Profit per Share (Yen)
Fiscal Year Ended December 31, 2020	84.78	84.70
Fiscal Year Ended December 31, 2019	246.63	246.38

#### (2) Nonconsolidated Financial Position

(Millions of yen)

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share (Yen)
As of December 31, 2020	819,138	441,770	53.8%	1,102.40
As of December 31, 2019	790,009	427,838	54.0%	1,067.94

[Reference] Equity at year-end:

Fiscal year ended December 31, 2020:	¥440,370 million
Fiscal year ended December 31, 2019:	¥426,574 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.

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# 1. Analysis of Operating Results and Financial Position

## (1) Consolidated Performance

(Millions of yen)

	Net Sales	Operating Profit	Ordinary Profit	Net Profit (Loss) Attributable to Owners of Parent	EBITDA
Fiscal Year Ended December 31, 2020	920,888	14,963	9,638	(11,660)	71,393
Fiscal Year Ended December 31, 2019	1,131,547	113,831	108,739	73,562	169,348
Year-on-Year Increase (Decrease)	(18.6)%	(86.9)%	(91.1)%	—	(57.8)%
FX-Neutral	(17.8)%				
Like-for-Like	(18.8)%				

### 1) Review of Performance in the Fiscal Year Ended December 31, 2020

In the fiscal year 2020, global economic conditions remained challenging, as economic activity stagnated due to the COVID-19 outbreak, and consumer sentiment declined due to worsening corporate earnings and employment. In the domestic cosmetics market, consumer traffic dropped as a result of temporary retail closures under a state of emergency, shortened operating hours following its lifting, and consumers staying at home. Other factors included restrictions on entry into Japan issued by the Japanese government, such as the cancellation of visas to citizens of approximately 150 countries and regions as well as reductions in international flights, all of which significantly decreased demand from inbound tourists. Overseas cosmetics markets decelerated sharply: from February, in Asia, and from March, in Europe and the United States. Although the number of new COVID-19 cases temporarily stabilized in summer, it resurged from September, mainly in Europe and the United States, and the situation remained challenging amid reinforced measures restricting economic activity. Meanwhile, in China, new infections slowed from late March, and stay-at-home restrictions were relaxed. As a result, the market began to recover from April.

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.

The fiscal year under review is the final year of VISION 2020, however, as outlined above, the business environment was extremely challenging. Despite such circumstances, we continued the selection and concentration of our businesses and brands, investing in targeted brands for sustainable growth, and reviewing expenses throughout the year on a zero basis, while formulating and taking measures to restore business performance.

In the fiscal year under review, net sales decreased 17.8% year on year on an FX-neutral basis, affected by the spread of COVID-19 across all regions. Like-for-like growth was a negative 18.8%, excluding such factors as business acquisitions in 2019. Based on reported figures, sales decreased 18.6% year on year to ¥920.9 billion.

Operating profit declined 86.9% year on year due to a drop in margins resulting from weaker sales but was secured at a positive level of ¥15 billion. This was thanks to Group-wide cost-management initiatives focused mainly on other SG&A expenses, which offset one-time costs related to structural reforms aimed at strengthening our business foundation and continued marketing investment in focus areas, such as China and e-commerce.

Net profit attributable to owners of parent posted a loss of ¥11.7 billion due to the operating loss and extraordinary losses related to COVID-19, such as compensation of employees on leave and maintenance costs for store counters and factories. Consolidated operating margin was 1.6%, consolidated return on equity (ROE)

was negative 2.4%, and consolidated return on invested capital (ROIC) was 1.3%.

Major foreign currency exchange rates applicable to income and expense accounting line items in the Company's financial statements for the fiscal year under review are JPY106.8/USD, JPY121.8/EUR, and JPY15.5/CNY.

**[Consolidated Performance]**

(Millions of yen)

Classification	Fiscal Year Ended December 31, 2020	% of Total	Fiscal Year Ended December 31, 2019	% of Total	Year-on-Year Increase (Decrease)			
					Amount	Percentage	FX-Neutral	
Net Sales	Japan Business	303,035	32.9%	430,998	38.1%	(127,962)	(29.7)%	(29.7)%
	China Business	235,804	25.6%	216,241	19.1%	19,563	9.0%	11.0%
	Asia Pacific Business	59,173	6.4%	69,835	6.2%	(10,661)	(15.3)%	(14.7)%
	Americas Business	91,410	9.9%	123,004	10.9%	(31,593)	(25.7)%	(23.8)%
	EMEA Business	94,280	10.3%	118,417	10.5%	(24,137)	(20.4)%	(20.2)%
	Travel Retail Business	98,501	10.7%	122,793	10.8%	(24,291)	(19.8)%	(18.2)%
	Professional Business	12,755	1.4%	14,685	1.3%	(1,930)	(13.1)%	(12.2)%
	Other	25,927	2.8%	35,572	3.1%	(9,645)	(27.1)%	(27.1)%
	Subtotal	920,888	100.0%	1,131,547	100.0%	(210,658)	(18.6)%	(17.8)%
	Adjustments	—	—	—	—	—	—	—
Total	920,888	100.0%	1,131,547	100.0%	(210,658)	(18.6)%	(17.8)%	

(Millions of yen)

