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, 2022

Consolidated Settlement of Accounts for the Fiscal Year Ended December 31, 2021 [Japanese Standards]

Shiseido Company, Limited

Listings: Tokyo Stock Exchange, First Section (Code Number 4911)
URL: https://corp.shiseido.com/en/
Representative: Masahiko Uotani, Representative Director, President and CEO
Contact: Ayako Hirofuji, Vice President, Investor Relations Department
Tel. +81-3-3572-5111
Annual meeting of shareholders: March 25, 2022 (plan)
Filing date of securities report: March 25, 2022 (plan)
Start of cash dividend payments: March 28, 2022 (plan)
Supplementary 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, 2021 (From January 1 to December 31, 2021)

* 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, 2021	1,035,165	[12.4%]	41,586	[177.9%]	44,835	[365.2%]	42,439	[—%]
Fiscal Year Ended December 31, 2020	920,888	[(18.6)%]	14,963	[(86.9)%]	9,638	[(91.1)%]	(11,660)	[—%]

Note: Comprehensive income
Fiscal Year ended December 31, 2021: ¥81,222 million [678.6%]
Fiscal Year ended December 31, 2020: ¥10,431 million [(85.6)%]

	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, 2021	106.24	106.15	8.2%	3.8%	4.0%
Fiscal Year Ended December 31, 2020	(29.19)	—	(2.4)%	0.8%	1.6%

[Reference] Equity in earnings (losses) of affiliates: As of December 31, 2021: ¥(1,090) million
As of December 31, 2020: ¥269 million

(2) Consolidated Financial Position

(Millions of yen)

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share (Yen)
As of December 31, 2021	1,179,360	567,433	46.2%	1,364.28
As of December 31, 2020	1,204,229	506,593	40.2%	1,212.34

[Reference] Equity: As of December 31, 2021: ¥545,022 million
As of December 31, 2020: ¥484,289 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, 2021	122,887	63,739	(176,222)	156,503
Fiscal Year Ended December 31, 2020	64,045	(70,084)	46,880	136,347

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, 2020	—	20.00	—	20.00	40.00	15,978	—	3.3%
Fiscal Year Ended December 31, 2021	—	20.00	—	30.00	50.00	19,974	47.1%	3.9%
Fiscal Year Ending December 31, 2022 (Forecast)	—	25.00	—	75.00	100.00		99.9%	

Note: Year-end dividend for the fiscal year 2022 includes an ordinary dividend of ¥25.00 and commemorative dividend of ¥50.00 for the 150th anniversary of founding.

3. Forecast for the Fiscal Year Ending December 31, 2022 (From January 1 to December 31, 2022)

(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 2022	1,100,000 [6.3%]	60,000 [44.3%]	63,500 [41.6%]	40,000 [(5.7)%]	100.13

As stated in the Company’s timely disclosure “Notice of Voluntary Adoption of International Financial Reporting Standards (IFRS)” released on November 10, 2021, the financial statements for the fiscal year ended December 31, 2021, including the consolidated forecast for the fiscal year ending December 31, 2022, have been prepared in accordance with the currently applied Japanese GAAP.

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, 2021:	400,000,000
As of December 31, 2020:	400,000,000

2) Number of treasury shares

As of December 31, 2021:	506,767
As of December 31, 2020:	534,198

3) Average number of shares outstanding during the period

Fiscal year ended December 31, 2021:	399,480,862
Fiscal year ended December 31, 2020:	399,458,494

[Reference] Summary of Nonconsolidated Results

Performance in the Fiscal Year Ended December 31, 2021 (January 1 to December 31, 2021)

(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, 2021	275,063	[10.3%]	21,129	[—%]	46,341	[45.2%]	103,788	[206.5%]
Fiscal Year Ended December 31, 2020	249,335	[(17.9)%]	(1,015)	[—%]	31,917	[(38.4)%]	33,867	[(65.6)%]

	Net Profit per Share (Yen)	Fully Diluted Net Profit per Share (Yen)
Fiscal Year Ended December 31, 2021	259.81	259.59
Fiscal Year Ended December 31, 2020	84.78	84.70

(2) Nonconsolidated Financial Position

(Millions of yen)

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share (Yen)
As of December 31, 2021	901,402	527,496	58.4%	1,317.74
As of December 31, 2020	819,138	441,770	53.8%	1,102.40

[Reference] Equity at year-end:

Fiscal year ended December 31, 2021: ¥526,429 million
Fiscal year ended December 31, 2020: ¥440,370 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 actual results and achievements to differ from those anticipated in these statements. Please refer to "1. Analysis of Operating Results and Financial Position (3) Earnings Forecast for Next Fiscal Year" on page 9 for information on preconditions underlying the above outlook and other related information.

Contents

1. Analysis of Operating Results and Financial Position

(1) Consolidated Performance

(Millions of yen)

	Net Sales	Operating Profit	Ordinary Profit	Net Profit (Loss) Attributable to Owners of Parent	EBITDA
Fiscal Year Ended December 31, 2021	1,035,165	41,586	44,835	42,439	172,556
Fiscal Year Ended December 31, 2020	920,888	14,963	9,638	(11,660)	71,393
Year-on-Year Increase (Decrease)	12.4%	177.9%	365.2%	—	141.7%
FX-Neutral	7.8%				
Like-for-Like	11.9%				

Notes:
1. EBITDA incorporates "Impairment Loss" and depreciation included in "Loss on COVID-19," recorded under "Extraordinary Losses."
2. Like-for-like increase (decrease) in net sales excludes the impact from the transfers of the Personal Care business and three prestige makeup brands (***bareMinerals***, ***BUXOM***, and ***Laura Mercier***), etc.

1) Review of Performance in the Fiscal Year Ended December 31, 2021

In the fiscal year 2021, global economic conditions remained challenging, as economic activity was stagnant due to the COVID-19 pandemic, and consumer sentiment was low due to worsening corporate earnings and employment. In the Japan cosmetics market, consumer traffic was affected by shortened operating hours in the retail sector and consumers staying at home under the intermittent states of emergency. Other factors included a drop in visitors to Japan, which affected inbound demand. Globally, although the impact of the pandemic continued overall, progress in vaccination rollout drove recovery, particularly in Europe and the United States.

In light of rapid changes in the external environment and the results of its previous medium-to-long-term strategy, the Company has launched a new strategy, WIN 2023 and Beyond, and is currently moving forward with a global transformation, positioning premium skin beauty as its core business in a bid to become the world's leader in this area by 2030. In the years 2021 to 2023, the Company will shift from a focus on topline growth to a strategic emphasis on profitability and cash flow management to build a solid foundation as a skin beauty company.

Fiscal 2021, the first year of this phase, was positioned as a period of "Groundwork," during which the Company moved forward with structural reforms centering on streamlining its business portfolio and solidifying the financial base, while ensuring business continuity and evolution in the times of COVID-19. Specifically, we transferred the Personal Care business and three prestige makeup brands (***bareMinerals***, ***BUXOM***, and ***Laura Mercier***) and terminated a global license agreement with Dolce&Gabbana S.r.l. In order to accelerate digital transformation (DX), we established Shiseido Interactive Beauty Company, Limited as a joint venture with Accenture and entered into a strategic partnership with Tencent, a major Chinese technology company, in a bid to strengthen our digital marketing strategy on a global scale. We have also started full-fledged operations at our Osaka Ibaraki Factory and West Japan Distribution Center to enhance the production and distribution network.

In the fiscal year 2021, the Company was globally affected by the spread of COVID-19 but managed to significantly recover net sales in all regions except Japan thanks in particular to growth in skin beauty brands―our area of focus―and expansion of e-commerce.

As a result, net sales grew 7.8% year on year on an FX-neutral basis. Based on reported figures, net sales increased 12.4% year on year to ¥1,035.2 billion. Excluding such impacts as business transfers, or like for like, sales grew 11.9%.

