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Message from the CEO

**BEAUTY INNOVATIONS
FOR A BETTER WORLD**

- Be a Global Winner with Our Heritage -

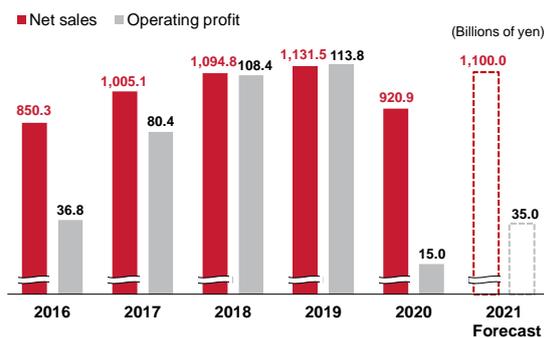
Masahiko Uotani
Representative Director,
President and CEO

We would like to express our sincere gratitude for your continued support and patronage and extend our deepest sympathies to those affected by the novel coronavirus (COVID-19) pandemic.

Amidst the unprecedented global challenges imposed by the pandemic during 2020, Shiseido has been making unified day-to-day efforts. We have implemented a number of initiatives in our core businesses. These initiatives include product development swiftly adjusted to drastic changes in the lifestyle and awareness of consumers, exemplified by our skin-friendly hand sanitizers; “Shiseido Hand in Hand Project” aimed at fostering a new hand-care culture as part of our support to medical workers; and new omni-channel shopping experiences leveraging digital technologies.

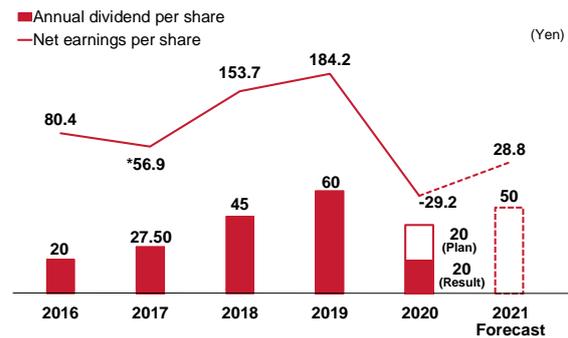
In August, as part of the new medium-term strategy, “WIN 2023,” we announced our intention to concentrate on the skin beauty area and accelerate digital transformation and structural reforms, aiming at flexibility in management. We swiftly put the new strategy into action. Our efforts on relentless cost management and inventory optimization enabled by flexible production adjustment resulted in operating profit in the black, despite the decline in sales as they were affected by COVID-19. Net profit, however, was negative due to COVID-19-related extraordinary losses. Under such business conditions, we had to make the difficult and regrettable decision of a dividend cut and plan to pay an annual dividend of 40 yen per share.

Net Sales/Operating Profit



* We are currently examining the impact of the transfer of the Personal Care business on the Company’s consolidated results. Therefore, the impact has not been factored into the forecast for 2021.

Earnings per Share/Annual Dividend



* Due to an impairment loss of Bare Escentuals, Inc.

Message to shareholders

In February this year, we decided on the transfer and joint venture of the Personal Care business to achieve its further growth and development. In a highly competitive global environment, maximizing the potential of the Personal Care business requires ample investment, increased responsiveness to market changes, and more robust strategies and systems that can prevail over competitors. We spent a considerable amount of time deliberating with executives about the best possible scenario, and given that the Company's basic strategy does not place a high priority on the Personal Care business, we reached the decision on its transfer followed by the establishment of a joint venture. The joint venture will ensure a business environment beneficial for the boosting of investment, leading to further growth and development of the business, its brands, and employees, and contributing to our customers and business partners. Conversely, through this structural transformation, we as Shiseido will concentrate our management resources on the "Prestige First" strategy and buttress global advancement of the cosmetics business centered on skincare. A message from the CEO regarding the joint venture of the Personal Care business is available on the Company's website at <https://bit.ly/2NPGx7G> (short URL).

2021 is the year we lay the groundwork to realize "WIN 2023." We will accelerate digitalization and focus on the Premium skin beauty area, our core business. Moreover, we have introduced a management system of executive officers that allows delegating full business execution responsibility to the right person in the right place irrespective of gender, nationality, or traditional organizational framework.