Classification	Intersegment sales or sales including internal transfers between accounts		
	Fiscal Year Ended December 31, 2020	Fiscal Year Ended December 31, 2019	
Net Sales	Japan Business	329,382	457,123
	China Business	236,808	217,094
	Asia Pacific Business	61,090	72,477
	Americas Business	118,665	164,326
	EMEA Business	102,500	129,902
	Travel Retail Business	98,812	123,165
	Professional Business	13,359	15,381
	Other	172,524	177,341
	Subtotal	1,133,142	1,356,813
	Adjustments	(212,253)	(225,265)
Total	920,888	1,131,547	



(Millions of yen)

Classification	Fiscal Year Ended December 31, 2020	Ratio to Net Sales	Fiscal Year Ended December 31, 2019	Ratio to Net Sales	Year-on-Year Increase (Decrease)		
					Amount	Percentage	
Operating Profit (Loss)	Japan Business	10,473	3.2%	76,503	16.7%	(66,029)	(86.3)%
	China Business	18,386	7.8%	29,225	13.5%	(10,838)	(37.1)%
	Asia Pacific Business	3,248	5.3%	7,426	10.2%	(4,178)	(56.3)%
	Americas Business	(22,254)	(18.8)%	(7,570)	(4.6)%	(14,684)	—
	EMEA Business	(13,231)	(12.9)%	(2,187)	(1.7)%	(11,044)	—
	Travel Retail Business	14,640	14.8%	31,295	25.4%	(16,654)	(53.2)%
	Professional Business	(34)	(0.3)%	336	2.2%	(371)	—
	Other	3,475	2.0%	(9,871)	(5.6)%	13,346	—
	Subtotal	14,702	1.3%	125,157	9.2%	(110,454)	(88.3)%
	Adjustments	261	—	(11,325)	—	11,586	—
Total	14,963	1.6%	113,831	10.1%	(98,867)	(86.9)%	

## Notes:

1. The Group has revised its reportable segment classifications from the fiscal year 2020. The business results of the airport duty-free business in Japan of The Ginza Co., Ltd., which were previously included in the Japan Business, are now included in the Travel Retail Business, and the business results related to the brand holder functions of **THE GINZA**, the same subsidiary's brand, are now included in the Other segment. In addition, the business results of Bare Escentuals K.K., which operates in Japan, and the business results of the Technology Acceleration Hub, 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 segment information for the previous period has been restated in line with the new method of classification.
2. The Other segment includes head office administration departments, IPSA Co., Ltd., Shiseido Beauty Salon Co., Ltd. and manufacturing operations, as well as the activities of the Frontier Science business, the Restaurant business, etc.
3. The ratio of operating profit (loss) to net sales shows operating profit or loss as a percentage of total sales including intersegment sales, or sales including internal transfers between accounts.
4. 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 focused on consumer-oriented activities to address changes in consumer values and purchasing behavior. These resulted in launches of new products in line with new consumer needs prompted by the COVID-19 pandemic, such as hand creams, which are in high demand, and BB cream that stays put even under a mask. Also, we focused on providing beauty information to consumers. At the same time, we proceeded with business foundation restructuring, such as optimizing inventories. In addition, we worked on omni-channel initiatives and strengthened digital marketing, which drove double-digit growth of e-commerce sales. However, reduced consumer traffic from temporary retail closures under declared state of emergency and shortened operating hours following the lifting of that emergency, as well as consumer tendency to stay at home, negatively affected sales, mainly for prestige and premium brands. Furthermore, a significant decline in the number of tourists to Japan led to a sharp drop in inbound demand.

As a result, net sales decreased 29.7% year on year to ¥303.0 billion. Operating profit fell 86.3% year on year to ¥10.5 billion, mainly due to lower margins accompanying a decline in sales, unfavorable product mix, and revision in inventory provision in line with enhanced management of inventory optimization, which could not be offset despite relentless cost-reduction measures.

### [China Business]

The China Business was largely affected by COVID-19 from the latter half of January. However, due to the decline in infections from late March, the market started to recover, particularly in mainland China. Prestige brands such as *SHISEIDO*, *Clé de Peau Beauté*, *IPSA* and *NARS* grew significantly and expanded their market shares on the back of new counter openings and strengthened investment in e-commerce. Sales from Singles' Day (or "Double 11"), China's largest e-commerce holiday promotion, more than doubled year on year. As a result, the ratio of e-commerce sales in China exceeded 40%.

As a result, net sales grew 11.0% on an FX-neutral basis, or 9.0% year on year to ¥235.8 billion based on reported figures. Operating profit contracted 37.1% year on year to ¥18.4 billion, due to higher marketing expenses.

### [Asia Pacific Business]

In the Asia Pacific Business, we continued to expand our made-in-Japan brands and increase counters in South Asia. In addition, e-commerce sales grew significantly, driven by *SHISEIDO* and *SENKA*, thanks to strengthened collaboration with major e-commerce platforms in various regions. However, overall performance was hit by COVID-19, particularly in South Korea and Thailand. Vietnam saw relatively little impact, with sales outperforming year on year due to steady recovery.