Operating profit was up 177.9% year on year to ¥41.6 billion due to such factors as improved margins resulting from stronger sales, a more favorable product mix, and effective cost management in line with market changes.

Net profit attributable to owners of parent reached ¥42.4 billion, up ¥54.1 billion year on year, mainly thanks to increased operating profit and extraordinary gains recorded as a result of the Personal Care business transfer. These factors outweighed the impairment losses on trademark rights due to the termination of a license agreement for ***Dolce&Gabbana*** and on goodwill due to the transfer of the three makeup brands.

Operating margin reached 4.0%; consolidated return on equity (ROE), 8.2%; and consolidated return on invested capital (ROIC), 3.3%.

The EBITDA margin was 16.7%, with cash generation significantly improved.

Major foreign currency exchange rates applicable to income and expense accounting line items in the Company's financial statements for the period under review are JPY110.0/USD, JPY129.9/EUR, and JPY17.0/CNY.

[Consolidated Performance]

(Millions of yen)

Classification		Fiscal Year Ended December 31, 2021	% of Total	Fiscal Year Ended December 31, 2020	% of Total	Year-on-Year Increase (Decrease)			
						Amount	Percentage	FX-Neutral	Like-for-like
Net Sales	Japan Business	276,173	26.7%	303,035	32.9%	(26,862)	(8.9)%	(8.9)%	(1.4)%
	China Business	274,721	26.6%	235,804	25.6%	38,917	16.5%	7.0%	19.1%
	Asia Pacific Business	65,003	6.3%	59,173	6.4%	5,829	9.9%	3.8%	5.8%
	Americas Business	121,369	11.7%	91,410	9.9%	29,958	32.8%	28.4%	29.9%
	EMEA Business	117,040	11.3%	94,280	10.3%	22,760	24.1%	16.4%	16.5%
	Travel Retail Business	120,460	11.6%	98,501	10.7%	21,959	22.3%	18.4%	18.4%
	Professional Business	15,866	1.5%	12,755	1.4%	3,111	24.4%	19.6%	19.6%
	Other	44,528	4.3%	25,927	2.8%	18,601	71.7%	70.8%	2.1%
	Total	1,035,165	100.0%	920,888	100.0%	114,276	12.4%	7.8%	11.9%

[Reference] (Millions of yen)

Classification		Intersegment sales or sales including internal transfers between accounts	
		Fiscal Year Ended December 31, 2021	Fiscal Year Ended December 31, 2020
Net Sales	Japan Business	300,938	329,382
	China Business	275,830	236,808
	Asia Pacific Business	67,166	61,090
	Americas Business	147,849	116,300
	EMEA Business	126,939	102,500
	Travel Retail Business	120,615	98,812
	Professional Business	16,474	13,359
	Other	233,367	174,434
	Subtotal	1,289,182	1,132,686
	Adjustments	(254,016)	(211,798)
	Total	1,035,165	920,888

(Millions of yen)

Classification		Fiscal Year Ended December 31, 2021	Ratio to Net Sales	Fiscal Year Ended December 31, 2020	Ratio to Net Sales	Year-on-Year Increase (Decrease)	
						Amount	Percentage
Operating Profit (Loss)	Japan Business	9,579	3.2%	9,671	2.9%	(91)	(0.9)%
	China Business	1,177	0.4%	18,386	7.8%	(17,209)	(93.6)%
	Asia Pacific Business	3,737	5.6%	3,248	5.3%	489	15.1%
	Americas Business	(13,207)	(8.9)%	(22,699)	(19.5)%	9,492	—
	EMEA Business	2,461	1.9%	(13,231)	(12.9)%	15,693	—
	Travel Retail Business	21,950	18.2%	14,640	14.8%	7,309	49.9%
	Professional Business	757	4.6%	(34)	(0.3)%	791	—
	Other	30,977	13.3%	4,722	2.7%	26,255	556.0%
	Subtotal	57,434	4.5%	14,702	1.3%	42,731	290.6%
	Adjustments	(15,847)	—	261	—	(16,109)	—
	Total	41,586	4.0%	14,963	1.6%	26,622	177.9%

Notes:

1. The Group has revised its reportable segment classifications from the fiscal year 2021. The business results of global service functions related to digital strategy, previously included in the Americas Business, are now included in the Other segment, and expenses related to the supply network functions, previously included in the Other segment, are now included in the Japan Business. The segment information for the previous period has been restated in line with the new method of classification.
2. Net sales from regional sales subsidiaries related to the Personal Care business, previously recorded in the Japan, China, and Asia Pacific Businesses, are no longer recorded with some exceptions from July 1, 2021 due to the transfer of said business and resulting changes in product distribution. Meanwhile, Personal Care products sales from the Company and its manufacting subsidiaries to Fine Today Shiseido Co., Ltd. and its affiliates are recorded in the Other segment effective from the same date.
3. Like-for-like increase (decrease) in net sales excludes the impact from the transfers of the Personal Care business and the three prestige makeup brands, etc.
4. The Other segment includes head office administration departments, IPSA Co., Ltd., Shiseido Beauty Salon Co., Ltd., manufacturing operations, and the Restaurant business, etc.
5. 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.
6. 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 strategically strengthened investment in the skin beauty category in line with new consumer needs prompted by the COVID-19 pandemic and achieved market share gains, mainly in base makeup and sun care. In addition, we engaged with a large number of consumers through various omnichannel initiatives in collaboration with business partners, such as live commerce events and online video counseling. Consequently, e-commerce sales grew by double digits. We also continued activities started last year aimed at maximizing the value we provide to consumers, in particular agile development and launch of products that address changes in consumer needs, such as BB cream that stays put even under a mask, and revolutionary products with the Second Skin technology.

Meanwhile, under the declared state of emergency sales were hit by shortened operating hours in the retail sector and a downturn in consumer traffic due to a tendency to stay at home. Other factors included a drop in visitors to Japan, which resulted on low inbound demand.

As a result, net sales decreased 8.9% year on year to ¥276.2 billion. Excluding the impact of the Personal Care business transfer, or like for like, sales declined 1.4% year on year. Operating profit was down 0.9% year on year to ¥9.6 billion, mainly due to lower margins resulting from a decline in sales, which outweighed higher margins accompanying an increase in intercompany sales in the first half of the fiscal year and effective cost management in line with market changes.

China Business

The China Business was affected by partial retail closures and a drop in consumer traffic due to unprecedented torrential rains in the third quarter and new COVID-19 variant outbreaks in key metropolitan areas. However, e-commerce remained strong thanks to strategic investment and accounted for high 40% of total sales, mainly due to sales growth well above the market for the Singles' Day, China's largest e-commerce event. Moreover, continued strategic investment in prestige brands drove market share gains in the high-end category, specifically for ***Clé de Peau Beauté*** and ***NARS***.

As a result, net sales grew 7.0% on an FX-neutral basis, or 16.5% year on year to ¥274.7 billion based on reported figures. Excluding such impacts as the Personal Care business transfer, or like for like, sales grew 19.1%. Operating profit dropped by 93.6% year on year to ¥1.2 billion, due to increased investment in major brands, higher cost of sales, and the impact of the Personal Care business transfer, among other factors.

Asia Pacific Business

In the Asia Pacific Business, while the impact of COVID-19-related lockdowns continued in some countries and regions, we increased our share in e-commerce across Asia, thanks to further expansion into key e-commerce platforms in various regions and robust growth of prestige brands such as ***SHISEIDO*** and ***NARS***.

As a result, net sales increased 3.8% on an FX-neutral basis, or 9.9% year on year to ¥65.0 billion based on reported figures. Excluding such impacts as the transfer of the Personal Care business, or like for like, sales increased 5.8%. Operating profit grew 15.1% year on year to ¥3.7 billion, mainly due to higher margins accompanying an increase in sales.