At the same time, we will evolve corporate management anchored in diversity and inclusion, involving all our employees worldwide in the promotion of transformation.

In 2022, Shiseido will bounce back to a growth recovery track. By 2023, we will complete streamlining our business and brand portfolios and target net sales of approximately 1 trillion yen and operating profit margin of 15% to become a stronger Shiseido, fully recovered from the crisis.

Further, we will aim to become the world's No.1 company in skin beauty by 2030. We aspire to be a "Personal Beauty Wellness Company" that contributes to a lifetime of unique and healthy beauty for each and every one. At the same time, we strive to realize a sustainable society where everyone can enjoy a lifetime of happiness through the power of beauty.

We ask for your continued support going forward.

Our Targets: WIN 2023 and Beyond, Toward 2030

WIN 2023 Shiseido United Transformation			2030 VISION
2021	2022	2023	PERSONAL BEAUTY WELLNESS COMPANY
Groundwork	Back on Growth Track	Full Recovery	
<ul style="list-style-type: none"> Business in the new normal Structural reforms Enhancing the financial base Preparing for business post COVID 	<ul style="list-style-type: none"> Shiseido's 150th anniversary Growing global brands Accelerating DX Inbound recovery 	<ul style="list-style-type: none"> Skin Beauty Company Net sales approx. ¥1 trillion OPM 15% High productivity 	<ul style="list-style-type: none"> Most Trusted Beauty Company No. 1 in Skin Beauty Net sales ¥2 trillion OPM 18%
Long-Term Investment (Brands, Innovation, Supply Chain, DX, People)			

WIN 2023 and Beyond

Medium-to-Long-Term Strategy
- Toward full recovery in 2023 -



Overview of WIN 2023 and Beyond

◆ Targets and Where We Are Heading

Shiseido will carry out a fundamental business transformation, positioning the Premium skin beauty area as our core business. Amid a rapidly changing external environment, in the period from 2021 to 2023 we will shift our focus from topline growth to profitability and cash flow management and build our business foundation as a “Skin Beauty Company.” We will accomplish a full recovery by 2023 to realize net sales of approximately 1 trillion yen and operating profit margin of 15%. From a

long-term perspective, we will continue to aggressively invest in our brands, innovation, supply network, DX, talent, and organization. We will become the world’s No.1 company in skin beauty by 2030 and aspire to be a “Personal Beauty Wellness Company” that contributes to a lifetime of unique and healthy beauty for each and every one. Through this transformation, we will realize net sales of 2 trillion yen and operating profit margin of 18% by 2030.

◆ Key Strategies

Improve Profitability	01	Rebuild profit structure through fundamental reforms
	02	Increase cost competitiveness and improve factory productivity
	03	Accelerate growth in Asia, especially China
Focus on Skin Beauty	04	Build a powerful portfolio centered on skin beauty brands
	05	Accelerate innovation through external collaborations
	06	Develop inner beauty category
Rebuild Business Foundation	07	Become a truly sustainability-focused company
	08	Strengthen brands through innovate marketing and robust organization
	09	Build a digitally driven business model and organization
	10	Enhance talent and organization through diversity and upskilling

◆ Focus on Premium Skin Beauty Business

Sales composition ratio 2019 2023
 60% >> 80%



We aim to further expand the Premium skin beauty business, Shiseido's forte, by strengthening the "Inner Beauty" category which goes beyond skincare and realizes beauty from within the body. Accordingly, we target an increase in the Group proportion of net sales for the skin beauty business from 60% in 2019 to 80% by 2023.

Our iconic brand *SHISEIDO* will realize diverse beauty through the application of innovative technology, "Second Skin," and new launches meeting the growing needs for men's cosmetic products. In addition, the brand is formulating robust measures for sustainability.

We will also concentrate our efforts on new fields that will support our future growth. We plan to launch the prestige skincare brand *BAUM*, based on the theme of "the power of trees," in September 2021 in China. Furthermore, last year we established a joint venture with *YA-MAN LTD.*, an expert in beauty device business and technologies. In spring 2021, we will launch *EFFECTIM*, the innovative brand integrating *YA-MAN*'s highly advanced beauty device technology and Shiseido's cutting-edge skin science technology, in Japan and China.