As a result, net sales decreased 14.7% on an FX-neutral basis, or 15.3% year on year to ¥59.2 billion based on reported figures. Operating profit declined 56.3% year on year to ¥3.2 billion, mainly due to lower margins accompanying a decline in sales.

### [Americas Business]

In the Americas Business, we took efforts to strengthen our earnings base by restructuring *bareMinerals* through closures of unprofitable boutiques and by strengthening marketing of the prestige skincare brand *Drunk Elephant*, which we acquired in the previous fiscal year. However, from March onward, performance, especially in the offline channel, was significantly affected by measures to curb the spread of COVID-19 such as lockdowns and stay-at-home orders, and an increase in retailers filing for Chapter 11 (United States Bankruptcy Code). By category, makeup was particularly challenging. Meanwhile, e-commerce sales were strong, driven by *Drunk Elephant*.

The above factors resulted in a net sales decrease of 23.8% on an FX-neutral basis, or 25.7% year on year to ¥91.4 billion based on reported figures. Net sales excluding the impact from the acquisition of *Drunk Elephant*, or like-for-like, declined 33.7%. Operating loss deteriorated by ¥14.7 billion from the previous fiscal year to ¥22.3 billion, mainly due to lower margins accompanying a decline in sales and an increase in

expenses associated with goodwill amortization of *Drunk Elephant*.

#### **[EMEA Business]**

In EMEA, the number of new COVID-19 cases temporarily stabilized in summer but resurged from September onward, triggering new measures restricting economic activities, such as lockdowns and night-time curfews. Against this backdrop, the cosmetics market saw significant growth in e-commerce. Our e-commerce business outpaced the market, with *SHISEIDO* skincare performing particularly well. Launches of *Clé de Peau Beauté* in Italy and Spain, and of *Drunk Elephant* in Germany, also contributed to sales. Overall, however, performance was strongly affected by the COVID-19 outbreak.

As a result, net sales decreased 20.2% on an FX-neutral basis, or 20.4% year on year to ¥94.3 billion based on reported figures. Operating loss deteriorated by ¥11.0 billion from the previous fiscal year to ¥13.2 billion, mainly due to a decline in margins accompanying lower sales.

#### **[Travel Retail Business]**

From the fiscal year under review, the Travel Retail Business (sales of cosmetics and fragrances mainly through airport and downtown duty-free stores) included duty-free sales in Japan's airports, consolidating Travel Retail sales around the world. However, it was severely hit by a considerable reduction of international flights due to the spread of COVID-19 and the resulting decline in the number of travelers worldwide. Meanwhile, consumer purchases in Asia grew year on year, as the number of domestic tourists to Hainan Island in China and demand at South Korean downtown duty-free stores and in e-commerce remained high. Another positive factor was new counter openings, mainly for *IPSA* and *ELIXIR*.

These factors resulted in a net sales decrease of 18.2% on an FX-neutral basis. Based on reported figures, net sales declined 19.8% year on year to ¥98.5 billion. Operating profit contracted 53.2% year on year to ¥14.6 billion, mainly due to lower margins accompanying weaker sales and higher inventory write-off expenses.

#### **[Professional Business]**

The Professional Business was affected by stay-at-home policies and closures of hair salons in Japan, China, and Asia Pacific, to which we deliver professional products such as hair care, styling, color and perm products. Among these, the China market saw positive sales trends mainly due to strengthening of the online channel.

As a result, net sales were down 12.2% on an FX-neutral basis, or 13.1% year on year to ¥12.8 billion based on reported figures. The segment posted an operating loss of ¥34 million, mainly due to lower margins accompanying a decline in sales.

## 2) Earnings Forecasts for Next Fiscal Year

### Consolidated Net Sales

(Billions of yen)

Classification	Fiscal Year Ending December 31, 2021 (Forecast)	Fiscal Year Ended December 31, 2020	Percentage Change	FX-Neutral
Net Sales	1,100.0	920.9	19%	19%
Japan Business	346.0	303.0	14%	14%
China Business	313.5	235.8	33%	30%
Asia Pacific Business	66.5	59.2	12%	14%
Americas Business	116.5	91.4	27%	29%
EMEA Business	106.0	94.3	12%	8%
Travel Retail Business	106.5	98.5	8%	10%
Professional Business	14.5	12.8	14%	14%
Other	30.5	25.9	18%	18%

Note: The Group will revise its reportable segment classifications from the fiscal year ending December 31, 2021. The business results of the global digital strategy service, previously included in the Americas Business, will be included in the Other segment, and part of the business results of the supply network function, previously included in the Other segment, will be included in the Japan Business. These changes will not result in restatements of consolidated net sales by reportable segment for the fiscal year ended December 31, 2020.

### Consolidated Profit

(Billions of yen)

Classification	Fiscal Year Ending December 31, 2021 (Forecast)	Ratio to Net Sales	Fiscal Year Ended December 31, 2020	Ratio to Net Sales	Percentage Change
Operating Profit	35.0	3.2%	15.0	1.6%	134%
Ordinary Profit	31.0	2.8%	9.6	1.0%	222%
Net Profit (Loss) Attributable to Owners of Parent	11.5	1.0%	(11.7)	(1.3)%	—

(Yen)

Classification	Fiscal Year Ending December 31, 2021 (Forecast)	Fiscal Year Ended December 31, 2020
ROE (Return on Equity)	2.4%	(2.4)%
Net Profit per Share	28.79	(29.19)
DOE (Dividends on Equity)	4.1%	3.3%
Dividends per share		
Interim	20.00	20.00
Year-end	30.00	(plan) 20.00

The economic climate in the next fiscal year will most probably be affected by slowdown in global economic activities due to the spread of COVID-19. The outlook is expected to remain uncertain as a result of declining consumer sentiment due to stay-at-home policies and sluggish consumption, particularly influenced by a significant decrease in the number of foreign visitors to Japan.