Americas Business

In the Americas, while impacts from the spread of COVID-19 continued, vaccination rollout drove the recovery of the cosmetics market, including makeup, which had struggled. In this market environment, U.S.-based skincare brand ***Drunk Elephant*** opened new doors, while ***NARS*** grew its share due to virtual store openings and other digital marketing initiatives. In addition, ***SHISEIDO***, ***Clé de Peau Beauté***, and fragrance brands also performed well on the back of strengthened promotions.

As a result, net sales rose 28.4% on an FX-neutral basis, or 32.8% year on year to ¥121.4 billion based on reported figures. Excluding such impacts as the transfer of the three prestige makeup brands, or like for like, sales grew 29.9%, exceeding 2019 results. Operating loss recovered by ¥9.5 billion year on year to ¥13.2

billion, mainly due to higher margins accompanying an increase in sales and improved profitability from reductions in fixed costs of the commercial business.

EMEA Business

In EMEA, while impacts from the spread of COVID-19 continued, vaccination rollout aided market recovery, mainly in skincare and fragrances. We succeeded in capturing this turnaround to increase share in all categories through further rollout of our ***Clé de Peau Beauté*** and ***Drunk Elephant*** brands and e-commerce sales expansion thanks to online video counseling and digital promotions.

As a result, net sales grew 16.4% on an FX-neutral basis, or 24.1% year on year to ¥117.0 billion based on reported figures. Excluding such impacts as the transfer of the three prestige makeup brands, or like for like, sales increased 16.5% year on year. Operating profit made a long-awaited return to profit at ¥2.5 billion, an improvement of ¥15.7 billion year on year, mainly thanks to higher margins associated with an increase in sales, improved profitability of the commercial business, efficiency of advertising expenses due to focused investment in digital media, and lower fixed costs.

Travel Retail Business

The Travel Retail Business (sales of cosmetics and fragrances mainly through airport and downtown duty-free stores) was continuously affected by considerable reductions in international flights and the resulting decline in travelers worldwide. Hainan Island in China was also impacted by travel restrictions such as flight curbs in response to new COVID-19 variant outbreaks, but sales still accelerated significantly, mainly for e-commerce. Overall, net sales grew substantially, mostly in Asia, as we strengthened the rollout of ***Drunk Elephant*** and increased the number of counters for major brands on Hainan Island.

As a result, net sales grew 18.4% on an FX-neutral basis, or 22.3% year on year to ¥120.5 billion based on reported figures. Operating profit increased 49.9% year on year to ¥22.0 billion, mainly due to higher margins accompanying increased sales.

Professional Business

In the Professional Business, we deliver professional products such as hair care, styling, color, and perm solutions to hair salons in Japan, China, and Asia Pacific. While the impact of COVID-19 continued in some countries and regions, recovery in consumer traffic to hair salons and strengthened e-commerce promotions had an overall positive effect. Successful market debut of ***ULTIST***, a new hair color brand, and ***HAIR KITCHEN***, a new hair care brand for salons focused on sustainable initiatives, also contributed to growth.

As a result, net sales were up 19.6% on an FX-neutral basis, or 24.4% year on year to ¥15.9 billion based on reported figures. Operating profit increased ¥0.8 billion year on year to ¥0.8 billion, allowing the business to return to profit, mainly due to improved margins associated with higher sales.

(2) Financial Position

Total assets decreased by ¥24.9 billion from the end of the previous fiscal year to ¥1,179.4 billion. This was attributable to a decrease in inventories and intangible fixed assets as a result of business transfers. Liabilities decreased by ¥85.7 billion to ¥611.9 billion, primarily due to repayments of borrowings with funds obtained from business transfers. Net assets increased by ¥60.8 billion to ¥567.4 billion, chiefly due to the recording of net profit attributable to owners of parent and an increase in foreign currency effects associated with the yen depreciation.

The net debt-to-equity ratio, which indicates the ratio of interest-bearing debt less cash and cash equivalents to shareholders' equity, and net debt-to-EBITDA ratio, which shows the ratio of interest-bearing debt less cash and cash equivalents to EBITDA, were as follows.

Ratio	Fiscal Year Ended December 31, 2021	Fiscal Year Ended December 31, 2020
Net debt-to-equity (Net D/E) ratio	0.03	0.4
Net debt-to-EBITDA (Net D/EBITDA) ratio	0.1	2.4

Net cash provided by operating activities in the fiscal year 2021 totaled ¥122.9 billion, mainly due to increased profit from higher sales and effective working capital management, including reductions in inventories. Meanwhile, days sales in inventory (DSI) improved by 51 days from last year to 218 days. Net cash provided by investing activities was ¥63.7 billion, mostly due to proceeds from transfer of business, which outweighed continuing investment in plants and equipment. Net cash used in financing activities amounted to ¥176.2 billion due to the repayment of interest-bearing debt.

As a result of these activities, cash and cash equivalents at the end of the fiscal year stood at ¥156.5 billion, up ¥20.2 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	136.3
Net cash provided by operating activities	122.9
Net cash provided by investing activities	63.7
Net cash used in financing activities	(176.2)
Effect of exchange rate changes on cash and cash equivalents	9.8
Increase in cash and cash equivalents	20.2
Cash and cash equivalents at end of period	156.5

(3) Earnings Forecast for Next Fiscal Year

Consolidated Net Sales (Billions of yen)

Classification		Fiscal Year Ending December 31, 2022 (Forecast)	Fiscal Year Ended December 31, 2021 (After reclassification)	Percentage Change	FX-Neutral	Like-for-like	Fiscal Year Ended December 31, 2021 (Before reclassification)
Net Sales		1,100.0	1,035.2	6.3%	5%	14%	1,035.2
	Japan Business	300.0	280.8	6.8%	7%	17%	276.2
	China Business	294.0	274.7	7.0%	4%	16%	274.7
	Asia Pacific Business	61.0	65.0	(6.2)%	(6)%	17%	65.0
	Americas Business	108.0	121.4	(11.0)%	(14)%	10%	121.4
	EMEA Business	120.0	117.0	2.5%	2%	11%	117.0
	Travel Retail Business	139.0	120.5	15.4%	12%	12%	120.5
	Professional Business	8.0	15.9	(49.6)%	(50)%	—	15.9
	Other	70.0	39.9	75.4%	75%	(3)%	44.5

Notes:
1. The Group has revised its reportable segment classifications from the fiscal year ending December 31, 2022. The business results of Shiseido Beauty Salon Co., Ltd., which were previously included in the Other Business, are now included in the Japan Business. The results for the fiscal year ended December 31, 2021 (After reclassification) present business results after the abovementioned segment reclassification.
2. Like-for-like percentage change excludes the impacts of all business transfers and related transfer service agreements in the fiscal years 2021 and 2022.

Consolidated Profit (Billions of yen)

Classification	Fiscal Year Ending December 31, 2022 (Forecast)	Ratio to Net Sales	Fiscal Year Ended December 31, 2021	Ratio to Net Sales	Percentage Change
Operating Profit	60.0	5.5%	41.6	4.0%	44.3%
Ordinary Profit	63.5	5.8%	44.8	4.3%	41.6%
Net Profit Attributable to Owners of Parent	40.0	3.6%	42.4	4.1%	(5.7)%

(Yen)

Classification	Fiscal Year Ending December 31, 2022 (Forecast)	Fiscal Year Ended December 31, 2021 (Results)
ROE (Return on Equity)	7.2%	8.2%
Net Profit per Share	100.13	106.24
DOE (Dividends on Equity)	7.2%	3.9%
Dividends per share		
Interim	25.00	20.00
Year-end	75.00 (ordinary: 25.00; commemorative: 50.00)	(plan) 30.00

The economic climate in the next fiscal year may still be affected by slowdown in global economic activities due to the spread of COVID-19, prolonged effects of the pandemic, further delays in market recovery, and risks of new lockdowns, yet the Company expects market recovery within 2022, with the exception of some regions.

In response to these changes in the external environment, we will proceed with our medium-to-long-term business strategy WIN 2023 and Beyond and continue to step investments up in strategic growth areas, such as the premium skin beauty category and digital shift of our business model overall. At the same time, we will restructure our earnings base through global business transformation efforts, including further drastic improvement of the profitability of our Americas and EMEA businesses.

As a result of such initiatives, consolidated net sales in the fiscal year 2022 are expected to reach ¥1,100.0 billion, up 14% like for like, excluding the impact of business transfers, etc. Operating profit is forecast at ¥60.0 billion. Although increased sales are expected to generate higher margins, the forecast also incorporates proactive strategic investments in line with market recovery. The Company will aim to leverage this recovery momentum and further increase profits through expanding sales, mainly of premium skin beauty brands, improving the cost of sales ratio, and increasing the efficiency of marketing investment. Ordinary profit is forecast at ¥63.5 billion, and net profit attributable to owners of parent, at ¥40.0 billion.

The above forecasts are based on the following major foreign currency exchange rate assumptions for the fiscal year 2022: JPY 114/USD, JPY 131/EUR, and JPY 17.5/CNY.

As announced on November 10, 2021, the Company will voluntarily adopt International Financial Reporting Standards (IFRS) from the first quarter of the fiscal year 2022, in lieu of the currently applied Generally Accepted Accounting Principles in Japan (“Japanese GAAP”). Consolidated forecast for the fiscal year 2022 based on IFRS will be announced simultaneously with the financial results for the first quarter of the fiscal year 2022.

(4) 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 ¥30 per share, which, combined with the interim dividend of ¥20 per share, amounts to a total of ¥50 per share. This will result in DOE of 3.9%.

For the next fiscal year, in line with earnings growth, we plan to declare an interim dividend of ¥25 and a year-end dividend of ¥75 per share, which includes an ordinary dividend of ¥25 and a commemorative dividend of ¥50 for the 150th anniversary of the Company’s founding. Total dividends will be ¥100 per share, an increase of ¥50 per share. As a result, we project DOE of 7.2%.

For details of the commemorative dividend, please refer to the “Notice of Dividend Forecast for the Fiscal Year Ending December 31, 2022 (Commemorative Dividend for the 150th Anniversary of Founding)” disclosed today.

2. Basic Approach to Selection of Accounting Standards

The Company will apply International Financial Reporting Standards (IFRS) to its consolidated financial statements from the first quarter of the fiscal year ending December 2022, in lieu of the currently applied Generally Accepted Accounting Principles in Japan ("Japanese GAAP"). The decision has been made in order to enhance the Company's global business management by unifying accounting standards across the Group and to improve the international comparability of its financial information in the capital markets.

3. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	As of December 31, 2020	As of December 31, 2021
ASSETS		
Current Assets:		
Cash and time deposits	130,013	172,056
Notes and accounts receivable	144,728	151,115
Short-term investment securities	21,000	-
Inventories	170,031	143,758
Other current assets	52,634	58,636
Less: Allowance for doubtful accounts	(3,644)	(4,032)
Total current assets	514,763	521,533
Fixed Assets:		
Property, Plant and Equipment:		
Buildings and structures	251,762	279,630
Less: Accumulated depreciation	(103,831)	(113,243)
Buildings and structures, net	147,931	166,387
Machinery, equipment and vehicles	118,883	130,920
Less: Accumulated depreciation	(63,344)	(69,670)
Machinery, equipment and vehicles, net	55,538	61,249
Tools, furniture and fixtures	102,657	103,668
Less: Accumulated depreciation	(60,680)	(65,138)
Tools, furniture and fixtures, net	41,976	38,529
Land	44,605	46,519
Leased assets	10,671	12,623
Less: Accumulated depreciation	(5,251)	(5,812)
Leased assets, net	5,420	6,811
Right-of-use assets	29,133	38,401
Less: Accumulated depreciation	(10,870)	(16,681)
Right-of-use assets, net	18,262	21,719
Construction in progress	27,308	16,188
Total property, plant and equipment	341,044	357,405
Intangible Assets:		
Goodwill	54,429	44,159
Leased assets	403	300
Trademark rights	131,636	40,322
Other intangible assets	54,922	61,707
Total intangible assets	241,392	146,489
Investments and Other Assets:		
Investment securities	13,527	9,717
Long-term loans receivable	0	31,116
Long-term prepaid expenses	14,125	12,367
Deferred tax assets	42,501	72,968
Other investments	37,014	27,792
Less: Allowance for doubtful accounts	(140)	(30)
Total investments and other assets	107,029	153,932
Total Fixed Assets	689,466	657,827
Total Assets	1,204,229	1,179,360

(Millions of yen)

	As of December 31, 2020	As of December 31, 2021
LIABILITIES		
Current Liabilities:		
Notes and accounts payable	21,187	28,021
Electronically recorded obligations – operating	55,740	40,584
Short-term debt	56,491	-
Current portion of long-term debt	10,730	730
Current portion of corporate bonds scheduled for redemption	-	15,000
Lease obligations	8,344	9,664
Other payables	75,695	96,488
Accrued income taxes	7,374	45,600
Reserve for sales returns	6,227	3,379
Refund liabilities	10,518	13,631
Accrued bonuses for employees	15,024	29,557
Accrued bonuses for directors	165	169
Provision for liabilities and charges	545	293
Provision for loss on business withdrawal	725	95
Provision for structural reforms	-	8,524
Other current liabilities	84,208	92,291
Total current liabilities	352,977	384,031
Long-Term Liabilities:		
Bonds	65,000	50,000
Long-term debt	167,861	95,915
Lease obligations	15,872	19,673
Long-term payables	52,968	4,756
Liability for retirement benefits	27,189	18,587
Allowance for losses on guarantees	350	350
Deferred tax liabilities	2,944	1,040
Other long-term liabilities	12,472	37,573
Total long-term liabilities	344,658	227,896
Total Liabilities	697,635	611,927
NET ASSETS		
Shareholders’ Equity:		
Common stock	64,506	64,506
Capital surplus	70,741	70,741
Retained earnings	339,817	366,306
Treasury stock	(2,455)	(2,338)
Total shareholders’ equity	472,610	499,217
Accumulated Other Comprehensive Income:		
Valuation difference on available-for-sale securities	3,054	1,267
Foreign currency translation adjustments	5,257	37,881
Accumulated adjustments for retirement benefits	3,366	6,656
Total accumulated other comprehensive income	11,678	45,805
Stock Acquisition Rights	1,399	1,067
Non-Controlling Interests in Consolidated Subsidiaries	20,905	21,343
Total Net Assets	506,593	567,433
Total Liabilities and Net Assets	1,204,229	1,179,360

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

Consolidated Statements of Income

(Millions of yen)

	Fiscal Year Ended December 31, 2020 (January 1 to December 31, 2020)	Fiscal Year Ended December 31, 2021 (January 1 to December 31,2021)
Net Sales	920,888	1,035,165
Cost of Sales	238,401	262,959
Gross Profit	682,487	772,206
Selling, General and Administrative Expenses	667,523	730,619
Operating Profit	14,963	41,586
Non-operating Income		
Interest income	762	1,213
Dividend income	153	273
Equity in earnings of affiliates	269	-
Rental income	638	567
Subsidy income	2,776	3,362
Foreign exchange gain	-	2,359
Other	1,453	1,678
Total non-operating income	6,054	9,453
Non-operating Expenses		
Interest expense	2,226	1,881
Equity in losses of affiliates	-	1,090
Foreign exchange loss	3,088	-
Other interest on debt	1,332	529
Other	4,732	2,702
Total non-operating expenses	11,379	6,204
Ordinary Profit	9,638	44,835
Extraordinary Gains		
Gain on sales of fixed assets	9,716	561
Gain on transfer of business	-	73,954
Gain on change in equity	-	13,520
Gain on sales of investment securities	819	2,733
Grant income	6,018	1,965
Gain on reversal of share acquisition rights	-	331
Total extraordinary gains	16,554	93,066
Extraordinary Losses		
Loss on disposal of fixed assets	3,665	2,491
Impairment loss	944	26,463
Structural reform expenses	3,196	31,110
Loss on COVID-19	18,696	4,507
Loss on sales of investment securities	4	67
Loss on revaluation of investment securities	499	4
Loss on business withdrawal	1,226	-
Total extraordinary losses	28,234	64,644
Profit (Loss) before Income Taxes	(2,040)	73,256
Income Taxes – Current	6,199	61,923
Refund of income taxes for prior years	-	(1,165)
Income Taxes – Deferred	880	(32,413)
Total Income Taxes	7,079	28,344
Net Profit (Loss)	(9,120)	44,912
Net Profit Attributable to Non-Controlling Interests	2,540	2,472
Net Profit (Loss) Attributable to Owners of Parent	(11,660)	42,439

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Fiscal Year Ended December 31, 2020 (January 1 to December 31, 2020)	Fiscal Year Ended December 31, 2021 (January 1 to December 31, 2021)
Net Profit (Loss)	(9,120)	44,912
Other Comprehensive Income		
Valuation difference on available-for-sale securities	40	(1,779)
Foreign currency translation adjustments	(5,562)	34,247
Adjustment for retirement benefits	25,039	3,322
Share of other comprehensive income of associates accounted for under the equity method	34	519
Total other comprehensive income	19,551	36,310
Comprehensive Income	10,431	81,222
(Breakdown)		
Comprehensive income attributable to owners of parent	7,672	76,565
Comprehensive income attributable to non-controlling interests	2,759	4,656

(3) Consolidated Statements of Changes in Net Assets

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
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**
	Valuation difference 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
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

Fiscal Year Ended December 31, 2021 (January 1 to December 31, 2021)

(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	339,817	(2,455)	472,610
Changes during period					
Dividend from retained earnings			(15,978)		(15,978)
Net profit (Loss) attributable to owners of parent			42,439		42,439
Acquisition of treasury stock				(23)	(23)
Disposal of treasury stock			(69)	140	71
Non-controlling interests, capital transactions, others			98		98
Net changes of items other than shareholders' equity					-
Total changes during period	-	-	26,489	117	26,606
Balance at end of period	64,506	70,741	366,306	(2,338)	499,217

	Accumulated Other Comprehensive Income				Stock Acquisition Rights	Non-controlling Interests	Total Net Assets
	Valuation difference on available-for-sale securities	Foreign Currency Translation Adjustments	Accumulated Adjustment for Retirement Benefits	Total Accumulated Other Comprehensive Income			
Balance at beginning of period	3,054	5,257	3,366	11,678	1,399	20,905	506,593
Changes during period							
Dividend from retained earnings							(15,978)
Net profit (Loss) attributable to owners of parent							42,439
Acquisition of treasury stock							(23)
Disposal of treasury stock							71
Non-controlling interests, capital transactions, others							98
Net changes of items other than shareholders' equity	(1,787)	32,623	3,290	34,126	(332)	438	34,232
Total changes during period	(1,787)	32,623	3,290	34,126	(332)	438	60,839
Balance at end of period	1,267	37,881	6,656	45,805	1,067	21,343	567,433

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal Year Ended December 31, 2020 (January 1 to December 31, 2020)	Fiscal Year Ended December 31, 2021 (January 1 to December 31, 2021)
Cash Flows from Operating Activities:		
Profit (Loss) before income taxes	(2,040)	73,256
Depreciation and amortization	60,384	62,987
Amortization of goodwill	7,064	6,861
Impairment loss	944	26,463
(Gain) Loss on disposal of fixed assets	(6,051)	1,930
(Gain) Loss on sales of investment securities	(814)	(2,666)
Grant income	(6,018)	(1,965)
Loss on COVID-19	18,696	4,507
Structural reform expenses	3,196	31,110
Gain on transfer of business	-	(73,954)
(Gain) Loss on change in equity	-	(13,520)
Gain on reversal of share acquisition rights	-	(331)
Increase (Decrease) in allowance for doubtful accounts	960	86
Increase (Decrease) in reserve for sales returns	896	(1,967)
Increase (Decrease) in refund liabilities	926	2,067
Increase (Decrease) in accrued bonuses for employees	(9,942)	13,659
Increase (Decrease) in accrued bonuses for directors	64	4
Increase (Decrease) in provision for liabilities and charges	183	(267)
Increase (Decrease) in provision for loss on business withdrawal	607	(635)
Increase (Decrease) in liability for retirement benefits	(5,139)	(3,799)
Interest and dividend income	(916)	(1,486)
Interest expense	2,226	1,881
Other interest on debt	1,332	529
Equity in (earnings) losses of affiliates	(269)	1,090
(Increase) Decrease in notes and accounts receivable	28,545	(1,586)
(Increase) Decrease in inventories	10,758	10,853
Increase (Decrease) in notes and accounts payable	(39,678)	34,000
Other	10,164	2,174
Subtotal	76,081	171,284
Interest and dividends received	1,107	1,601
Interest paid	(2,396)	(1,929)
Interest paid on other debt	(1,218)	(493)
Grant received	5,900	2,083
Loss paid on COVID-19	(17,156)	(3,794)
Structural reform expenses paid	(269)	(21,974)
Income tax refund (paid)	1,997	(23,889)
Net cash provided by (used in) operating activities	64,045	122,887

(Millions of yen)

	Fiscal Year Ended December 31, 2020 (January 1 to December 31, 2020)	Fiscal Year Ended December 31, 2021 (January 1 to December 31, 2021)
Cash Flows from Investing Activities:		
Transfers to time deposits	(12,778)	(23,693)
Proceeds from maturity of time deposits	11,221	24,706
Acquisition of investment securities	(11)	(10)
Proceeds from sale of investment securities	1,062	3,529
Proceeds from transfer of business	-	149,936
Acquisition of property, plant and equipment	(56,359)	(72,525)
Proceeds from sales of property, plant and equipment and intangible assets	10,441	1,520
Acquisition of intangible assets	(17,130)	(19,927)
Payments of long-term prepaid expenses	(6,425)	(4,241)
Proceeds from sale of investment property	-	7,916
Other	(105)	(3,471)
Net cash provided by (used in) investing activities	(70,084)	63,739
Cash Flows from Financing Activities:		
Net increase (decrease) in short-term debt and commercial papers	(63,464)	(57,885)
Proceeds from long-term debt	110,000	10,000
Repayment of long-term debt	(730)	(94,714)
Proceeds from issuance of bonds	50,000	-
Redemption of bonds	(15,000)	-
Repayment of lease obligations	(9,443)	(10,451)
Repayment of long-term accounts payable	(1,981)	(3,437)
Acquisition of treasury stock	(12)	(23)
Disposal of treasury stock	71	71
Cash dividends paid	(19,967)	(15,987)
Cash dividends paid to non-controlling interests	(2,888)	(3,677)
Other	296	(117)
Net cash provided by (used in) financing activities	46,880	(176,222)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(1,959)	9,751
Net Change in Cash and Cash Equivalents (Decrease)	38,881	20,155
Cash and Cash Equivalents at Beginning of Period	97,466	136,347
Cash and Cash Equivalents at End of Period	136,347	156,503

(5) Notes Concerning Consolidated Financial Statements

(Note on Assumptions of a Going Concern)

Not applicable.

(Significant Accounting Estimates)

Accounting estimates calculate the reasonable amount based on available information at the time that the consolidated financial statements are prepared. Among the amounts recorded based on accounting estimates in the consolidated financial statements for the fiscal year 2021, items which may have risk of significantly affecting the consolidated financial statements for the following fiscal year, are as follows:

1. Valuation of Goodwill related to Shiseido Americas Corporation ("SAC") reporting unit.

(1) The amount recorded in Consolidated Financial Statements for the fiscal year 2021 and ratio of total assets Goodwill related to SAC reporting unit is ¥20,941 million. A risk of significant estimates for this valuation of goodwill has been identified.

Account	Segments	Amounts (Millions of yen)	Ratio of total assets
Goodwill	Japan Business	1,544	0.1%
	China Business	5,693	0.5%
	Asia Pacific Business	3,631	0.3%
	Americas Business	20,941	1.8%
	EMEA Business	5,124	0.4%
	Travel Retail Business	5,647	0.5%
	Other	1,575	0.1%
		44,159	3.7%

(2) Other information that contributes to the understanding of users of the consolidated financial statements regarding the accounting estimates

Goodwill related to SAC reporting unit is recorded in SAC which is a subsidiary applying generally accepted accounting principles in the United States ("U.S. GAAP"). The goodwill is amortized on a straight-line basis according to the accounting alternative for private company under U.S. GAAP. U.S. GAAP requires that the amortizable goodwill be allocated to reporting units and be subject to impairment test when indication of impairment is identified. Valuation by outside specialists is utilized for goodwill fair value estimation and impairment test. Estimates of the fair value is calculated by the discounted cash flow method, which uses many estimates and assumptions such as discount rates, long-term market growth rate, and future cash flow which considers future projections, past performance, current and expected economic conditions, and market data. These estimates and assumptions may significantly affect the result of impartment test and impairment loss.

In the fiscal year 2021, indication of impairment was identified due to transfer of the three prestige makeup brands, and impairment test was performed, but since the fair value of SAC reporting unit exceeded its carrying value, the impairment loss of goodwill related to SAC reporting unit had not been recognized. Future cash flow used to calculate the fair value is estimated based on the future business plan in SAC reporting unit and long-term market growth rate of 3%, and incorporates the long-term market growth rate of the cosmetics market in the United States and an increase in sales through sales expansion plan as primary assumptions. In addition, discount rate of 11% which considers the company-specific risk premium and risk-free rate in the United States is used. Management determined that the estimates for the fair value on this test is reasonable, but it is possible that the fair value declines and impairment loss occurs due to unexpectable changes in the future business assumptions. Additionally, regarding the goodwill related to the three transferred brands, the book value of the assets group related to the business is reduced to the recoverable amount, and the reduction is recorded as an extraordinary loss. For details, please refer to "(5) Notes to Consolidated Financial Statements (Consolidated Statements of Income)."

Regarding impact of COVID-19 pandemic, although recovery is delayed in some categories, the Company has made certain assumptions that it would recover in earnest in 2023. The above assumption used for the estimates includes many uncertainties, and if the impact to the economic environment from COVID-19 changes, impairment loss may occur, which may affect the company's financial position and operating results.

(Additional Information)

Conclusion of Agreement related to manufacturing and distribution

The company and its subsidiary Beauté Prestige International entered into agreement to manufacture and distribute "DOLCE&GABBANA" related products until the end of 2022 with Dolce&Gabbana S.r.l. and Dolce&Gabbana Trademark S.r.l. on December 15, 2021.

(Consolidated Statements of Income)

Gain on transfer of business

Fiscal year 2021 (From January 1 to December 31, 2021)

These are related to the transfer of the Personal Care business and the three prestige makeup brands. For details, please refer to "(5) Notes to Consolidated Financial Statements (Business Combinations and Other Related Events)."

Gain on change in equity

Fiscal year 2021 (From January 1 to December 31, 2021)

These are related to the transfer of the Personal Care business. For details, please refer to "(5) Notes to Consolidated Financial Statements (Business Combinations and Other Related Events)."

Grant Income

Fiscal year 2021 (From January 1 to December 31, 2021)

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 2021 (From January 1 to December 31, 2021)

The Group recognizes an impairment loss on the following asset groups.

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

<table>
<tr><th>Use</th><th>Location</th><th>Type</th><th>Impairment loss
(Millions of yen)</th></tr>
<tr><td rowspan="13">Assets for business use</td><td>Paris, France
(Note 1)</td><td>Trademark rights</td><td>15,582</td></tr>
<tr><td>Madrid, Spain
(Note 1)</td><td>Other</td><td>18</td></tr>
<tr><td colspan="2">Subtotal</td><td>15,600</td></tr>
<tr><td>Delaware, United States (Note 2)</td><td>Goodwill</td><td>7,427</td></tr>
<tr><td colspan="2">Subtotal</td><td>7,427</td></tr>
<tr><td rowspan="3">Kakegawa-shi, Shizuoka Pref., Japan (Note 3)</td><td>Buildings and structures</td><td>1,829</td></tr>
<tr><td>Machinery and equipment</td><td>1,445</td></tr>
<tr><td>Other</td><td>51</td></tr>
<tr><td colspan="2">Subtotal</td><td>3,326</td></tr>
<tr><td rowspan="2">Tokyo, Japan
(Note 4)</td><td>Buildings and structures</td><td>92</td></tr>
<tr><td>Other</td><td>16</td></tr>
<tr><td colspan="2">Subtotal</td><td>109</td></tr>
<tr><td colspan="3">Total</td><td>26,463</td></tr>
</table>

Notes:

1. The Company’s subsidiary Beauté Prestige International S.A.S. and Dolce&Gabbana S.r.l. have agreed to terminate an exclusive global license agreement which had been recorded as business-use assets. Subsequently, the profitability of the trademark rights, etc. has declined and the Company no longer expects to recover its investment. The book value after the deduction of related liability is therefore reduced to the recoverable amount, and the reduction is recorded as an extraordinary loss. The recoverable amount is determined by value in use after the deduction of related liability and is estimated at zero.
2. With the conclusion of agreements to transfer the related assets for the three prestige makeup brands, the carrying amount of the asset group related to the applicable business has been reduced to the recoverable amount, and the amount of the reduction has been recorded as an extraordinary loss. The recoverable amount is determined by its net realizable value and is calculated based on the transfer price under the agreement.
3. Following the decision to discontinue production of hyaluronic acid, the book value of factory asset groups related to the hyaluronic acid business was reduced to the recoverable amount, and the amount of the reduction is recorded as an extraordinary loss. The recoverable amount is determined by value in use and is estimated at zero.
4. In the Japan subsidiary, the book value of the assets group for the stores whose profit and loss arising from operating activities is continuously negative, is reduced to the recoverable amount, and the reduction is recorded as an extraordinary loss. The recoverable amount is determined by value in use which is calculated based on 6.2% as discount rate.

Structural Reform Expenses

Fiscal year 2021 (From January 1 to December 31, 2021)

Mainly expenses related to termination of an exclusive global license agreement with Dolce&Gabbana S.r.l. and related retirement premiums, etc. of ¥20,930 million; retirement premiums, etc. of ¥2,279 million related to organizational reform in Europe; advisory fees, etc. of ¥1,688 million related to transfer of the three prestige makeup brands and partial office and store closing expenses, etc. of ¥2,926 million; retirement premiums, etc. of ¥1,463 million related to brands transfer of ***Za*** and ***PURE&MILD*** ; and transfer incentive, etc. of ¥1,324 million related to transfer of the Personal Care business.

Loss on COVID-19

Fiscal year 2021 (From January 1 to December 31, 2021)

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

Salaries and allowances for employees	¥3,756 million
Fixed costs for factories and stores	¥750 million
Total	¥4,507 million

(Business Combinations and Other Related Events)

The Transfer of the Personal Care business

On July 1, 2021, the Personal Care business (the "Business") and its subsidiaries in Japan (Shiseido Japan Co., Ltd. ("SJ") and FT Shiseido Co., Ltd. (the "Former FTS") were succeeded by Fine Today Shiseido Co., Ltd. (the "New FTS") through a company split from the Company, and all of the outstanding shares of the New FTS were transferred to Oriental Beauty Holding Co., Ltd. ("OBH"). Additionally, on July 1, 2021, the Company acquired 35% of the shares of K.K. Asian Personal Care Holding, the wholly owning parent company of OBH, through a contribution in kind. As of October 1, 2021, a merger was carried out with OBH as the surviving company and the New FTS as the disappearing company, and the trade name of OBH after the merger was changed to Fine Today Shiseido Co., Ltd.