SHISEIDO to realize diverse beauty powered by science while reinforcing sustainable actions and product development



EFFECTIM delivers personalized effects based on a detailed skin condition analysis



— Financial Strategies of WIN 2023 —

◆ Financial Targets

We have positioned the three-year period through 2023 as a phase of rebuilding the foundation to develop financial muscle through structural reforms and generate stable cash flows. In the process, we will improve operating profit and EBITDA and raise the underlying business profitability by strengthening the Premium skin beauty area, which is our core business, and structural reforms. Detailed targets are shown in the chart to the right.

We will increase profitability in all regions, with growth driven by Asia, particularly China. By 2023, Japan, China, Asia Pacific, and Travel Retail will account for more than 80% of our net sales. We have already formulated and kicked off concrete

action plans to improve profitability by region, which will be pressed ahead firmly in line with the roadmap.

Shifting focus to profitability and cash flows

	2019		2023 Target ^{*1}
Net Sales	¥1.1 Tn	»	ca. ¥1 Tn
OP Margin	10%	»	15%
EBITDA Margin	15%	»	20%+
Free Cash Flow	-¥127.0 Bn	»	ca. ¥100.0 Bn ^{*2}

^{*1} Including the impact of the Personal Care business transfer, etc.

^{*2} Excluding cash-out related to M&A

Promoting the structural reform to achieve financial targets for 2023

		2014	2019	2023 Target
Improve capital efficiency	ROIC	6%	13%	14%
	ROE	8%	16%	18%
Maintain A-rating	Net D/E ratio	0.1x	0.3x	0.2x
	Net interest-bearing debt-to-EBITDA ratio	0.5x	0.8x	0.5x
Dividends: stable increase until 2023; from 2024: in line with growth	Dividend	¥20	¥60	→
	DOE	2.6%	5.1%	—

◆ Shareholder Returns

Our shareholder return policy targets total returns, comprising direct returns through dividends and medium- and long-term share price gains. With “WIN 2023,” we aim to achieve a stable dividend increase regardless of the uncertain business

environment. Thereafter, over the medium and long term, we will pay dividends aligned with the EPS growth, which reflects our ability to generate profit through business operations.

— Accelerating Global DX —

We are taking initiatives to build our infrastructure and strengthen organizational capabilities, laying a foundation for a shift to a digitally focused business model.

We have appointed a chief digital officer with abundant experience in digital transformation (DX) at other global corporations. Under her lead, we will accelerate omni-channel consumer experiences, step up digital marketing efforts and bolster data-driven consumer services on a global scale. As a result, we aim to increase the global proportion of e-commerce sales to 35%* by 2023.

E-commerce sales ratio
2023: **35%**



* Includes retail.com, pure players, and owned.com

— Future Strategies in Key Regions —

◆ Japan

In the Japan Business, we will rebuild the business foundation to bolster profitability. To that end, we have established a dedicated R&D team for Japanese brands, while the business management of local and inbound P&L has been separated. Furthermore, we will drastically boost our brand value centered on skincare that leverages our strengths. We expect to increase loyal customers through the following initiatives: accelerate DX, cooperate with major business partners and jointly expand e-commerce, focus on initiatives with specialty stores, and as a result, set up a business model leveraging omni-channel consumer experiences.

◆ China, Asia Pacific, and Travel Retail

In China, which is experiencing the fastest growth recovery from the COVID-19 pandemic, we will shore up the introduction and development of brands from Japan. We will press ahead with DX to realize an e-commerce sales ratio of more than 50%. In Asia Pacific, we will focus on bolstering skin beauty brands. We will also introduce and leverage customer relationship management (CRM) systems and proactively develop cross-border e-commerce. To realize growth in this segment, we will position Japan, China, and Travel Retail (sales in airports, downtown duty-free shops, and other such channels) as a single market and evolve cross-border marketing aimed mainly at Chinese consumers.





— Sustainable Actions Toward 2030 —

We believe that beauty inspires people and that the power of beauty creates a world that can enrich people's lives and bring joy and happiness. In order to achieve further growth in our core beauty business, and at the same time to realize a sustainable society where everyone can enjoy a lifetime of happiness, we have set our Sustainable Actions Toward 2030.

For People

Support people through healthy beauty for a unique lifetime

For Society

Realize a society filled with respect and empowerment
Be a leader in diversity and inclusion in Japan

For the Planet

Contribute to the environment where people can live in harmony and enjoy sustainable beauty

— Key Initiatives in the Areas of Environment, