2022 First Half Results
(January–June)
and 2022 Outlook

August 10, 2022

Shiseido Company, Limited
Takayuki Yokota
Director, Executive Officer
Chief Financial Officer

150
YEARS
SHISEIDO

In this document, statements other than historical facts are forward-looking statements that reflect our plans and expectations. These forward-looking statements involve risks, uncertainties, and other factors that may cause actual results and achievements to differ from those anticipated in these statements.

2022 1H Key Headlines

Offset headwinds from lockdown in China and slow market recovery in Japan with agile cost management and other strong markets

- **Like-for-like (LfL)* Net Sales YoY: −1%**
  - Americas and Travel Retail continued strong. EMEA keeps strong momentum excluding shipment suspension to Russia
  - China affected by lockdown and Japan affected by slow market recovery in mid-price range
- **Skin beauty brands sales ratio grew to 75% thanks to portfolio reorganization**
- **EC sales ratio: 31%, Sales: −2%* Americas and EMEA retail normalization from market reopening**
- **Core operating profit: ¥17.5 Bn, −¥5.5 Bn YoY**
  - Despite decreased profit due to the transfer of PC business, reduced fixed costs from structural reforms and promoted company-wide agile cost management
- **Global transformation**
  - Transfer of the manufacturing business for personal care products：Kuki Factory 2023 Q1 (Plan), Vietnam Factory 2023 2H (Plan)
  - Professional business：Transferred on July 1

* Like-for-like increase (decrease) excludes the impact from all business transfers in the first half of 2022 and the first half of 2021 as well as the impact of all related transfer agreements (“business transfer impacts”).

2022 1H (January–June): Executive Summary

(Billion yen)	2021	% of Net Sales	2022	% of Net Sales	YoY Change	YoY Change %	YoY Fx-Neutral %	YoY LfL*2 %
Net Sales	495.4	100%	493.4	100%	−2.0	−0.4%	−7.4%	−0.8%
Core Operating Profit	23.0	4.7%	17.5	3.6%	−5.5	−23.9%		
Non-recurrent items	−44.2	−9.0%	−0.6	−0.2%	+43.7	−98.7%		
Operating Profit	−21.2	−4.3%	17.0	3.4%	+38.2	-		
Profit Before Tax	−20.7	−4.2%	25.6	5.2%	+46.3	-		
Income Tax Expense	6.4	1.3%	6.9	1.4%	+0.5	+7.7%		
Profit Attributable to Owners of Parent	−28.1	−5.7%	16.2	3.3%	+44.4	-		
EBITDA*1	48.6	9.8%	43.1	8.7%	−5.5	−11.4%		

*1 Core Operating Profit＋Depreciation and Amortization (excl. amortization of right of use) *2 Excludes impact from business transfer

Net Sales:

- Americas and Travel Retail continued strong, covers China and Japan slowness
- Skin beauty brands sales ratio grew thanks to portfolio reorganization

Core Operating Profit: Reduced fixed costs from structural reforms, promoted agile cost management

Non-recurrent items:

- Impairment loss on *Dolce&Gabbana* trademark rights and structural reform in 2021: −¥34.1bn,
- Withdrawal from hyaluronic acid business in 2021: −¥3.3bn

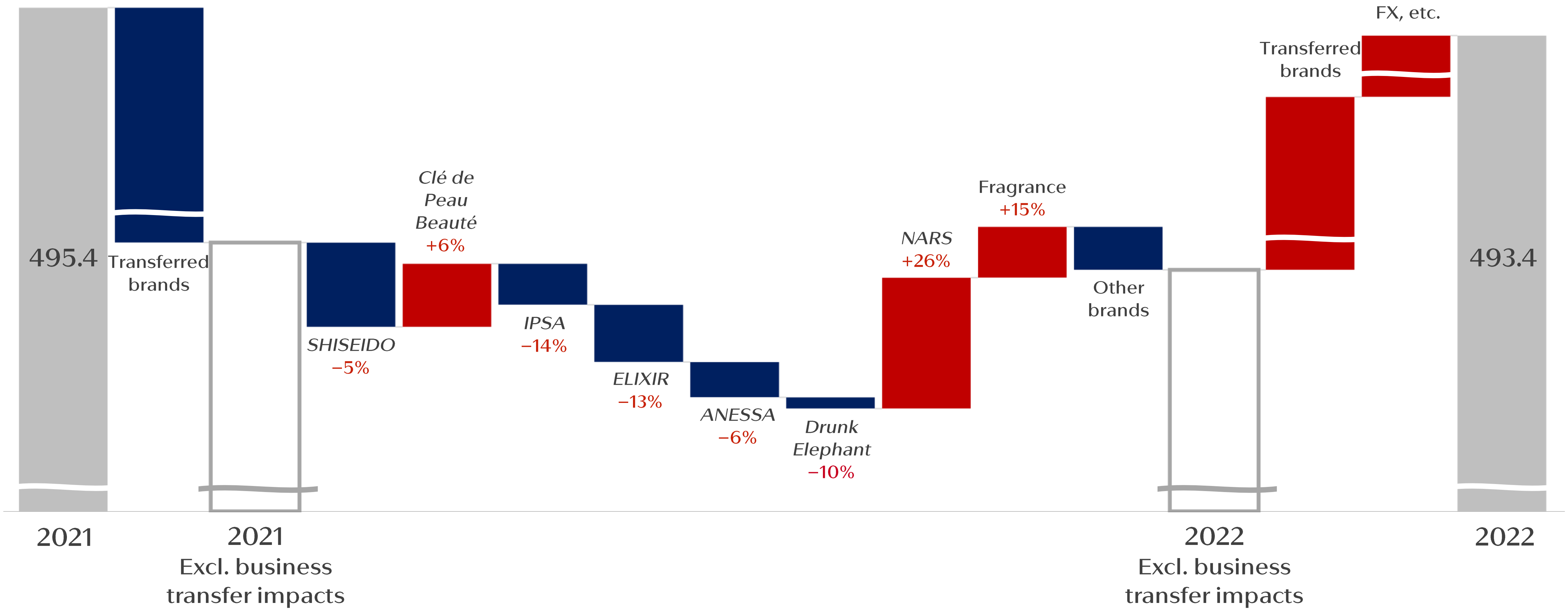
Profit Before Tax: Finance income: +¥5.1 bn (FX gain: +¥2.7 bn), share of profit of investments accounted for using equity method: +¥2.3 bn

Income Tax Expense: Recorded valuation allowance for impairment loss on *Dolce&Gabbana* trademark rights in 2021

2022 1H Net Sales by Brand

Like-for-like*

(Billion yen)



* YoY change (%) for each brand is calculated based on foreign exchange rate assumptions as of Feb 2022 and excludes exchange rate differences etc.

Net Sales YoY: Americas and Travel Retail Continued Strong, but Japan and China Declined vs. LY

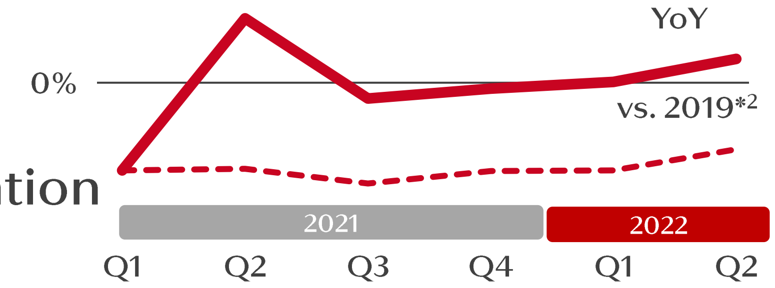
Like-for-like	2021 vs. 2019	2022					
		vs. 2019			vs. 2021		
	FY	1Q	2Q	1H	1Q	2Q	1H
Japan	−32%	−37%	−35%	−36%	−3%	−2%	−2%
China	+38%	+14%	+19%	+16%	−14%	−14%	−14%
Asia Pacific	−14%	−13%	−8%	−10%	−0%	+20%	+9%
Americas	+16%	+29%	+28%	+28%	+7%	+15%	+11%
EMEA	−6%	+7%	+5%	+6%	+9%	+1%	+5%
Travel Retail	+2%	+29%	+3%	+15%	+21%	+15%	+18%
Total	−6%	−9%	−9%	−9%	−1%	−1%	−1%
ex-Japan	+14%	+15%	+11%	+13%	+0%	−0%	+0%

* Excluding business transfer impacts

Japan: Prestige Steady, but Middle Price Range Market Recovery Continued to Delay

- Local Market:
  - ➢ Despite gradual recovery after COVID-19 measures lifted, low price range segment mainly at drug stores grew due to inflation
  - ➢ Department store sales rebounded, but still lower vs. 2019

Local market LfL



- Shiseido Consumer Purchases*1 : 1H flat / Q2 flat
  - ➢ Local: +low single digit% / +mid single digit%
    - Brand loyal users increased, especially for *SHISEIDO* and *Clé de Peau Beauté*
      - Customer touch-up activities increased
    - Enhanced efficacy communication
      - *ELIXIR* : continued to struggle, momentum slowly improved
    - *HAKU* : beauty supplements, holistic beauty approach
    - EC：+low-teen% / +mid single digit%
      - Continued to grow in retailer EC channel
  - ➢ Inbound：−high-teen% / −low 20%

SHISEIDO
150th year anniversary edition

ELIXIR
Wrinkle cream

HAKU
Beauty supplements

*1. Excluding business transfer impacts *2. Adjusted for the effects of consumption tax hike in 2019

China: Online / Offline Affected by Lockdown in April, Gradual Recovery from May
Online was Steady Including 6.18 Promotions

- Market:
  - ➢ Affected by resurgence of COVID-19 and lockdown
  - ➢ EC：6.18 promotions sales growth slowed down

- Shiseido Consumer Purchases*：

Total	1H −low-teen% / Q2 −mid-teen%
➢ Mainland China	−high single digit% / −high-teen%
• Prestige	−high single digit% / −mid-teen%
- *SHISEIDO* Future Solution performed well; trade-up trends	
• EC	+high single digit% / +low single digit%
- Prestige EC	+low-teen% / +high single digit%

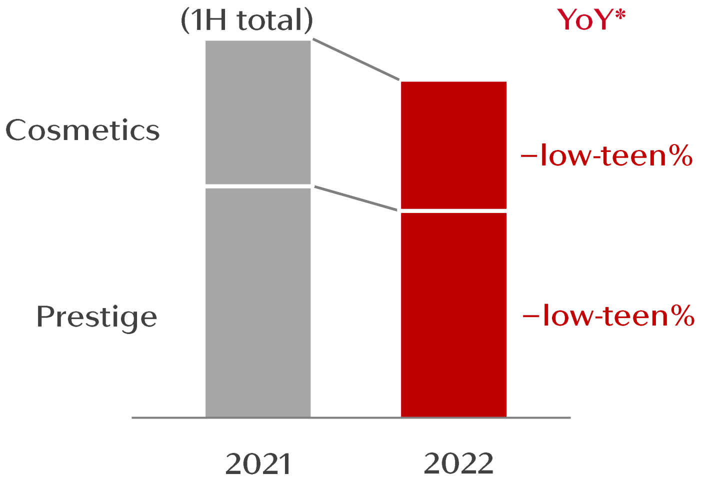
6.18 Promotion

- Tmall: +9%, growth continued despite the lockdown impact
  NARS : +over 60%, climbed five ranks in category
- Expanded brands, newly launched 5 brands to TikTok, etc.