In this context, all regions are expected to face a continued severe economic environment in the first half of the next fiscal year and to recover moderately from the second half, with the exception of China where market recovery has already begun.

In response to these changes in business environment, we are stepping up investments in strategic growth areas, such as the premium skin beauty category and digital shift of our business model overall, while restructuring our earnings base through business transformation.

As a result of such initiatives, consolidated net sales are expected to reach ¥1,100.0 billion. Profit will be impacted by strategic investments as well as an increase in fixed costs which were recorded by transfer in extraordinary losses related to COVID-19 in 2020, while at the same time we expect a positive impact from higher sales. Operating profit is forecast at ¥35.0 billion; ordinary profit, at ¥31.0 billion; and net profit attributable to owners of parent, at ¥11.5 billion.

The above forecasts are based on the following major foreign currency exchange rate assumptions for the fiscal year 2021: JPY 105/USD, JPY 127/EUR, and JPY 16/CNY.

As announced on February 3, 2021, although we plan to transfer the Personal Care business in the future, the impact on our consolidated financial results is currently being assessed. Since the expected amount of impact on net sales, operating profit and other items cannot be accurately estimated at this time, the forecast announced does not incorporate the impact of the Personal Care business transfer. Details will be announced simultaneously with the financial results for the first quarter of the fiscal year 2021, which is scheduled for May 2021.

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 decreased by ¥14.6 billion from the end of the previous fiscal year to ¥1,204.2 billion. This was attributable to a decline in current assets due to a drop in sales as a result of the spread of COVID-19 and a decline in deferred tax assets due to the revision of the retirement benefit plan for the Company and some of its subsidiaries in Japan, while fixed assets increased mainly due to investment in property, plant and equipment.

Liabilities decreased by ¥3.3 billion to ¥697.6 billion, mainly due to a decline in liability for retirement benefits resulting from the revision of the retirement benefit plan described above, which offset an increase due to the issuance of bonds and borrowings for the purpose of raising working capital.

Net assets decreased by ¥11.3 billion to ¥506.6 billion, mainly due to decreases in retained earnings and foreign currency translation adjustments.

The debt-to-equity ratio, which indicates the ratio of interest-bearing debt to shareholders' equity, was 0.67, while interest-bearing debt-to-EBITDA ratio was 4.0.

Net cash provided by operating activities during the fiscal year under review totaled ¥64.0 billion. Net cash used in investing activities, mainly for investment in plants and equipment, was ¥70.1 billion. Net cash provided by financing activities amounted to ¥46.9 billion, chiefly due to an increase in borrowings and the issuance of common bonds.

As a result of these activities, cash and cash equivalents at the end of the fiscal year under review stood at ¥136.3 billion, up ¥38.9 billion from the beginning of the year.

### Consolidated Statements of Cash Flows (Summary)

		(Billions of yen)
Category		Amount
Cash and cash equivalents at beginning of period		97.5
Net cash provided by operating activities		64.0
Net cash used in investing activities		(70.1)
Net cash provided by financing activities		46.9
Effect of exchange rate changes on cash and cash equivalents		(2.0)
Net change in cash and cash equivalents		38.9
Cash and cash equivalents at end of period		136.3

## (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 increase profits and improve 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 returns 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 ¥20 per share, which, combined with the interim dividend of ¥20 per share, amounts to a total of ¥40 per share. This will result in DOE of 3.3%.

For the next fiscal year, we plan to declare an interim dividend of ¥20 and a year-end dividend of ¥30 per share, for total dividends of ¥50 per share, an increase of ¥10 per share accompanying profit increase from the second half of 2021. We project DOE of 4.1%.

## **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, revisions of IFRS as such, taking into account the impact of changes in standards as well as response to such on our operations.

### 3. Consolidated Financial Statements and Notes

#### (1) Consolidated Balance Sheets

(Millions of yen)

	As of December 31, 2019	As of December 31, 2020
<b>ASSETS</b>		
Current Assets:		
Cash and time deposits	110,342	130,013
Notes and accounts receivable	172,905	144,728
Short-term investments in securities	-	21,000
Inventories	181,104	170,031
Other current assets	71,012	52,634
Less: Allowance for doubtful accounts	(2,741)	(3,644)
<b>Total current assets</b>	<b>532,623</b>	<b>514,763</b>
Fixed Assets:		
Property, Plant and Equipment:		
Buildings and structures	223,611	251,762
Less: Accumulated depreciation	(101,735)	(103,831)
Buildings and structures, net	121,875	147,931
Machinery, equipment and vehicles	104,566	118,883
Less: Accumulated depreciation	(60,284)	(63,344)
Machinery, equipment and vehicles, net	44,281	55,538
Tools, furniture and fixtures	94,939	102,657
Less: Accumulated depreciation	(53,840)	(60,680)
Tools, furniture and fixtures, net	41,099	41,976
Land	45,040	44,605
Leased assets	9,643	10,671
Less: Accumulated depreciation	(4,394)	(5,251)
Leased assets, net	5,248	5,420
Right-of-use assets	26,395	29,133
Less: Accumulated depreciation	(6,702)	(10,870)
Right-of-use assets, net	19,693	18,262
Construction in progress	37,518	27,308
<b>Total property, plant and equipment</b>	<b>314,757</b>	<b>341,044</b>
Intangible Assets:		
Goodwill	64,499	54,429
Leased assets	536	403
Trademark rights	135,209	131,636
Other intangible assets	48,963	54,922
<b>Total intangible assets</b>	<b>249,209</b>	<b>241,392</b>
Investments and Other Assets:		
Investments in securities	13,915	13,527
Long-term prepaid expenses	16,690	14,125
Deferred tax assets	55,313	42,501
Other investments	36,317	37,015
Less: Allowance for doubtful accounts	(31)	(140)
<b>Total investments and other assets</b>	<b>122,205</b>	<b>107,029</b>
<b>Total Fixed Assets</b>	<b>686,172</b>	<b>689,466</b>
<b>Total Assets</b>	<b>1,218,795</b>	<b>1,204,229</b>



(Millions of yen)

	As of December 31, 2019	As of December 31, 2020
<b>LIABILITIES</b>		
Current Liabilities:		
Notes and accounts payable	31,336	21,187
Electronically recorded obligations – operating	65,601	55,740
Short-term debt	120,496	56,491
Current portion of long-term debt	730	10,730
Current portion of corporate bonds scheduled for redemption	15,000	-
Lease obligations	8,722	8,344
Other payables	89,124	75,695
Accrued income taxes	11,951	7,374
Reserve for sales returns	5,333	6,227
Refund liabilities	9,899	10,518
Accrued bonuses for employees	25,132	15,024
Accrued bonuses for directors	101	165
Provision for liabilities and charges	341	545
Provision for loss on business withdrawal	117	725
Other current liabilities	80,383	84,208
Total current liabilities	464,273	352,977
Long-Term Liabilities:		
Bonds	15,000	65,000
Long-term debt	70,791	167,861
Lease obligations	17,368	15,872
Long-term payables	49,153	52,968
Liability for retirement benefits	69,804	27,189
Allowance for losses on guarantees	350	350
Deferred tax liabilities	2,712	2,944
Other long-term liabilities	11,485	12,472
Total long-term liabilities	236,665	344,658
Total Liabilities	700,938	697,635
<b>NET ASSETS</b>		
Shareholders' Equity:		
Common stock	64,506	64,506
Capital surplus	70,741	70,741
Retained earnings	371,435	339,817
Treasury stock	(2,591)	(2,455)
Total shareholders' equity	504,092	472,610
Accumulated Other Comprehensive Income:		
Unrealized gains (losses) on available-for-sale securities	3,106	3,054
Foreign currency translation adjustments	10,839	5,257
Accumulated adjustments for retirement benefits	(21,600)	3,366
Total accumulated other comprehensive income	(7,654)	11,678
Stock Acquisition Rights	1,263	1,399
Non-Controlling Interests in Consolidated Subsidiaries	20,156	20,905
Total Net Assets	517,857	506,593
Total Liabilities and Net Assets	1,218,795	1,204,229

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

### Consolidated Statements of Income

(Millions of yen)

	Fiscal Year Ended December 31, 2019 (January 1 to December 31, 2019)	Fiscal Year Ended December 31, 2020 (January 1 to December 31, 2020)
Net Sales	1,131,547	920,888
Cost of Sales	254,844	238,401
Gross Profit	876,703	682,487
Selling, General and Administrative Expenses	762,871	667,523
Operating Profit	113,831	14,963
Other Income		
Interest income	1,243	762
Dividend income	333	153
Equity in earnings of affiliates	330	269
Rental income	625	638
Subsidy income	1,056	2,776
Other	2,086	1,453
Total other income	5,674	6,054
Other Expenses		
Interest expense	2,292	2,226
Foreign exchange loss	5,375	3,088
Other interest on debt	1,266	1,332
Other	1,831	4,732
Total other expenses	10,766	11,379
Ordinary Profit	108,739	9,638
Extraordinary Gains		
Gain on sales of property, plant and equipment	654	9,716
Grant income	-	6,018
Gain on sales of investments in securities	3,449	819
Total extraordinary gains	4,103	16,554
Extraordinary Losses		
Loss on disposal of property, plant and equipment	1,683	3,665
Impairment loss	-	944
Loss on COVID-19	-	18,696
Structural reform expenses	1,483	3,196
Loss on business withdrawal	-	1,226
Loss on valuation of investment securities	27	499
Loss on sales of investments in securities	165	4
Business structure improvement expenses	1,637	-
Loss on liquidation of subsidiaries and affiliates	466	-
Total extraordinary losses	5,465	28,234
Profit (Loss) before Income Taxes	107,378	(2,040)
Income Taxes – Current	22,538	6,199
Income Taxes for Prior Years	4,504	-
Income Taxes – Deferred	3,033	880
Total Income Taxes	30,076	7,079
Net Profit (Loss)	77,301	(9,120)
Net Profit Attributable to Non-Controlling Interests	3,739	2,540
Net Profit (Loss) Attributable to Owners of Parent	73,562	(11,660)

## Consolidated Statements of Comprehensive Income

(Millions of yen)

	Fiscal Year Ended December 31, 2019 (January 1 to December 31, 2019)	Fiscal Year Ended December 31, 2020 (January 1 to December 31, 2020)
Net Profit (Loss)	77,301	(9,120)
Other Comprehensive Income		
Unrealized gains (losses) on available-for-sale securities	(1,756)	40
Foreign currency translation adjustments	(4,801)	(5,562)
Adjustment for retirement benefits	1,904	25,039
Share of other comprehensive income of associates accounted for under the equity method	4	34
Total other comprehensive income (loss)	(4,648)	19,551
Comprehensive Income	72,653	10,431
(Breakdown)		
Comprehensive income attributable to owners of parent	68,754	7,672
Comprehensive income attributable to non-controlling interests	3,898	2,759

**(3) Consolidated Statements of Changes in Net Assets**  
**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 (loss) 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 (loss) 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

**Fiscal Year Ended December 31, 2020 (January 1 to December 31, 2020)**

(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	70,741	371,435	(2,591)	504,092
Cumulative effects of changes in accounting policies					—
Restated balance	64,506	70,741	371,435	(2,591)	504,092
Changes during period					
Dividend from retained earnings			(19,972)		(19,972)
Net profit (loss) attributable to owners of parent			(11,660)		(11,660)
Acquisition of treasury stock				(12)	(12)
Disposal of treasury stock			(76)	148	71
Non-controlling interests, capital transactions, others			92		92
Net changes of items other than shareholders' equity					—
Total changes during period	—	—	(31,617)	135	(31,481)
Balance at end of period	64,506	70,741	339,817	(2,455)	472,610

	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	3,106	10,839	(21,600)	(7,654)	1,263	20,156	517,857
Cumulative effects of changes in accounting policies							—
Restated balance	3,106	10,839	(21,600)	(7,654)	1,263	20,156	517,857
Changes during period							
Dividend from retained earnings							(19,972)
Net profit (loss) attributable to owners of parent							(11,660)
Acquisition of treasury stock							(12)
Disposal of treasury stock							71
Non-controlling interests, capital transactions, others							92
Net changes of items other than shareholders' equity	(52)	(5,581)	24,967	19,333	136	748	20,218
Total changes during period	(52)	(5,581)	24,967	19,333	136	748	(11,263)
Balance at end of period	3,054	5,257	3,366	11,678	1,399	20,905	506,593

#### (4) Consolidated Statements of Cash Flows

	(Millions of yen)	
	Fiscal Year Ended December 31, 2019 (January 1 to December 31, 2019)	Fiscal Year Ended December 31, 2020 (January 1 to December 31, 2020)
<b>Cash Flows from Operating Activities:</b>		
Profit (Loss) before income taxes	107,378	(2,040)
Depreciation and amortization	55,732	60,384
Amortization of goodwill	2,678	7,064
Impairment loss	-	944
(Gain) Loss on disposal of property, plant and equipment	1,028	(6,051)
(Gain) Loss on sales of investments in securities	(3,283)	(814)
Grant income	-	(6,018)
Loss on COVID-19	-	18,696
Increase (Decrease) in allowance for doubtful accounts	770	960
Increase (Decrease) in reserve for sales returns	(5,626)	896
Increase (Decrease) in refund liabilities	5,306	926
Increase (Decrease) in accrued bonuses for employees	(5,637)	(9,942)
Increase (Decrease) in accrued bonuses for directors	(109)	64
Increase (Decrease) in provision for liabilities and charges	(110)	183
Increase (Decrease) in provision for loss on business withdrawal	(3,086)	607
Increase (Decrease) in liability for retirement benefits	(3,859)	(5,139)
Interest and dividend income	(1,576)	(916)
Interest expense	2,292	2,226
Other interest on debt	1,266	1,332
Equity in (earnings) losses of affiliates	(330)	(269)
(Increase) Decrease in notes and accounts receivable	(9,209)	28,545
(Increase) Decrease in inventories	(31,217)	10,758
Increase (Decrease) in notes and accounts payable	10,190	(39,678)
Other	6,318	13,091
Subtotal	128,914	75,811
Interest and dividends received	1,673	1,107
Interest paid	(2,021)	(2,396)
Interest paid on other debt	(1,266)	(1,218)
Grant received	-	5,900
Loss paid on COVID-19	-	(17,156)
Income taxes refund (paid)	(51,736)	1,997
Net cash provided by (used in) operating activities	75,562	64,045

(Millions of yen)

	Fiscal Year Ended December 31, 2019 (January 1 to December 31, 2019)	Fiscal Year Ended December 31, 2020 (January 1 to December 31, 2020)
<b>Cash Flows from Investing Activities:</b>		
Transfers to time deposits	(9,833)	(12,778)
Proceeds from maturity of time deposits	10,781	11,221
Acquisition of investments in securities	(462)	(11)
Proceeds from sales of investment in securities	10,181	1,062
Payments for acquisition of business	(1,090)	-
Acquisition of property, plant and equipment	(92,202)	(56,359)
Proceeds from sales of property, plant and equipment and intangible assets	1,190	10,441
Acquisition of intangible assets	(19,598)	(17,130)
Payments of long-term prepaid expenses	(8,305)	(6,425)
Payments for lease and guarantee deposits	(1,997)	(758)
Payment for acquisition of shares in a subsidiary resulting in a change in the scope of consolidation	(91,768)	-
Other	282	653
Net cash provided by (used in) investing activities	(202,823)	(70,084)
<b>Cash Flows from Financing Activities:</b>		
Net increase (decrease) in short-term debt and commercial papers	117,751	(63,464)
Proceeds from long-term debt	43,624	110,000
Repayment of long-term debt	(730)	(730)
Proceeds from issuance of bonds	-	50,000
Redemption of bonds	(10,000)	(15,000)
Repayment of lease obligations	(8,278)	(9,443)
Repayment of long-term accounts payable	(1,618)	(1,981)
Acquisition of treasury stock	(22)	(12)
Disposal of treasury stock	114	71
Cash dividends paid	(22,028)	(19,967)
Cash dividends paid to non-controlling interests	(5,133)	(2,888)
Proceeds from share issuance to non-controlling interests	-	349
Other	-	(53)
Net cash provided by (used in) financing activities	113,678	46,880
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(693)	(1,959)
Net Change in Cash and Cash Equivalents (Decrease)	(14,276)	38,881
Cash and Cash Equivalents at Beginning of Period	111,767	97,466
Decrease in Cash and Cash Equivalents Resulting from Exclusion of Subsidiaries from Consolidation	(24)	-
Cash and Cash Equivalents at End of Period	97,466	136,347

## (5) Notes Concerning Consolidated Financial Statements

### (Note on Assumptions of a Going Concern)

Not applicable.

### (Additional Information)

(Accounting estimates associated with the spread of COVID-19)

The Group reflects accounting estimates such as fixed asset impairment and recoverability of deferred tax assets based on information available at the time that the Consolidated Financial Statements are prepared. Accounting estimates assume that the impact of COVID-19 in terms of Group performance will subside from the second half of 2021 to the first half of 2022, for a full recovery within 2023, where impact varies by region and business.

However, due to uncertainties in the application of such assumption to the estimates above, unexpected changes in the recovery time for COVID-19 or its impact on the economic environment may affect the financial position, operating results and cash flows of the Group in the future.

### (Consolidated Statements of Income)

#### Grant Income

Fiscal year 2020 (From January 1 to December 31, 2020)

Income mainly from grants and subsidies provided by governments and local municipalities for the employment maintenance and compensation of employees in relation to COVID-19.

#### Impairment Loss

Fiscal year 2020 (From January 1 to December 31, 2020)

The Company recognized impairment losses on the fixed assets of domestic subsidiaries.

Use	Type	Location
Assets for business use	Buildings, leased assets, etc.	Tokyo, Kanagawa and others

The Group organizes its business-use assets into groups according to the minimum independent cash-flow-generating units, based on business classifications. Store assets among business-use assets are grouped by each of the stores.

As a result, the book values of stores with continuously negative loss from operating activities and with the decision to be closed are reduced to the recoverable amount at the domestic subsidiaries, and the amount of the reduction is recorded as an extraordinary loss. The breakdown is shown below. The recoverable amount is measured at its net realizable value. Due to the difficulty of sales of the assets, the recoverable amount is recognized as zero.

Buildings and structures	575	(Millions of yen)
Leased assets	199	"
Others	168	"
Total	944	"



#### Loss on COVID-19

Fiscal year 2020 (From January 1 to December 31, 2020)

Loss mainly from fixed costs due to the suspension of in-store employee dispatchment and the low operation of factories, and cancellation costs of events, at the request of various governments to prevent the spread of COVID-19. The breakdown is as follows.

Salaries and allowances for employees	11,781	(Millions of yen)
Fixed costs for factories and stores	5,016	"
Cancellation costs, penalties, and others	1,898	"
Total	18,696	"

#### Structural Reform Expenses

Fiscal year 2020 (From January 1 to December 31, 2020)

Structural reform expenses mainly reflect the closure of offices and early retirement premiums included in temporary expenses incurred as a result of organizational reforms.

#### Loss on Business Withdrawal

Fiscal year 2020 (From January 1 to December 31, 2020)

Expenses for discontinuation of some brands.

## **(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 domestic business by brand category (Prestige, Fragrance, Premium, Lifestyle, 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 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., Shiseido Beauty Salon 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 25, 2020). 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, 2020 (From January 1 to December 31, 2020)

(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	303,035	235,804	59,173	91,410	94,280	98,501
Intersegment sales or transfers	26,346	1,003	1,916	27,254	8,219	310
Total	329,382	236,808	61,090	118,665	102,500	98,812
Segment Profit (Loss)	10,473	18,386	3,248	(22,254)	(13,231)	14,640
Other Items						
Depreciation and amortization	7,755	8,999	3,618	7,134	10,912	1,351
Amortization of goodwill	320	848	432	3,997	606	668

	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	12,755	25,927	920,888	—	920,888
Intersegment sales or transfers	604	146,597	212,253	(212,253)	—
Total	13,359	172,524	1,133,142	(212,253)	920,888
Segment Profit (Loss)	(34)	3,475	14,702	261	14,963
Other Items					
Depreciation and amortization	40	20,571	60,384	—	60,384
Amortization of goodwill	—	190	7,064	—	7,064

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., and manufacturing operations, as well as the activities of the Frontier Science business, 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.

#### 4. Items Related to Changes in Reportable Segments

(Changes in the Method of Classifying Reportable Segments)

The Group has revised its reportable segment classifications from the fiscal year 2020. The business results of the airport duty-free business in Japan of The Ginza Co., Ltd., which were previously included in the Japan Business, are now included in the Travel Retail Business, and the business results related to the brand holder functions of **THE GINZA**, the same subsidiary's brand, are now included in the Other segment.

In addition, the business results of Bare Escentuals K.K., which operates in Japan, and the business results and other costs associated with the Technology Acceleration Hub, previously included in the Americas Business, are now included in the Other segment.

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.

#### (Per-Share Data)

(Yen)

Fiscal Year Ended December 31, 2020 (January 1 to December 31, 2020)	
Net assets per share	1,212.34
Net profit per share	(29.19)
Net profit per share (fully diluted)	—

Note: Fully diluted net profit per share for the fiscal year 2020 is not disclosed despite the existence of dilutive shares as there was a net loss per share for the period under review.

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

	As of December 31, 2020
Total net assets (millions of yen)	506,593
Amount deducted from total net assets (millions of yen)	22,304
[Stock acquisition rights (millions of yen)]	1,399
[Non-controlling interests (millions of yen)]	20,905
Net assets at term-end related to common stock (millions of yen)	484,289
Common stock at term-end used to calculate net assets per share (thousands of shares)	399,465

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, 2020 (January 1 to December 31, 2020)
Net profit (loss) per share	
Net profit (loss) attributable to owners of parent (millions of yen)	(11,660)
Amount not belonging to common stockholders (millions of yen)	—
Net profit (loss) attributable to owners of parent related to common stock (millions of yen)	(11,660)
Average shares outstanding (thousands of shares)	399,458
Net profit per share (fully diluted)	
Net profit attributable to owners of parent adjustment (millions of yen)	—
Increase in common stock (thousands of shares)	—
(Stock options made available through new share subscription rights) (thousands of shares)	—
Latent shares not included in fully diluted net profit per share calculation due to lack of dilution effect	—

## **(Significant Subsequent Events)**

Company splits and other changes accompanying the transfer of the Personal Care business

The Company has determined to transfer the Personal Care business (the “Business”) and participate in its operation as a shareholder of the Holding company (the “Transaction”). As part of the Transaction the Business will be transferred from the Company and its wholly owned subsidiaries, to be succeeded by a newly established company (the “New Company”), whose shares will be subsequently transferred to Oriental Beauty Holding Company, Limited (“OBH”), financed by funds advised by CVC Capital Partners (“CVC”), and the Company has executed a legally binding agreement pertaining to the above (the “Agreement”) on February 3, 2021.

### **1. Objectives of the Transaction**

We have positioned the skin beauty as our core business category. In view of this strategy, the Company has considered a number of various strategic options for further growth and development of the Business, and as a result determined that a spin-off of the Business will promote further development of its brands and employees and bolster investment in its growth, resulting in flexible strategies and fast decision-making attuned to the mass business segment, nurturing of human resources exceptional in value creation, and benefits for consumers and business partners.

### **2. Details of the Transaction Procedure**

The part of the Business operating in Japan will be transferred from the Company and its wholly owned subsidiaries Shiseido Japan Company, Limited and FT Shiseido Company, Limited to the New Company with an effective date of July 1, 2021 (planned) through absorption-type corporate splits, followed by a transfer of all outstanding shares of the New Company to OBH on the same date (planned; the “Share Transfer”). The overseas parts of the Business will be transferred from the Company’s subsidiaries operating in 10 countries and regions to OBH subsidiaries (the “Succeeding Subsidiaries”) through asset transfers in accordance with local laws.

Following the Share Transfer, on the same date (planned) the Company will acquire 35% of the shares of K.K. Asian Personal Care Holding, the wholly owning parent company of OBH (the “Share Acquisition of the Holding Company”), and will cooperate with CVC to operate the Business. After the Share Transfer, the Business will be excluded from the scope of consolidation of the Company.

Obtaining approval from relevant authorities based on domestic and international competition laws is a prerequisite for carrying out the Transaction.

### **3. Overview of the Business to be Split and Transferred**

#### **(1) Details of the business**

Business related to sale of personal care products

#### **(2) Reportable segment included in the business**

Japan Business, China Business, and Asia Pacific Business

### **4. Future Outlook**

The transfer price of all shares of the New Company and related business assets is ¥160,000 million. The Company is currently assessing the impact of the Transaction on its consolidated performance. It is scheduled to be announced simultaneously with the Company’s financial results for the first quarter of the fiscal year 2021, which is scheduled for May 2021.