In addition, on July 1, 2021, two of the Company's Chinese subsidiaries, Shiseido China Co., Ltd. and Shiseido Cosmetics Manufacturing Co., Ltd., and on September 1, 2021, one of its Chinese subsidiaries, Shiseido Hong Kong Ltd., and two Asia Pacific subsidiaries, Shiseido Singapore Co., (Pte.) Ltd. and Shiseido Korea Co., Ltd., transferred their assets of the Business to affiliates of OBH.

In addition to the above transactions, the total consideration for the transfer of shares and assets, adjusted for the decrease in net working capital, etc., is ¥143,153 million.

Excluding the above noted subsidiaries, seven of the Company's subsidiaries that operate the Business in Asia Pacific (Taiwan Shiseido Co., Ltd. ("TS"), FLELIS International Inc. ("FI"), Shiseido Thailand Co., Ltd., Shiseido Malaysia Sdn. Bhd., Shiseido Philippines Corporation, PT. Shiseido Cosmetics Indonesia, and Shiseido Cosmetics Vietnam Co., Ltd.) are planning to transfer assets of the Business in 2022 and thereafter.

All operations of the company split, share transfer, asset transfer and contribution in kind of share purchase are pursuant to the Purchase Agreement between the Company and OBH.

The following section details the company split and share transfer of the Business in Japan executed in the fiscal year 2021 and asset transfer related to the Business of three Chinese subsidiaries and two Asia Pacific subsidiaries.

1. Overview of business divestiture

(1) Name of divestee and company to which shares are transferred

a. Name of company to which the Business in Japan is divested through company split:
Fine Today Shiseido Co., Ltd.

b. Name of company to which shares are transferred:
Fine Today Shiseido Co., Ltd. (former Oriental Beauty Holding Co., Ltd.)

c. Name of company to which assets related to the Business of Shiseido China Co., Ltd. and Shiseido Cosmetics Manufacturing Co., Ltd. are transferred:
Shanghai FTS Cosmetics Co., Ltd.

d. Name of company to which assets related to the Business of Shiseido Hong Kong Ltd. are transferred:
Oriental Beauty (HK) Ltd.

e. Name of company to which assets related to the Business of Shiseido Singapore Co., (Pte.) Ltd. are transferred:
Fine Today Singapore Pte. Ltd.

f. Name of company to which assets related to the Business of Shiseido Korea Co., Ltd. are transferred:
Fine Today Korea Co., Ltd.

(2) Details of divested business

Personal Care business

(3) Reasons for business divestiture and objectives of share transfer

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

(4) Date of Company split, share transfer, and asset transfer

a. Company split and share transfer of the Business in Japan

Effective date of company split	July 1, 2021
Date of share transfer	July 1, 2021

b. Asset transfers related to the Business of Shiseido China Co., Ltd. and Shiseido Cosmetics Manufacturing Co., Ltd.

Date of asset transfers	July 1, 2021

c. Asset transfers related to the Business of Shiseido Hong Kong Ltd., Shiseido Singapore Co., (Pte.) Ltd., and Shiseido Korea Co., Ltd.

Date of asset transfers	September 1, 2021

(5) Outline of other transactions including legal formality

Company split of the Business in Japan	The Company, SJ, and the Former FTS are the splitting companies, and the New FTS is the succeeding company that assumes the rights and obligations related to the Business in Japan.
Share transfer of the succeeding company	Share transfer of the succeeding company with consideration received as property such as cash
Asset transfers related to the Business of three Chinese subsidiaries and two Asia Pacific subsidiaries	Transfer of assets related to the Business

2. Overview of accounting treatment

(1) Amount of gain on transfer

Gain on transfer of business	¥73,058 million
Gain on change in equity	¥13,520 million

(2) Appropriate book value of assets and liabilities related to transferred business and its breakdown

Current Assets:	¥22,273 million
Fixed Assets:	¥484 million
Total Assets	¥22,757 million
Current Liabilities:	¥11,420 million
Long-Term Liabilities:	¥366 million
Total Liabilities	¥11,787 million

(3) Accounting treatment
Regarding accounting treatment of the transferred business in the consolidated financial statements, as the Company continues to invest a substantial 35%, any gain on transfer of business which is recognized in the non-consolidated financial statements is accounted for through the elimination of unrealized gains and losses in accordance with ASBJ Statement No. 16, “Accounting Standard for Equity Method of Accounting for Investments.” In addition, any difference between the increase in the equity of the divesting company related to the affiliated company and decrease in the equity of the divesting company related to the transferred business is accounted for as a gain on change in equity.

3. Reportable segments included in business divestiture
Japan Business, China Business, and Asia Pacific Business

4. Approximate profit or loss related to the Business recorded in Consolidated Statements of Income for the fiscal year 2021

Net Sales	¥55,152 million
Operating Profit	¥4,201 million

5. Overview of continuing involvement
The Company has entered into manufacturing agreements and product procurement agreements for the products related to the Personal Care business.

Transfer of Prestige Makeup Brands *bareMinerals*, *BUXOM*, and *Laura Mercier*

The Company announced that Shiseido Americas Corporation, the Company's regional headquarters for the Americas and its subsidiary (registered in Delaware, United States; "SAC") transferred the related assets of prestige makeup brands ***bareMinerals***, ***BUXOM***, and ***Laura Mercier*** (including shares of a SAC's subsidiary) to an entity owned by independent private equity partnership Advent International (registered in Massachusetts, United States; "Advent") on December 6, 2021.

1. Overview of business divestiture

(1) Name of divestee

AI Beauty Holdings Ltd. (an entity owned by Advent)

(2) Details of divested business

Business of makeup brands ***bareMinerals***, ***BUXOM***, and ***Laura Mercier***, including all shares of Bare Escentuals K.K. (Japan), a wholly owned subsidiary of SAC and the operating company of ***bareMinerals*** in Japan

(3) Reasons for business divestiture

Under its medium-to-long-term business strategy "WIN 2023 and Beyond," the Shiseido Group is shifting to a new business structure, with skin beauty positioned as its core category. To that end, we have launched a fundamental business transformation and aim to become a global leader in skin beauty by 2030. Amid an extremely volatile business environment, mostly impacted by the spread of COVID-19, we are making steady progress in shifting from a focus on growth through sales expansion to profitability and cash-flow management in the three years from 2021 to 2023, in order to solidify the business foundation required for a global Skin Beauty Company.

As we are taking steps to prioritize our brands, optimize our portfolio, and strengthen our competitive advantages under this strategy, we have decided to transfer the business of three of the Company's makeup brands—***bareMinerals*** and ***BUXOM***, acquired in 2010, and ***Laura Mercier***, acquired in 2016—to an external party. The transfer of the brands' employees to the new owner along with the businesses is an important consideration and factor in this transaction.

(4) Date of business divestiture

December 6, 2021

(5) Outline of other transactions including legal formality

The transfer price of the assets related to the brands shall be 700 million US dollars (¥80,577 million), of which 350 million US dollars (¥40,288 million) shall be paid in cash upon closing, and the remainder—as deferred payment in the form of a seller note* payable on the seventh anniversary of the closing. Relating to the above asset transfer, the Company shall also contribute 118 million US dollars (¥13,582 million) to the transferee, AI Beauty Holdings Ltd., mainly as working capital adjustments and initial funds.