SHISEIDO
Vital Perfection

Clé de Peau Beauté
40th Anniversary Limited edition

■ Consumer Purchases by Category



* Excluding business transfer impacts

Americas and Travel Retail were Steady, Asia Pacific Turned to Growth

Americas

Growth Continued, driven by *NARS*

Growth and market expansion in all categories

- Shiseido External Sales[*1]: 1H +11% / Q2 +15%
  - ➢ *NARS*：Continued to gain share, climbed 5 ranks[*2]
  - ➢ EC: −low single digit % / −low single digit%

EMEA

Performed solid except for suspended shipments to Russia

Continued to grow in all categories

- Shiseido External Sales[*1]: 1H +5% / Q2 +1%
  - ex-Russia: +10% / +10%
  - ➢ *narciso rodriguez* : Musc Noir series strong
  - ➢ EC: −low teen% / flat
    - Rebound from lockdowns and stay-at-home policies in LY Q1

Travel Retail

Americas, EMEA steadily recovered, despite Asia affected by lockdowns

Hainan's low traffic slowly recovering

- Shiseido Consumer Purchases[*1]:
  Asia 1H Flat / Q2 −high single digit%
  (Global +low single digit% / −mid single digit%)
  - ➢ External sales strong in anticipation of recovery
  - ➢ EC (Asia) : −mid-teen% / −low 20%

Asia Pacific

Strong growth driven by South Korea and South-East Asia

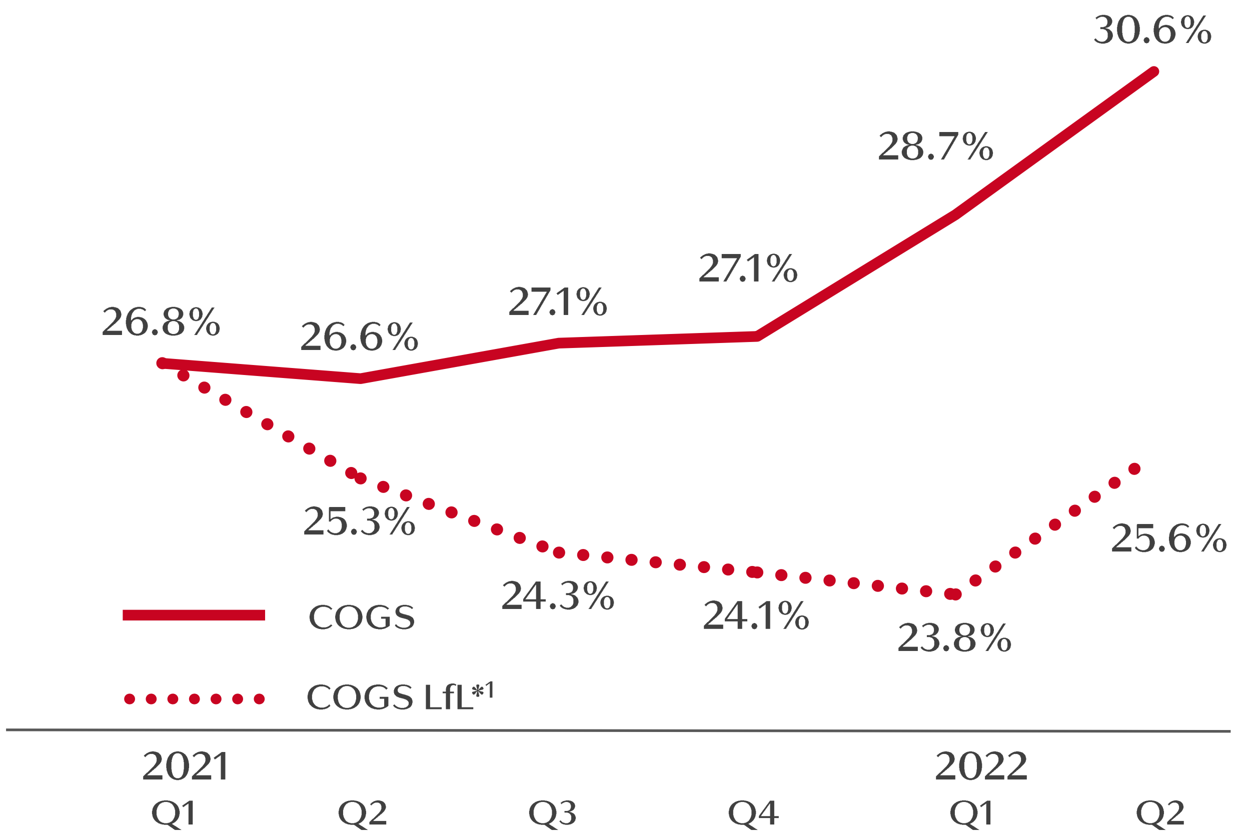
Recovery delayed in some markets such as Taiwan

- Shiseido External Sales[*1]：1H +9% / Q2 +20%
  - ➢ *ANESSA*: Strong Gold series from renewal
  - ➢ EC[*3]: +high-teen% / +low-teen%
    - Continued to expand to major EC platforms

*1. excluding business transfer impacts *2. NPD makeup category ranking *3. Prestige brands only

COGS ratio: Improved LfL Thanks to Favorable Product Mix from Business Transfers, despite Cost Increases from New Factories, etc.

	2021 1H	2021 2H	2022 1H
COGS	26.7%	27.1%	29.7%
COGS LfL*1	26.0%	24.2%	24.8%



1H Factors for increases / decreases

(+) Favorable product mix from business transfers

(+) Lower inventory write-offs

(+) Higher productivity
(lower fixed costs due to shift to in-house manufacturing)

(+) Impairment loss on withdrawal from hyaluronic acid business in 2021

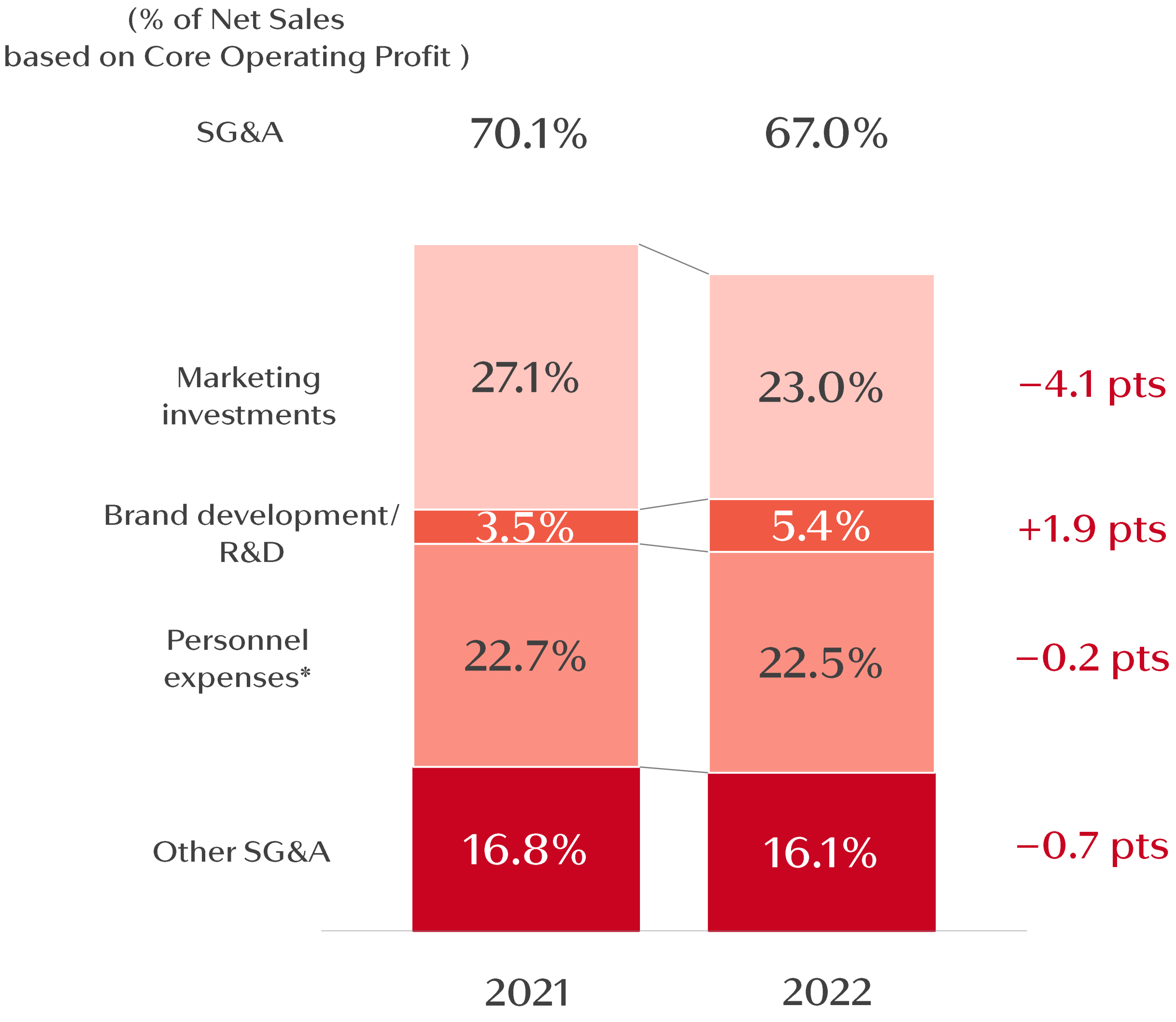
(−) Higher fixed costs due to launch of new factories

(−) Increase in logistics costs, etc.

(−) Negative impact from MSA*2 for business transfers (4.9 pts)

*1. Excludes impacts from product supply due to business transfer and from impairment loss *2. Manufacturing Service Agreement

2022 1H Cost Structure: Agile Cost Management in line with Sales



- Marketing investments
  - Lower costs from business transfers
  - Agile cost management in line with sales
- Brand development / R&D
  - Higher DX-related investments
- Personnel expenses
  - Optimize personnel expenses by structural reforms, etc.
- Other SG&A
  - Lower freight costs
  - Higher DX-related investments (FOCUS, etc.)

* Including POS personnel expenses

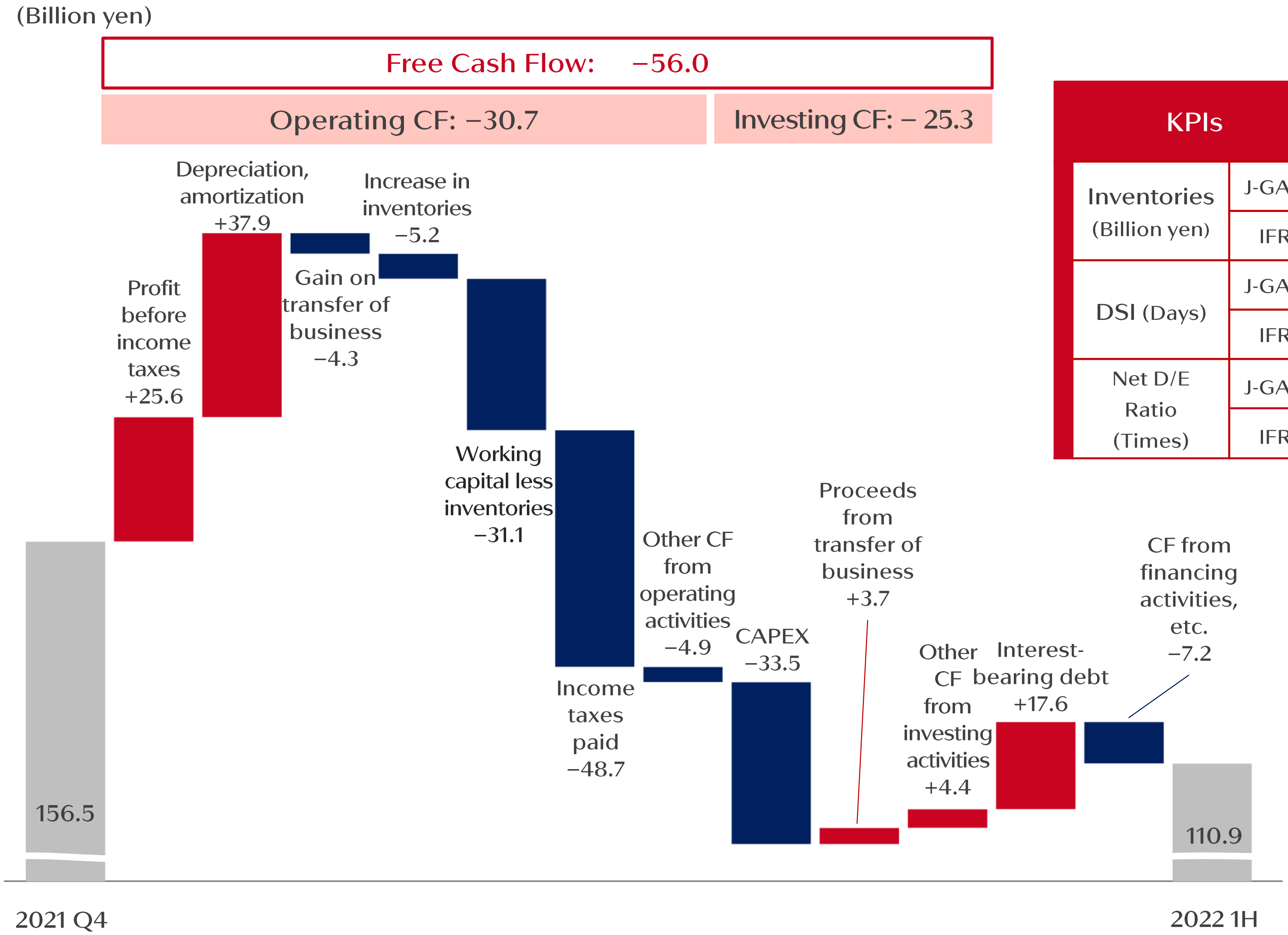
2022 1H Core Operating Profit by Reportable Segment: Agile Cost Management Implemented, Americas, EMEA and TR Significantly Increased

- **Japan:** ➢ Declined mainly due to the impact of the PC business transfer, lower margins coming from decline in sales
- **China:** ➢ Declined mainly due to lower margins coming from decline in sales
- **Asia Pacific:** ➢ Grew thanks to higher margins coming from sales growth
- **Americas, EMEA:** ➢ Improved significantly and turned to profit mainly thanks to higher margins coming from sales growth and a decrease in fixed costs due to organizational and structural reforms
- **Travel Retail(TR):** ➢ Increased significantly, OPM improved thanks to higher margins coming from sales growth
- **Other:** ➢ Strengthened investments in new factories and DX
- **Adjustments :** ➢ Sample production costs decreased

(Billion yen)

Core Operating Profit (Core OPM)	2021		2022		YoY
Japan	8.1	(5.1%)	−7.4	(−6.2%)	−15.5
China	2.3	(1.6%)	−2.0	(−1.7%)	−4.3
Asia Pacific	1.6	(5.1%)	2.4	(7.3%)	+0.8
Americas	−1.9	(−3.2%)	3.7	(6.2%)	+5.6
EMEA	−0.1	(−0.1%)	2.6	(4.2%)	+2.6
Travel Retail	8.7	(15.0%)	17.0	(21.8%)	+8.3
Professional	0.7	(9.7%)	1.2	(14.4%)	+0.4
Other	8.2	(7.0%)	−0.8	(−0.6%)	−9.0
Adjustments	−4.8	-	0.8	-	+5.6
Total	23.0	(4.7%)	17.5	(3.6%)	−5.5

Cash Flow Management: Continued CAPEX for Future Growth While Maintaining Stable Cash Position



KPIs		2021 Q1	2021 Q2	2021 Q3	2021 Q4	2022 Q1	2022 1H
Inventories (Billion yen)	J-GAAP	167.2	165.5	149.0	143.8	-	-
	IFRS	-	-	-	134.1	139.6	151.6
DSI (Days)	J-GAAP	260	250	236	218	-	-
	IFRS	-	-	-	200	185	185
Net D/E Ratio (Times)	J-GAAP	0.41	0.39	0.14	0.03	-	-
	IFRS	-	-	-	−0.02	0.09	0.11

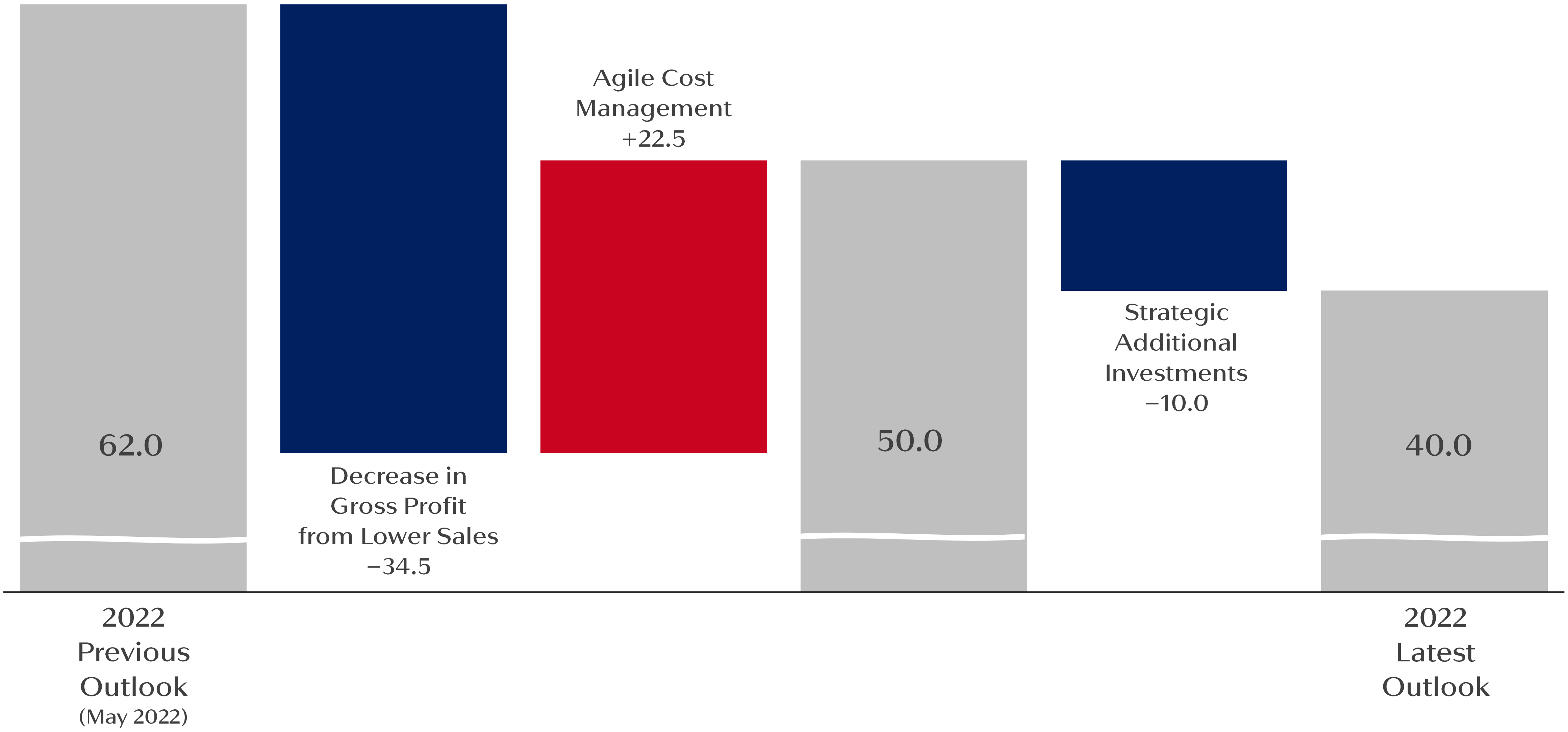
2022 Market Recovery Status:
Multiple Market Slowdown Factors – Japan Market Recovery Delay, China Lockdown, Ongoing Ukraine Crisis, etc.