*A type of debt financing in which the seller partially extends credit to the buyer

2. Overview of accounting treatment

(1) Amount of gain on transfer

Gain on transfer of business	¥895 million
Impairment loss	¥7,427 million

(2) Appropriate book value of assets and liabilities related to transferred business and its breakdown

Current Assets:	¥11,822 million
Fixed Assets:	¥52,277 million
Total Assets	¥64,099 million
Current Liabilities:	¥856 million
Long-Term Liabilities:	¥16 million
Total Liabilities	¥872 million

(3) Accounting treatment

On the date of business divestiture, accounting treatment will be applied based on the "ASC 805 Business Combinations." With the conclusion of this agreement, gain on transfer of business is recorded as extraordinary gains, and impairment losses and structural reform expenses are recorded as extraordinary losses for the fiscal year 2021. For details, please refer to "(5) Notes to Consolidated Financial Statements (Consolidated Statements of Income)."

3. Reporting segments included in business divestiture

Japan Business, China Business, Asia Pacific Business, Americas Business, EMEA Business, and Travel Retail Business

4. Approximate profit or loss related to the Business recorded in Consolidated Statements of Income for the fiscal year 2021

Net Sales	¥52,327 million
Operating Loss	¥(7,332) million

5. Overview of continuing involvement

The Company has entered into manufacturing agreements and product procurement agreements for the products related to prestige makeup brands ***bareMinerals***, ***BUXOM***, and ***Laura Mercier***.

(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, 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 other countries and regions in Asia.

Other includes head office administration departments, IPSA Co., Ltd., Shiseido Beauty Salon Co., Ltd., manufacturing operations 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, 2021). 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, 2021 (From January 1 to December 31, 2021)

(Millions of yen)

	Reportable Segment					
	Japan Business (Note 1)	China Business (Note 1)	Asia Pacific Business (Note 1)	Americas Business	EMEA Business (Note 2)	Travel Retail Business
Net Sales						
Sales to Outside Customers	276,173	274,721	65,003	121,369	117,040	120,460
Intersegment Sales or Transfers	24,764	1,108	2,162	26,480	9,898	154
Total	300,938	275,830	67,166	147,849	126,939	120,615
Segment Profit (Loss)	9,579	1,177	3,737	(13,207)	2,461	21,950
Other Items						
Depreciation and Amortization	8,048	9,237	3,841	7,751	8,259	1,365
Amortization of Goodwill	325	873	442	3,654	624	688

	Reportable Segment	Other (Note 1, 3)	Total	Adjustments (Note 4)	Total Shown in Consolidated Financial Statements (Note 5)
	Professional Business				
Net Sales					
Sales to Outside Customers	15,866	44,528	1,035,165	—	1,035,165
Intersegment Sales or Transfers	607	188,839	254,016	(254,016)	—
Total	16,474	233,367	1,289,182	(254,016)	1,035,165
Segment Profit (Loss)	757	30,977	57,434	(15,847)	41,586
Other Items					
Depreciation and Amortization	33	24,450	62,987	—	62,987
Amortization of Goodwill	—	250	6,861	—	6,861

Notes:
1. Net sales from regional sales subsidiaries related to the Personal Care business, previously recorded in Japan, China, and Asia Pacific Businesses, are no longer recorded with some exceptions from July 1, 2021 due to the transfer of said business and resulting changes in product distribution. Meanwhile, Personal Care products sales from the Company and its manufacturing subsidiaries to Fine Today Shiseido Co., Ltd. and its affiliates are recorded in the Other segment effective from the same date.
2. The EMEA Business includes the Middle East and African regions.
3. The Other segment includes head office administration departments, IPSA Co., Ltd., Shiseido Beauty Salon Co., Ltd., manufacturing operations, and the Restaurant business, etc.
4. Segment profit (loss) adjustment is mainly intersegment transaction eliminations.
5. Segment profit (loss) is adjusted for operating profit described in the consolidated statements of income.
6. Segment assets and liabilities is not described because they are not subject to regular consideration to evaluate decisions of allocation for management resources and performance.
7. Depreciation and Amortization does not include depreciation of ¥576 million included in “Loss on COVID-19” recorded in extraordinary losses.

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 2021. The business results of global service functions related to digital strategy, which had been included in the “Americas Business”, are now included in the “Other” segment, and expenses related mainly to the supply network functions, which had been included in the “Other” segment, are now partially included in the “Japan Business”.

(Per-Share Data)

(Yen)

Fiscal Year Ended December 31, 2021 (January 1 to December 31, 2021)	
Net assets per share	1,364.28
Net profit per share	106.24
Net profit per share (fully diluted)	106.15

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

	As of December 31, 2021
Total net assets (millions of yen)	567,433
Amount deducted from total net assets (millions of yen)	22,411
[Incl. Stock acquisition rights (millions of yen)]	1,067
[Incl. Non-controlling interests (millions of yen)]	21,343
Net assets at term-end related to common stock (millions of yen)	545,022
Common stock at term-end used to calculate net assets per share (1,000 shares)	399,493

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, 2021 (January 1 to December 31, 2021)
Net profit (loss) per share	
Net profit attributable to owners of parent (millions of yen)	42,439
Amount not belonging to common stockholders (millions of yen)	—
Net profit attributable to owners of parent related to common stock (millions of yen)	42,439
Average shares outstanding (thousands of shares)	399,480
Net profit per share (fully diluted)	
Net profit attributable to owners of parent adjustment (millions of yen)	—
Increase in common stock (thousands of shares)	335
[Incl. Stock options made available through new share subscription rights (thousands of shares)]	(335)
Latent shares not included in fully diluted net profit per share calculation due to lack of dilution effect	—

(Significant Subsequent Events)

Fiscal year 2021 (From January 1 to December 31, 2021)

Company splits and other changes accompanying the transfer of Professional business

The Company has determined to transfer the Professional business (the "Business"). As a result, the assets related to the Business held in Japan will be transferred from the Company to its wholly owned subsidiary Shiseido Professional Inc. ("SPI") through an absorption-type corporate split, followed by a transfer of 80% of its shares to Henkel Nederland B.V. ("HNBV"), a subsidiary of Henkel AG & Co. KGaA ("Henkel"), and the shares and related assets of the subsidiaries operating the Business overseas will be transferred to Henkel Group companies (the "Transaction"). The Company has executed a legally binding agreement pertaining to the above (the "Agreement") on February 9, 2022.

1. Objectives of the Transaction

In its medium-to-long-term business strategy "WIN 2023 and Beyond," the Shiseido Group has positioned the three years from 2021 to 2023 as a period to solidify its business foundation required for "skin beauty company" and has launched a fundamental business transformation. Henkel operates worldwide with a strong foothold in both professional and consumer hair categories. In recent years, Henkel has expanded its footprint, particularly in the professional hair segment, in Europe and the United States. Therefore, the Company is confident that integration of its Professional business, whose brands are well established in Japan and Asia, with the business of the Henkel Group will foster global competitiveness and expansion.

2. Details of the Transaction Procedures

Global brand holder functions of the Business including the Business in Japan (wholesale to SPI, etc.) and export operations (wholesale to overseas subsidiaries, etc.) will be transferred from the Company to SPI with an effective date on or before December 31, 2022 (planned) through an absorption-type corporate split, followed by a transfer of 80% of the outstanding shares of SPI to HNBV. The overseas assets and operation of the Business will be transferred from the Company's subsidiaries operating in seven countries and regions to Henkel Group companies through a share transfers and asset transfers in accordance with local laws. The Company will continue to support the Business through retaining shares of the company succeeding the assets related to the Business in Japan. 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

Manufacturing and distribution of technical and retail products for hair salons, such as hair care, hair color, perm, straightening, and styling items

(2) Reportable segment included in the business

Professional business

4. Future Outlook

The transfer price of 80% of SPI's shares, other shares, and related business assets is ¥12,300 million. In the fiscal year 2022, it is expected that gain on transfer of business of ¥10,000 million (Japanese Standards) will occur. In addition, the valuation amount of the Business used in calculation of transfer price is ¥14,800 million.