	Recovery Assumptions this year (Announced on Feb. 2022)	Current Recovery Assumptions
Japan	Local: 2H 2022 Inbound: gradual recovery from 2H 2022	Local: gradually improves 2H onwards, but not reaching 2019 level within 2022 Inbound: Slightly recovers from 2022 Q4
China	Up to Q1 2022: impacted by lockdown due to COVID-19 variants; continues to grow, driven by EC and Prestige	Moderate recovery despite the lift of lockdown in 1H
Asia Pacific	2022	2022
Americas	Skincare: back to pre-COVID-19 level in 2021 Makeup: 2023	Skincare: back to pre-COVID-19 level in 2021 Makeup: 2023
EMEA	Above 2019 level in 2022; full recovery in 2023	Russia: shipment suspension lasts for 2022 Ex-Russia: full recovery in 2023
Travel Retail	2022	2022

2022 Outlook Revision:

Core Operating Profit

(Billion yen)



2022 Outlook Revision:
Review Sales and Core Operating Profit based on Latest Market Environment and Secure Additional Special Strategic Investments to Ensure Mid-to-Long Term Growth

(Billion yen)	2021	2022 Previous Outlook (May 2022)	2022 Latest Outlook	% of Net Sales	YoY Change	YoY Change %	FX Neutral Change	LfL* Change	Change vs. Previous
Net Sales	1,010.0	1,075.0	1,070.0	100%	+60.0	+5.9%	−2%	+5%	−5.0
Core Operating Profit	42.6 (reference)	62.0	40.0	3.7%	−2.6	−6.0%			−22.0
Non-recurrent items	58.0 (reference)	4.8	−6.2	−0.6%	−64.2	-			−11.0
Operating Profit	100.6	66.8	33.8	3.2%	−66.8	−66.4%			−33.0
Profit Attributable to Owners of Parent	46.9	44.0	25.5	2.4%	−21.4	−45.6%			−18.5
Dividend (yen/share) (Plan)	50	100 Interim:25 Year end: 25 150th anniversary: 50	100 Interim:25 Year end: 25 150th anniversary: 50						

Exchange rates for 2022: USD 1 = JPY 128 (+16.4% YoY), EUR 1 = JPY135 (+3.9%), CNY 1 = JPY 19 (+11.5%) (Latest Outlook)

* Excluding business transfer impacts

Overcome Headwinds and Secure Medium-to-Long-Term Growth

August 10, 2022

Shiseido Company, Limited
Masahiko Uotani
Representative Director, President and CEO

150 YEARS
SHISEIDO

Progress of WIN 2023 Initiatives (Achievements)

- ☑ Structural reforms / business transfers to improve profitability :
  On track as planned in 2021 - 2022
  - Americas/EMEA: profitability improved

- ☑ Skin Beauty, DX : On track
  - KPI: Skin beauty sales ratio 80%, EC sales ratio 35%, Digital media ratio over 90%

- ☑ DX : On track: organizational reforms for DX, FOCUS, establishment of SIB, etc.

- ☑ New factories : Smooth start of operations at Nasu, Osaka Ibaraki and Fukuoka Kurume factories

- ☑ Attained strong financial base : Cash generation and debt reduction

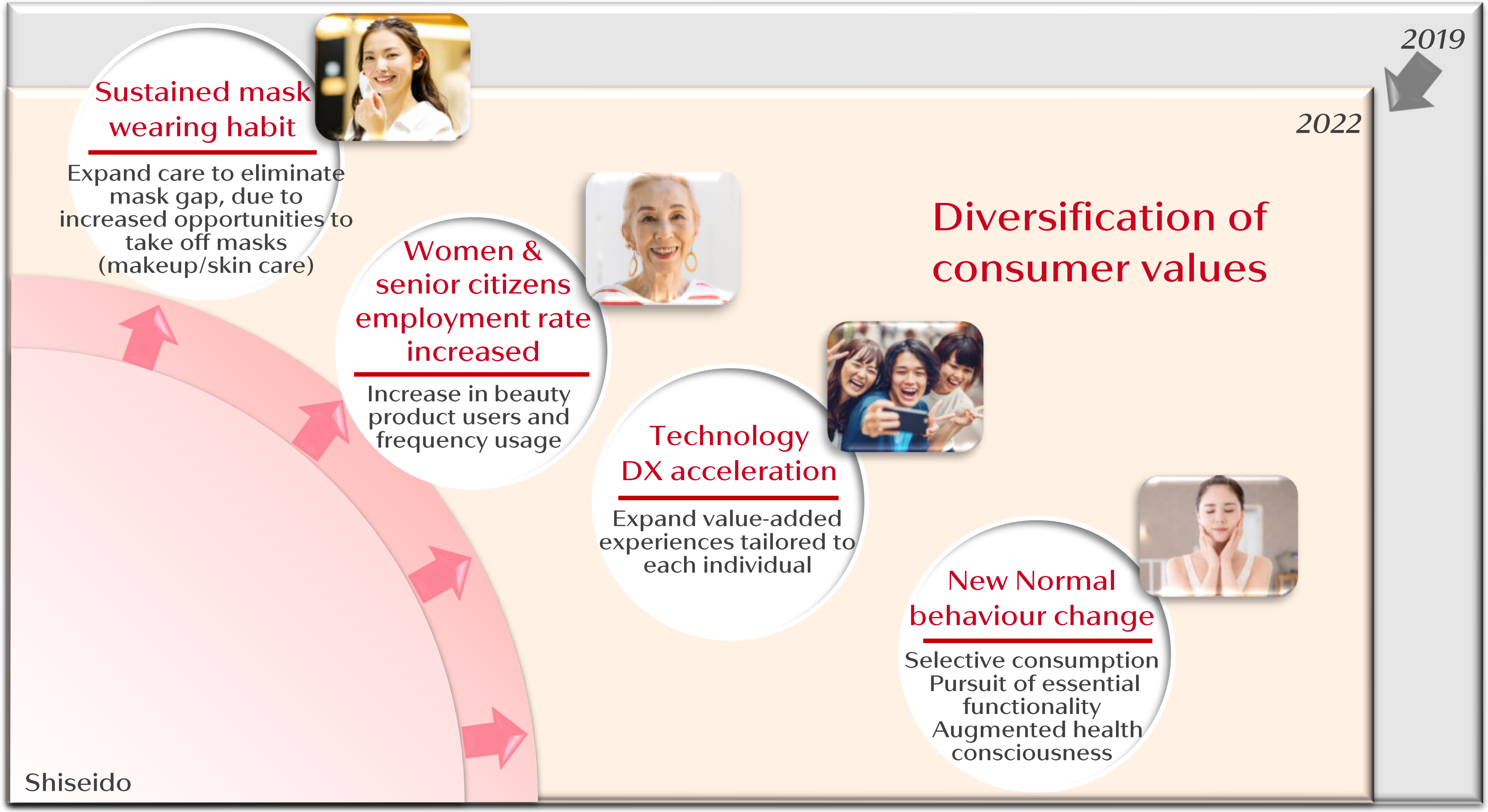
Progress of WIN 2023 Initiatives (Headwinds)

- **Delay in market recovery**
  - Recovery delay in Japan and economic slowdown due to lockdown in China
  - Revamp profitability through structural transformation of Japan and China businesses

- **Drastic changes in market environment**
  - Increase in energy prices, soaring raw material prices due to global inflation

Japan: Market Trend Outlook / Changes in Consumer Behavior

Gain market share by providing value-added experiences reacting to latest consumer changes, assuming continued challenging market environment and delayed recovery of local / inbound markets



Japan: Major Actions for 2022 2H

Enhance brand values and innovation that capture changes in consumer behavior

Elixir, full-fledged aging Care*, to be renewed

On sale Sept 21st

New value based on mask habits
Creating demand of senior consumers

SHISEIDO GINZA TOKYO

Serum featuring advanced hyaluronic acid research technology
On sale October 1st

PRIOR

New texture all-in-one adopting advanced skin corset technology
On sale August 21st

Accelerate DX that creates value-added experiences tailored to each individual

Launch "Beauty Key", "Beauty DNA program"

- Centralize membership card and information in an app
- Various beauty services and benefits tailored to each individual

- Counseling tailored to inherent skin characteristics.
- One-of-a-kind experience of beauty wellness

On-site experiences that stimulate the consumer demand

150th anniversary special event
(held in 7 cities in July)

Real hands-on experience booth
with skin diagnosis and make-up techniques

PRIOR charming adult events

Makeup lessons

Initiatives to improve profitability

- Reduce returns by using up in-store inventories prior to new product launches
- Improve marketing ROI
(brand selection & concentration, flexible investment decisions)
- Improve productivity
(control recruitment, office reorganization)

* Age-appropriate care using moisturizing care with skincare products

Japan: Integrating Production and Sales of Personal Care Business through Transfer of Kuki Factory and Vietnam Factory

SHISEIDO

- Establishment of production system specialized in the prestige and premium cosmetics business, improved production efficiency
- Improvement of COGS
- Reduction of fixed costs and fixed assets

finetoday

Fine Today Shiseido Co., Ltd.

Kuki Factory

Vietnam Factory

- Establishment of own production bases in Japan and Asia
- Enhanced value creation and improved business efficiency through integrated operation of product development, marketing, production and sales
- Securing environment focused on PC business realizing concentrated and long-term investments in technology development

Japan: <Medium-Term Growth Strategy>
Increase Brand Equity and Enhance Innovation

Stable growth through market share expansion concentrating on mid-to-high price range brands in Skin Beauty
Optimal brand portfolio to meet diverse values and innovation enhancement

Solidify No.1 core brand

Growth Potential

Increase brand equity by sharpening value proposition

Enhance brand equity in growth categories

Growth Potential

Pure & derma

Senior

Relax

Enhance innovation capturing changes in values

Growth Potential
(New Market)

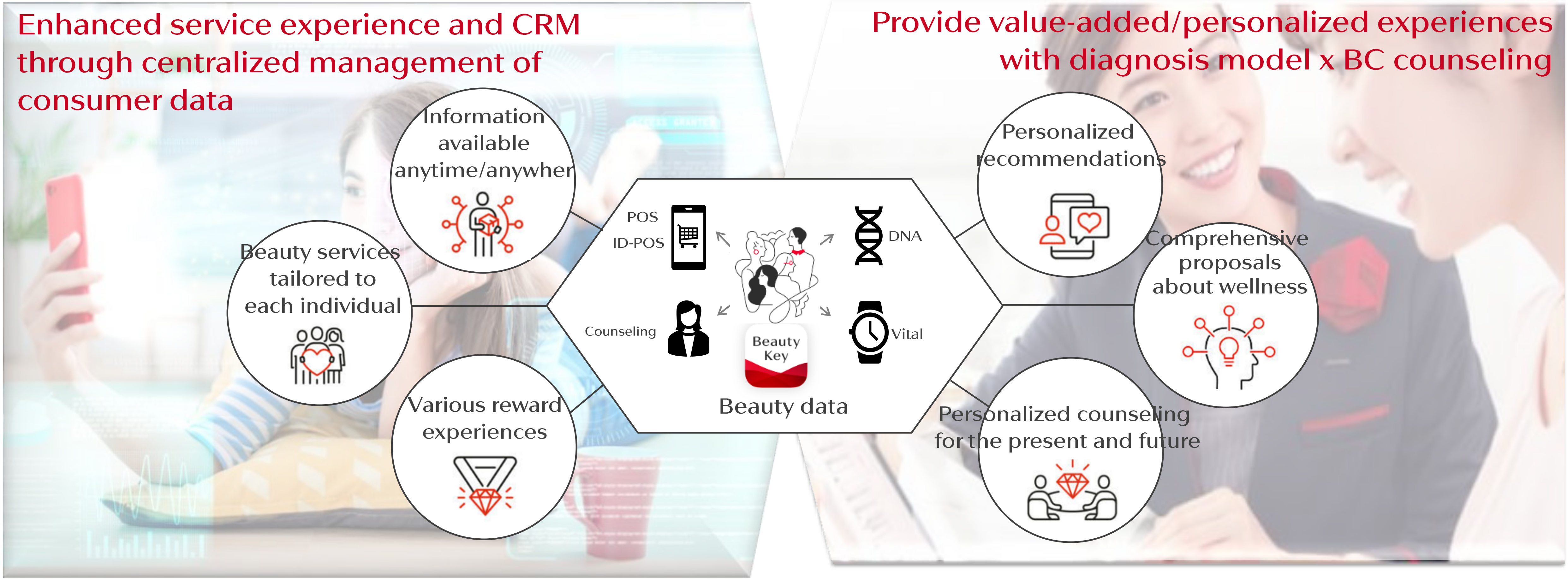
- **Enhance unique technologies**
  - Aging care (wrinkles, sagging, etc.)
  - Brightening (development of latest technology)

- **Enhance skin's natural strength and recovery power**
  Enhanced solutions (barrier function, etc.)

- **Create new markets**
  - Inner beauty
  - Holistic
  - Diagnosis
  - Men's

Japan: <Medium-term Growth Strategy>
Accelerate High Quality "1-to-1 Marketing" through DX

Solidify loyal user base and improve marketing ROI through
"one-of-a-kind real and digital experiences" tailored to each individual



Japan: <Medium-Term Vision>
Transition to a Highly Profitable Business Model

Build a business model not reliant on inbound sales, (with SG&A ratio at low 60%), and shift to a cost structure that ensures stable profitability

Local sales growth categories

- <u>Core brands</u>

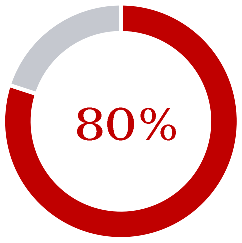
  clé de peau BEAUTÉ　SHISEIDO GINZA TOKYO　BENEFIQUE　ELIXIR　MAQuillAGE　ANESSA

- <u>Growth brands</u>

  PRIOR プリオール　HAKU　d program　REVITAL　DRUNK ELEPHANT　IHADA　BAUM　NARS

- <u>New categories</u>
  - Inner beauty
  - Holistic
  - Diagnosis
  - Men's

Core brands + Growth brands sales ratio



Skin beauty sales ratio

Cost structure improvements

- <u>COGS</u>
  - Improve product mix by expanding sales ratio of Skin beauty
  - Reduce estimated refund liabilities and inventory write-offs through lower returns
- <u>Marketing investments</u>
  - Improve marketing ROI through digital shift
  - Focus on solidifying loyal user base by investment on brand equity enhancement and new market creation
- <u>Personnel expenses</u>
  - Build highly productive organization, standardize and centralize administrative work
  - Streamlined organization for higher efficiency (Enhancement on DX professionals)
- <u>Other SG&A expenses</u>
  - Improve efficiency of distribution and warehouse operation
  - Office reorganization through work style reform

* Including base makeup

China: Market Trend Outlook / Changes in Consumer Behavior

	In 2019	Present
Macro environment	High growth driven by digitalization • Stable employment/increased income • Optimistic about economic growth • Young people drives consumption	Lower growth without strong growth drivers • Increase in unemployment • Uncertainty due to repeated lockdowns • Focus on savings, restrain consumption
Consumers	Trade up • Focus on price - idea of high price is high quality • Imported products supremacy	Focus on medium-to-long-term values/well-being • Focus on effects and efficacy • Focus on essentiality (local brands can be an option) • Low-price orientation especially for young people
Cosmetics market	Rapid expansion of prestige market • Tmall drives growth • Growth of local makeup brands	Low growth due to restrained consumption • Sluggish offline purchases • Diversification of online purchases • Rise of local skincare brands • High prestige market continues to expand

- ➢ Shift investments to high prestige lines / brands
- ➢ Enhance functionality beauty products (eye care, sun care, etc.)
- ➢ Enhanced communication of effects and efficacy
- ➢ Active development of social channels

China: Major Actions for 2022 2H

Shift from growth model driven by large-scale promotions to sustainable growth model of unique and personalized brand value-based communication

Enhance growth conductive to high prestige and high function products

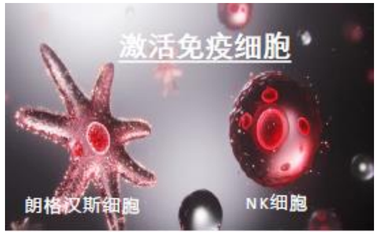
Develop product line as a base of mid-to-long-term growth

SHISEIDO Future Solution

Clé de Peau Beauté Supreme line

Evolve communication of effects and efficacy

Develop contents tailored to Chinese consumers



Share information focusing on technologies

Expand online touchpoints

Enhance engagement with consumers online and on social networks

IPSA launched on TikTok

clé de peau BEAUTÉ

JD.com Official Store opens

Provide new brand experience

Expand loyal user base through unique experiences

POP-UP event with cafe

Online

Offline

Develop omni-channel

China: Approaches to Enhance Communication to Consumers

Convert information originating from brand holders to local communication

Global brand holders

- Embody brand values
- Provide globally common assets

China local brand team

- Develop social contents for local consumers
- Focus on effects and efficacy (source of brand value)

China innovation center

- Communicate intrinsic contents that cannot be appealed through ads
- Appeal to the entire group

China: <Medium-Term Vision>
Transition to a Highly Profitable Business Model

Company's competitive advantage "Asian Beauty Expert"
Develop values focusing on insight and Asian skin conditions
Build marketing that leverages consumer data and realizes sustainable growth

Skin beauty as sales growth categories

- Clarify the areas of target by brand
  - Enhance high function / high price range
- Diversify EC platforms
  - Expand JD.com / TikTok
- Reform marketing based on competitive environment
  - Appeal values developed in China, develop new products
- New categories
  - Men's, functional skin care, etc.
  - Strategic investment in local emerging brands by Shiseido Beauty Innovations Fund
- Enhance sustainable products
  - Refill products, packaging materials

Cost structure improvement

- COGS
  - Improve product mix by trade-up to high price range skin care
  - Reduce cost of goods by enhancing refill products
- Marketing investments
  - Shift from price-oriented promotions to brand and value communication
  - Optimize consumer journey by utilizing data
  - Expand local production of samples
- Personnel expenses
  - Optimize offline stores, increase productivity of BC
- Other SG&A expenses
  - Integrate distribution center （Make EC distribution inhouse）
  - Centralize procurement
- Structural reforms for *AUPRES*
  - Integrate Beijing and Shanghai, reduce stores and BC

China: Expansion to New Categories

Men's

- *SIDEKICK*, cosmetics brand for generation Z men
  - First skincare brand targeting the generation Z men in Asia
  - Launched in July mainly through EC

Inner Beauty

- *INRYU*, ingestible beauty brand developed in China
  - Launched in June through cross-border EC

INRYU

Functional skin care

- Shiseido Beauty Innovation Fund*1
  Strategic investment and business partnership with Trautec Co., a pioneer in aesthetic medical care
  - Cooperate in R&D, raw material procurement, and distribution channels in functional skincare*2 market, rapidly growing in China
    - For professional channels, such as at clinics
    - Skin care brand / products for consumers

TRAUTEC 创健医疗

*1 Established based on a strategic partnership with Boyu Capital, an equity investment company in China *2 Cosmetics that appeal specific functions such as sensitive skin, anti-aging, clean beauty, etc.

Transition to a Highly Profitable Structure

- Increase equity of our core strength skin beauty brands
- Realize benefits of structural reforms
- Improve profitability of Japan and China, establish a solid financial foundation that can adapt to the changes in business environment
- Continue profitability reforms in Americas and EMEA
- Accelerate digital and IT transformation
- Enhance R&D and production / supply system
- Improve people and organizational capabilities
- Expand our portfolio through M&A, investments in new business categories, and own brand development

To Ensure Mid-to-Long Term Growth without Falling into downward trend

Strategic additional investments in 2022

Brand Equity
~Enhance marketing and innovation~

- Enhance brand equity of major prestige skincare brands
- Capture the changing values of consumers after COVID-19
- Promote innovative values of unique functions, science, formulation technology, etc.
- Shift from over-reliance on price promotions

2022: additional investments of ¥5 bn

People Capital
~Improve employee engagement~

- Re-skilling using Digital Academy, etc.
- People and career development through job-grade-based HR system
- Further promotion of D&I
- Enhanced compensation and incentive payments
- Correlation of people investments and financial results

2022: additional investments of ¥5 bn

Will continue to enhance investments from 2023 and beyond

+

Never Ending Transformation
~To achieve 15% OP margin~

- Improve productivity and efficiency
  - FOCUS go-live
- Reduce COGS ratio to <u>21%</u>
  - Transfer of PC factories
  - Reduce inventory write-offs through lower returns
  - Active use of AI and IoT
- SG&A ratio <u>64%</u>
  - Continuous review of entire value chain including fixed costs, logistics costs, etc.

Towards 2023

Japan

- Market recovery based on “living with COVID-19”
- Enhance innovation in skin care brands
- Gradual recovery of inbound
- Unwavering execution of structural reform

China

- Steady growth of the market
- Shift from price-oriented promotions to brand and value communication
- Emphasize prestige brand values
- Structural reform and revamp of *AUPRES*

Aim for V-shaped recovery in 2023

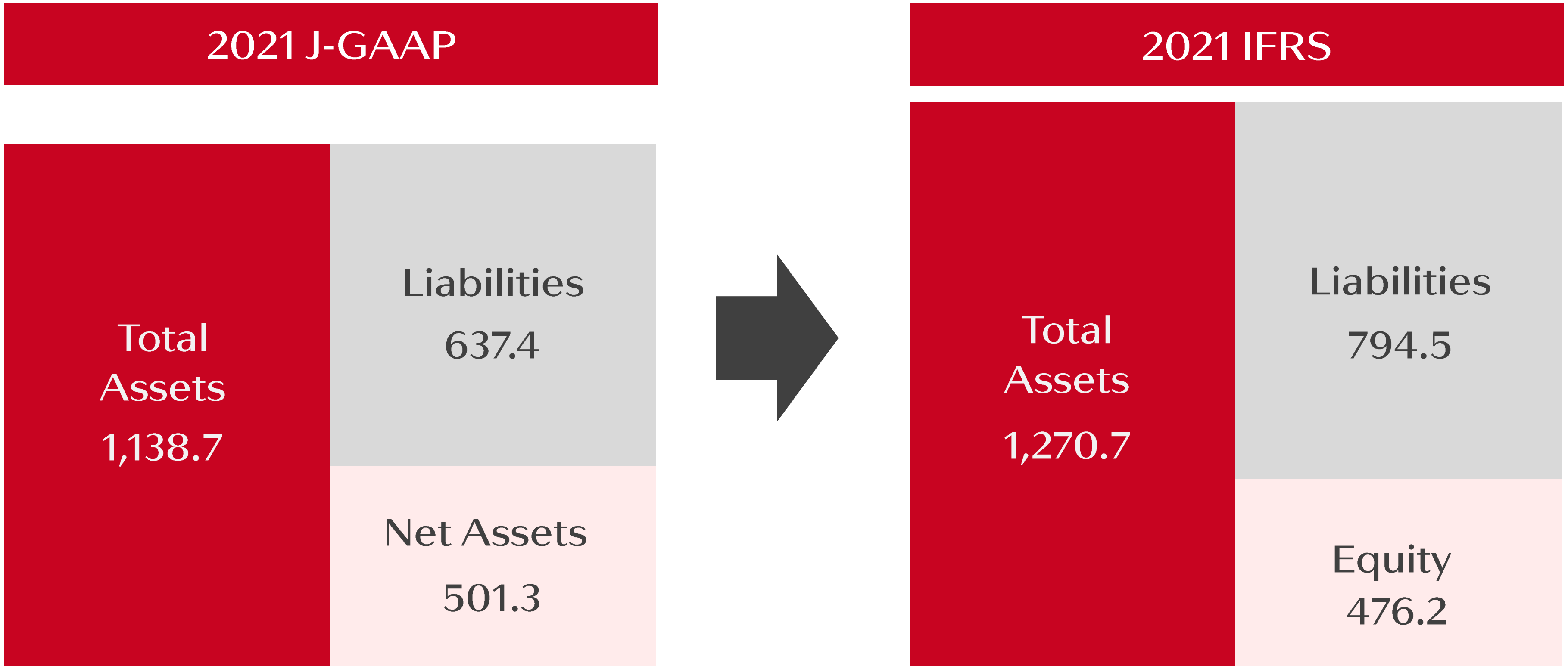
SHISEIDO

Be a Global Winner with Our Heritage

Supplemental Data 1-1　Impacts of Transition from J-GAAP to IFRS
2021 1H Consolidated Financial Position

- Total Assets +132.0 Bn: Right-of-use assets +104.0 Bn reflected on the balance sheet, Increase in DTA due to increased retirement benefits +10.7 Bn, etc.
- Liabilities +157.1 Bn: Lease liabilities +116.5 Bn reflected on the balance sheet, Increase in liabilities due to increased retirement benefits +24.7 Bn, etc.
- Equity −25.1 Bn: Remeasurements of defined benefit plans −15.5 Bn, Differences in P/L due to changes in accounting standards −13.7 Bn

(Billion yen)

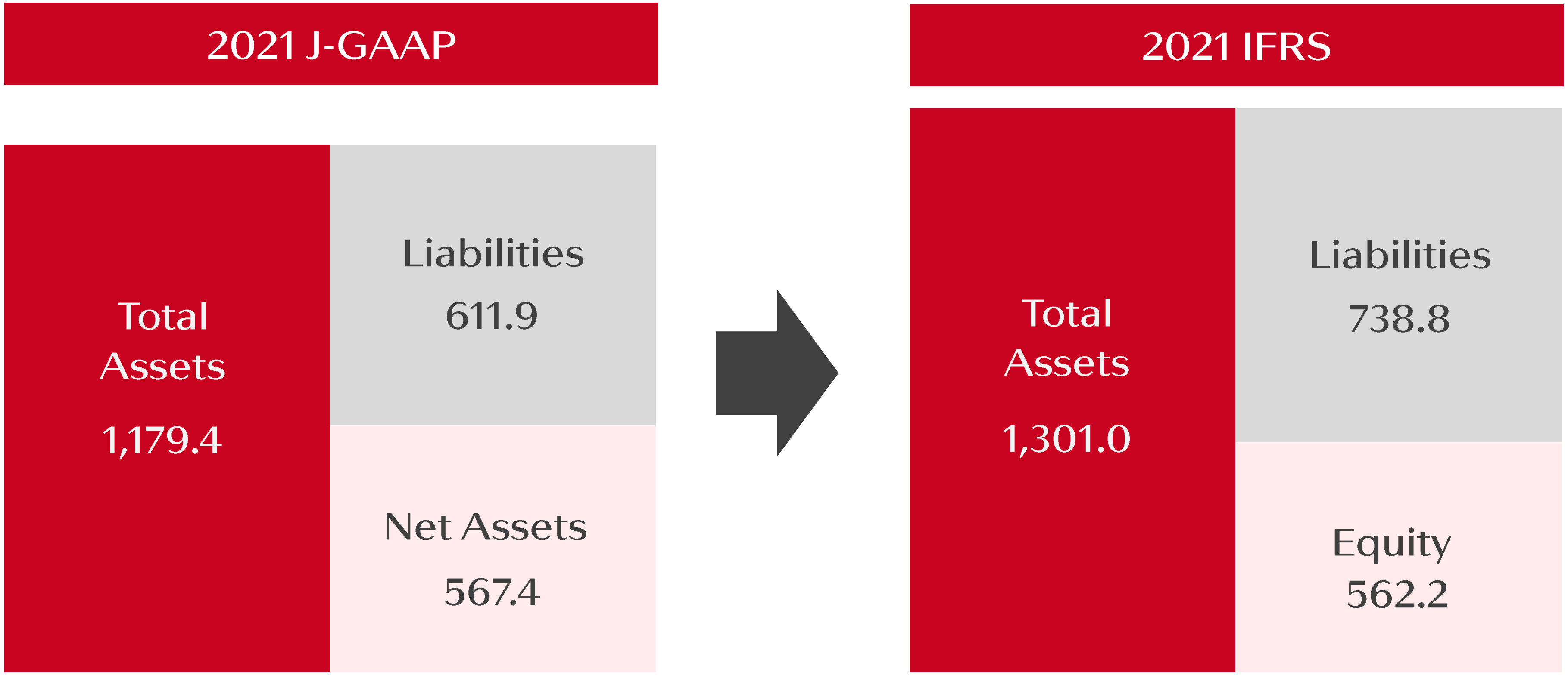


	2021 J-GAAP	2021 IFRS
Net Debt/Equity (times)	0.39	0.34
Equity Ratio	42.2%	35.9%

Supplemental Data 1-2　Impacts of Transition from J-GAAP to IFRS
2021 Consolidated Financial Position

- Total Assets +121.6 Bn: Right-of-use assets reflected on the balance sheet +98.8 Bn, Impacts of investments accounted for using equity method +19.3 Bn, etc.
- Liabilities +126.9 Bn: Lease liabilities reflected on the balance sheet +114.9 Bn, Increase in liabilities due to increased retirement benefits +22.7 Bn, etc.
- Equity −5.3 Bn: Remeasurements of defined benefit plans −13.2 Bn, Measurements of financial instruments +3.9 Bn, Differences in P/L due to changes in accounting standards +1.6 Bn, etc.

(Billion yen)



	2021 J-GAAP	2021 IFRS
Net Debt/Equity (times)	0.03	−0.02
Equity Ratio	46.2%	41.6%

Supplemental Data 1-3 Impacts of Transition from J-GAAP to IFRS
2021 1H Consolidated Statement of Profit and Loss

(Billion yen)

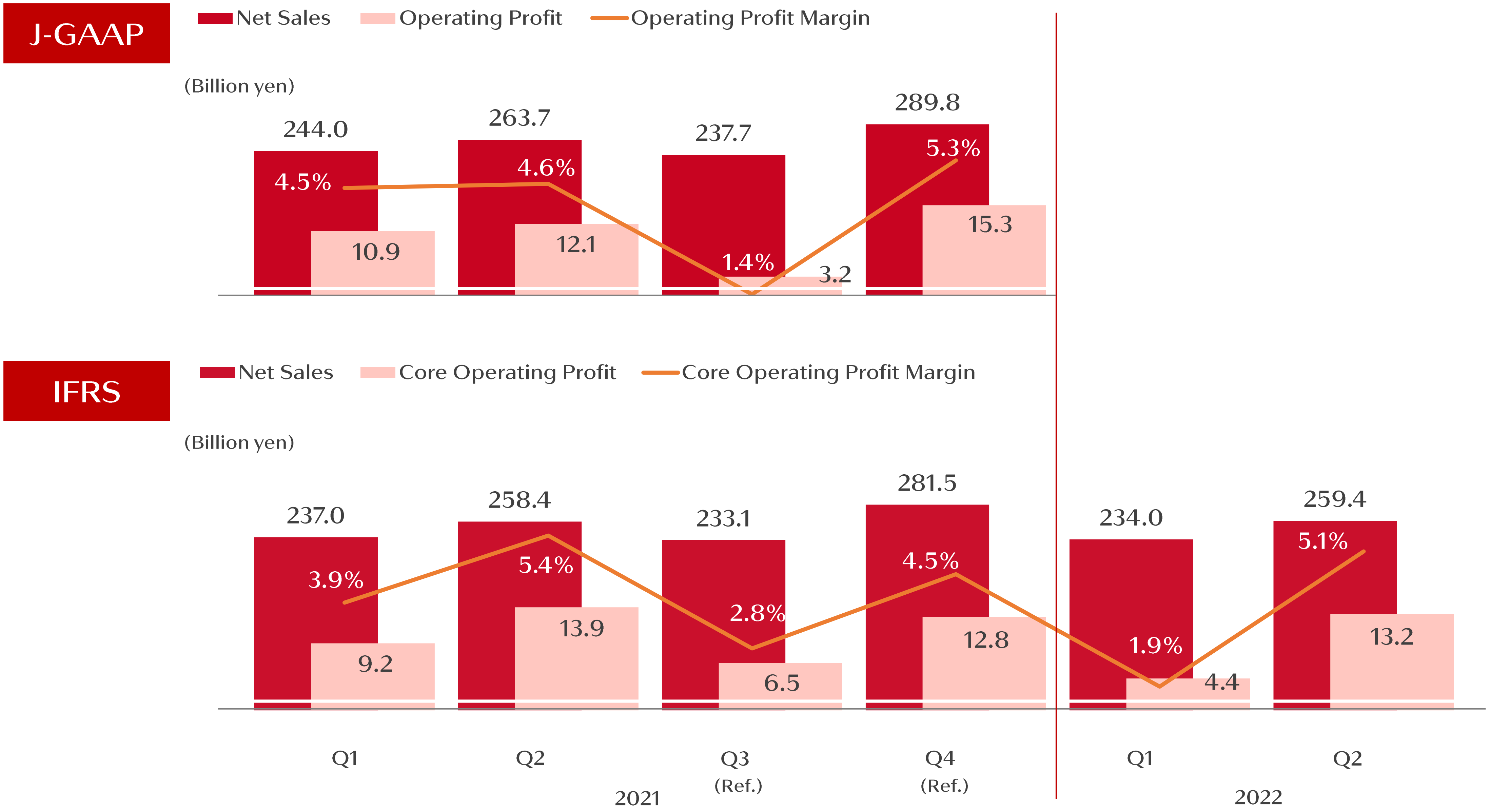
J-GAAP		IFRS		Major impacts of transition from J-GAAP to IFRS
Net Sales	507.7	**Net Sales**	495.4	**Differences −12.3** ・Deduction of rebates and provision for points from Net Sales −12.3
Cost of Sales SG&A Part of SG&A		Part of SG&A Cost of Sales SG&A		
Operating Profit	23.0	**Core Operating Profit**	23.0	**Differences +0.0** ・Non-amortization of goodwill +3.6 ・Partial expensing of samples −1.9 ・Recording of postretirement benefits −1.4, etc.
Non-Operating Income (Expenses) Finance Income (Expenses) Profit (Loss) of Investments Accounted for Using Equity Method Other Operating Income (Expenses) Extraordinary Profit (Loss)		Non-recurrent items Finance Income (Costs) Profit (Loss) of Investments Accounted for Using Equity Method		
Profit before Tax	−16.5	**Profit before Tax**	−20.7	
Income Taxes		Income Tax Expense		
Net Profit Attributable to Non-Controlling Interests		Profit Attributable to Non-Controlling Interests		
Net Profit Attributable to Owners of Parent	−17.3	**Profit Attributable to Owners of Parent**	−28.1	**Differences −10.8** Profit before Tax −4.1 ・Deferral of subsidies, etc. Income Tax Expense −6.7 ・Tax effects related to change in method of computing quarterly tax expense and elimination of unrealized gains on inventories, etc.

Supplemental Data 1-4 Impacts of Transition from J-GAAP to IFRS
2021 Consolidated Statement of Profit and Loss

(Billion yen)

J-GAAP		IFRS		Major impacts of transition from J-GAAP to IFRS
Net Sales	**1,035.2**	**Net Sales**	**1,010.0**	**Differences −25.2** ・Deduction of rebates from Net Sales −21.1 ・Deduction of provision for points from Net Sales, changes in accounting items related to returns, etc. −4.1
Cost of Sales SG&A Part of SG&A		Part of SG&A Cost of Sales SG&A		
Operating Profit	**41.6**	**Core Operating Profit**	**42.6**	**Differences +1.0** ・Non-amortization of goodwill +6.9 ・Partial expensing of samples −0.9 ・Recording of post-retirement benefits −3.0 ・Deferral of subsidies −1.4 ・Accrued paid absences recorded as liability −0.3
Non-Operating Income (Expenses) Finance Income (Expenses) Profit (Loss) of Investments Accounted for Using Equity Method Other Operating Income (Expenses) Extraordinary Profit (Loss)		Non-recurrent items Finance Income (Costs) Profit (Loss) of Investments Accounted for Using Equity Method		
Profit before Tax	**73.3**	**Profit before Tax**	**99.1**	
Income Taxes Net Profit Attributable to Non-Controlling Interests		Income Tax Expense Profit Attributable to Non-Controlling Interests		
Net Profit Attributable to Owners of Parent	**42.4**	**Profit Attributable to Owners of Parent**	**46.9**	**Differences +4.5** Profit before Tax +25.8 ・Gain on transfer of business +45.4, Impairment-related GAAP differences −15.6, Elimination of gain on sale of financial instruments −2.7 Income Tax −21.3 ・Tax effects related to gain on transfer of business resulting from accounting standard differences −14.9 ・Tax effects related to elimination of unrealized gains on inventories, etc. −6.5

Supplemental Data 2
KPI Trends



Supplemental Data 3
2022 Q2 Results

(Billion yen)	2021	% of Net Sales	2022	% of Net Sales	YoY Change	YoY Change %	YoY Change FX-Neutral %	Like-for-like %[*2]
Net Sales	258.4	100%	259.4	100%	+1.0	+0.4%	−8.4%	−0.7%
Cost of Sales	68.7	26.6%	79.3	30.6%	+10.6	+15.5%		
Gross Profit	189.7	73.4%	180.1	69.4%	−9.6	−5.1%		
SG&A	207.4	80.3%	169.3	65.2%	−38.1	−18.4%		
Other Operating Income	3.0	1.2%	1.8	0.7%	−1.2	−39.7%		
Operating Profit	−14.7	−5.7%	12.6	4.9%	+27.3	-		
Non-recurrent items	−28.5	−11.0%	−0.6	−0.2%	+28.0	-		
Core Operating Profit	13.9	5.4%	13.2	5.1%	−0.7	−5.1%		
Profit before Tax	−14.7	−5.7%	17.5	6.7%	+32.2	-		
Income Tax Expense	2.4	0.9%	4.5	1.7%	+2.1	+88.6%		
Profit Attributable to Owners of Parent	−17.0	−6.6%	11.8	4.6%	+28.8	-		
EBITDA[*1]	26.3	10.2%	26.0	10.0%	−0.3	−1.2%		

(Exchange rates)
USD 1 = JPY 129.7 (YoY +18.5%)
EUR 1 = JPY 138.2 (YoY +4.7%)
CNY 1 = JPY 19.6 (YoY +15.8%)

*1 Core operating profit + Depreciation and amortization (excluding depreciation of right-of-use assets)
*2 Excluding business transfer impacts

Supplemental Data 4
2022 1H Results

(Billion yen)	2021	% of Net Sales	2022	% of Net Sales	YoY Change	YoY Change %	YoY Change FX-Neutral %	Like-for-like %[*2]
Net Sales	495.4	100%	493.4	100%	−2.0	−0.4%	−7.4%	−0.8%
Cost of Sales	132.3	26.7%	146.6	29.7%	+14.2	+10.8%		
Gross Profit	363.1	73.3%	346.8	70.3%	−16.2	−4.5%		
SG&A	389.2	78.6%	333.9	67.7%	−55.4	−14.2%		
Other Operating Income	5.0	1.0%	4.0	0.8%	−1.0	−19.6%		
Operating Profit	−21.2	−4.3%	17.0	3.4%	+38.2	-		
Non-recurrent items	−44.2	−9.0%	−0.6	−0.2%	+43.7	-		
Core Operating Profit	23.0	4.7%	17.5	3.6%	−5.5	−23.9%		
Profit before Tax	−20.7	−4.2%	25.6	5.2%	+46.3	-		
Income Tax Expense	6.4	1.3%	6.9	1.4%	+0.5	+7.7%		
Profit Attributable to Owners of Parent	−28.1	−5.7%	16.2	3.3%	+44.4	-		
EBITDA[*1]	48.6	9.8%	43.1	8.7%	−5.5	−11.4%		

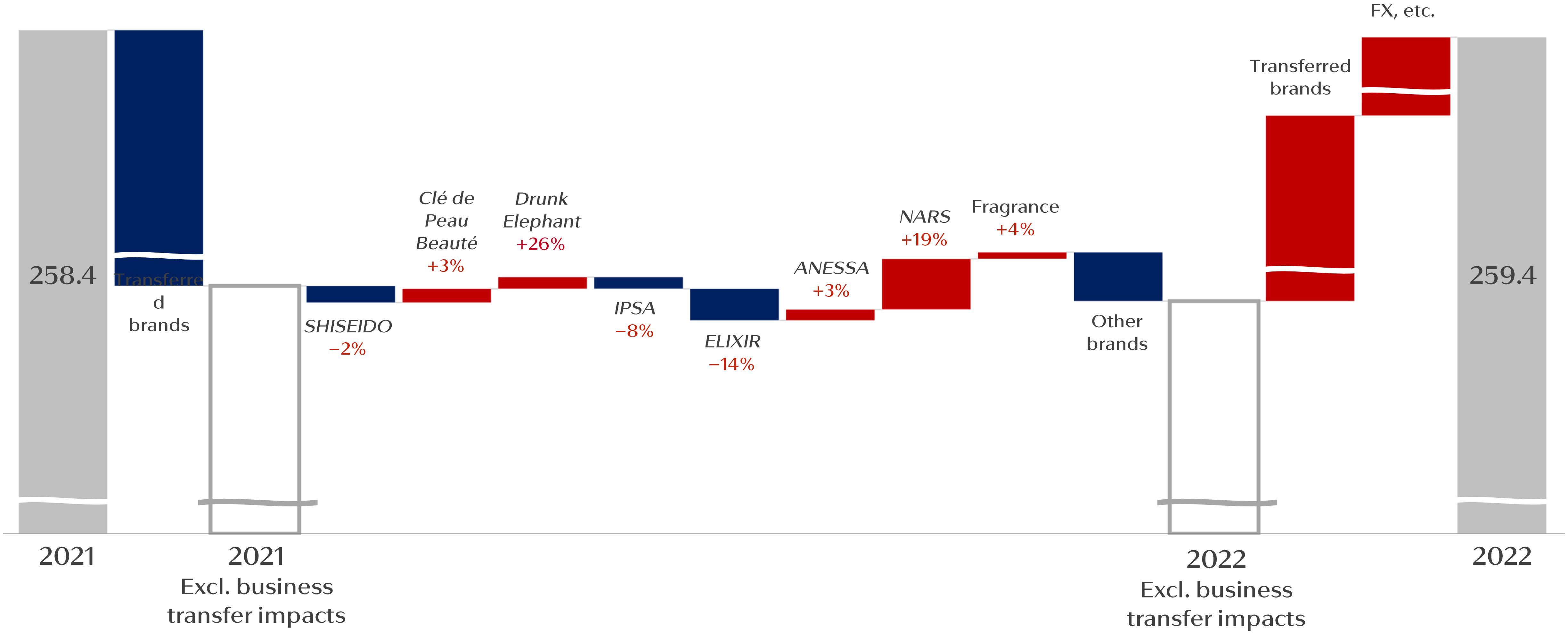
(Exchange rates)
USD 1 = JPY 123.0 (YoY +13.8%)
EUR 1 = JPY 134.3 (YoY +3.4%)
CNY 1 = JPY 19.0 (YoY +13.7%)

*1 Core operating profit + Depreciation and amortization (excluding depreciation of right-of-use assets)
*2 Excluding business transfer impacts

Supplemental Data 5
2022 Q2 Net Sales by Brand

Like-for-like*1

(Billion yen)



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

Supplemental Data 6
2022 Q2 Net Sales and Core Operating Profit by Reportable Segment (IFRS)

Top: Net Sales Bottom: Core OP (Billion yen)	2021	% of Net Sales / Core OPM %	2022	% of Net Sales / Core OPM %	YoY Change	YoY Change %	YoY Change FX-Neutral %	Like-for-like %*2
Japan	70.2	27.2%	58.6	22.6%	−11.6	−16.6%	−16.6%	−1.7%
	4.1	5.0%	−3.3	−5.5%	−7.3	-	-	-
China	78.8	30.5%	63.8	24.6%	−15.0	−19.0%	−30.0%	−14.1%
	0.2	0.3%	0.8	1.3%	+0.6	+270.8%	-	-
Asia Pacific	14.4	5.6%	16.0	6.2%	+1.5	+10.7%	+0.2%	+19.7%
	−0.5	−3.2%	1.2	7.6%	+1.7	-	-	-
Americas	29.5	11.4%	33.8	13.0%	+4.3	+14.6%	−2.4%	+14.7%
	0.3	0.8%	2.6	7.8%	+2.3	+910.1%	-	-
EMEA	27.0	10.4%	27.2	10.5%	+0.3	+1.0%	−3.7%	+0.6%
	0.7	2.4%	0.6	2.1%	−0.1	−11.4%	-	-
Travel Retail	29.9	11.6%	40.7	15.7%	+10.7	+35.8%	+16.0%	+15.4%
	3.8	12.6%	8.9	21.8%	+5.1	+134.0%	-	-
Professional	3.5	1.4%	3.9	1.5%	+0.4	+10.8%	+3.6%	-
	0.2	6.3%	0.5	13.4%	+0.3	+139.7%	-	-
Other	5.0	1.9%	15.4	5.9%	+10.4	+206.7%	+205.9%	−1.1%
	4.1	7.2%	1.7	2.5%	−2.4	−58.0%	-	-
Subtotal	258.4	100%	259.4	100%	+1.0	+0.4%	−8.4%	−0.7%
	12.9	3.9%	13.1	4.1%	+0.2	+1.8%	-	-
Adjustment	-	-	-	-	-	-	-	-
	1.0	-	0.1	-	−0.9	-	-	-
Total	258.4	100%	259.4	100%	+1.0	+0.4%	−8.4%	−0.7%
	13.9	5.4%	13.2	5.1%	−0.7	−5.1%	-	-

*1. Core OPM is calculated using total sales including intersegment sales and internal transfers between segments. *2. Excluding business transfer impacts

Supplemental Data 7
2022 1H Net Sales and Core Operating Profit by Reportable Segment (IFRS)

Top: Net Sales Bottom: Core OP (Billion yen)	2021	% of Net Sales / Core OPM %	2022	% of Net Sales / Core OPM %	YoY Change	YoY Change %	YoY Change FX-Neutral %	Like-for-like %[*2]
Japan	140.1	28.3%	115.7	23.4%	−24.4	−17.4%	−17.4%	−2.3%
	8.1	5.1%	−7.4	−6.2%	−15.5	-	-	-
China	144.1	29.1%	115.7	23.4%	−28.4	−19.7%	−29.3%	−14.2%
	2.3	1.6%	−2.0	−1.7%	−4.3	-	-	-
Asia Pacific	30.5	6.2%	31.4	6.4%	+0.9	+2.8%	−5.1%	+9.1%
	1.6	5.1%	2.4	7.3%	+0.8	+48.3%	-	-
Americas	53.9	10.9%	59.0	12.0%	+5.1	+9.5%	−3.7%	+10.9%
	−1.9	−3.2%	3.7	6.2%	+5.6	-	-	-
EMEA	51.4	10.4%	55.7	11.3%	+4.3	+8.4%	+4.8%	+4.5%
	−0.1	−0.1%	2.6	4.2%	+2.6	-	-	-
Travel Retail	57.6	11.6%	77.9	15.8%	+20.2	+35.1%	+19.8%	+18.3%
	8.7	15.0%	17.0	21.8%	+8.3	+95.2%	-	-
Professional	7.2	1.4%	7.8	1.6%	+0.6	+8.1%	+2.3%	-
	0.7	9.7%	1.2	14.4%	+0.4	+60.7%	-	-
Other	10.4	2.1%	30.2	6.1%	+19.8	+189.9%	+188.7%	−4.8%
	8.2	7.0%	−0.8	−0.6%	−9.0	-	-	-
Subtotal	495.4	100%	493.4	100%	−2.0	−0.4%	−7.4%	−0.8%
	27.8	4.4%	16.7	2.7%	−11.1	−39.9%	-	-
Adjustment	-	-	-	-	-	-	-	-
	−4.8	-	0.8	-	+5.6	-	-	-
Total	495.4	100%	493.4	100%	−2.0	−0.4%	−7.4%	−0.8%
	23.0	4.7%	17.5	3.6%	−5.5	−23.9%	-	-

*1. Core OPM is calculated using total sales including intersegment sales and internal transfers between segments. *2. Excluding business transfer impacts

Supplemental Data 8
2022 1H Net Sales in Japan, China, and Asia Pacific by Category

(Billion yen)

Japan

	2021	% of Net Sales	2022	% of Net Sales	YoY Change	YoY Change % / YoY Change FX-Neutral %*1	Like-for-like*2
Prestige	29.9	21.3%	31.8	27.5%	+2.0	+6.6%	
Premium	72.1	51.4%	69.4	60.0%	−2.7	−3.8%	
Lifestyle	23.9	17.1%	-	-	−23.9	-	
Others	14.2	10.2%	14.5	12.5%	+0.2	+1.5%	
Total Japan Sales	140.1	100%	115.7	100%	−24.4	−17.4%	−2.3%

China

	2021	% of Net Sales	2022	% of Net Sales	YoY Change	YoY Change % / YoY Change FX-Neutral %*1	Like-for-like*2
Prestige	75.9	52.6%	74.1	64.1%	−1.7	−14.0%	
Premium	42.6	29.6%	39.0	33.7%	−3.6	−19.4%	
Personal Care	24.2	16.8%	-	-	−24.2	-	
Others	1.5	1.0%	2.6	2.2%	+1.1	+50.1%	
Total China Sales	144.1	100%	115.7	100%	−28.4	−29.3%	−14.2%

Asia Pacific

	2021	% of Net Sales	2022	% of Net Sales	YoY Change	YoY Change % / YoY Change FX-Neutral %*1	Like-for-like*2
Prestige	15.8	51.7%	18.0	57.2%	+2.2	+4.9%	
Premium	5.8	18.9%	6.4	20.4%	+0.6	+1.3%	
Personal Care	6.2	20.4%	2.0	6.3%	−4.3	−71.6%	
Others	2.8	9.0%	5.1	16.1%	+2.3	+75.1%	
Total Asia Pacific Sales	30.5	100%	31.4	100%	+0.9	−5.1%	+9.1%

*1. YoY Change for Japan, and YoY Change FX-Neutral for China and Asia Pacific *2. Excluding business transfer impacts

Supplemental Data 9
2022 1H SG&A

(Billion yen)	2021	% of Net Sales	2022	% of Net Sales	YoY Change	YoY Change %	YoY Change FX-Neutral %
Marketing Investments*1	181.8	36.7%	161.3	32.7%	−20.5	−11.3%	−17.4%
Brand Development / R&D Investments	17.6	3.5%	26.5	5.4%	+8.9	+50.3%	+47.4%
Personnel Expenses	64.9	13.1%	63.2	12.8%	−1.7	−2.6%	−7.8%
Other SG&A Expenses	83.0	16.8%	79.6	16.1%	−3.4	−4.1%	−8.1%
SG&A (Core OP-based)	347.3	70.1%	330.6	67.0%	−16.7	−4.8%	−10.1%
Non-recurrent items*2	42.0	-	3.3	-	−38.7	-	-
SG&A	389.2	78.6%	333.9	67.7%	−55.4	−14.2%	−18.9%

*1 Including POS personnel expenses
*2 Non-recurrent items attributable to SG&A

Supplemental Data 10
2022 1H Non-recurrent Items

	2021			2022		
(Billion yen)	Q1	Q2	1H	Q1	Q2	1H
Core Operating Profit	9.2	13.9	23.0	4.4	13.2	17.5
Gain on Transfer of Business	-	-	-	1.6	2.7	4.3
Structural Reform Expenses	-	−22.7	−22.7	−1.5	−2.0	−3.5
Impairment Loss	−15.3	−3.7	−19.1	-	-	-
Structural Reforms-Related	−15.3	−26.4	−41.7	0.1	0.7	0.7
Profit (Subsidy income)	0.6	0.4	1.0	0.1	0.2	0.3
Loss (Salaries and allowances for employees, etc.)	−0.9	−2.6	−3.5	−0.2	−1.4	−1.6
COVID-19-Related	−0.3	−2.1	−2.5	−0.1	−1.2	−1.3
Non-recurrent items	−15.7	−28.5	−44.2	−0.0	−0.6	−0.6
Operating Profit	−6.5	−14.7	−21.2	4.4	12.6	17.0

Supplemental Data 11
2022 1H Capital Expenditures; Depreciation and Amortization

(Billion yen)	2021	2022
Property, Plant and Equipment	30.3	14.6
Intangible Assets, etc.	9.6	12.5
Capital Expenditures*	39.9	27.0

Property, Plant and Equipment	16.5	18.3
Intangible Assets, etc.	11.0	7.2
Depreciation and Amortization	27.5	25.5

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

Supplemental Data 12
2022 Net Sales Outlook by Reportable Segment

(Billion yen)	2021	2022 Latest	YoY Change %	YoY Change FX-Neutral %	Like-for-like %*	Previous Like-for-like %* (February)
Japan	258.8	246.5	−4.8%	−5%	+4%	+17%
China	274.7	278.0	+1.2%	−10%	−0%	+16%
Asia Pacific	63.6	60.0	−5.6%	−6%	+17%	+17%
Americas	121.4	128.0	+5.5%	−11%	+11%	+10%
EMEA	117.0	115.0	−1.7%	−6%	+1%	+11%
Travel Retail	120.6	160.5	+33.2%	+14%	+14%	+12%
Professional	15.3	8.5	−44.4%	−44%	-	-
Other	38.6	73.5	+90.6%	+91%	−4%	−3%
Total	1,010.0	1,070.0	+5.9%	−2%	+5%	+14%

Exchange rate for 2022: USD 1 = JPY 128 (+16.4%), EUR 1 = JPY 135 (+3.9%), CNY 1 = JPY 19 (+11.5%)

* Excluding business transfer impacts

SHISEIDO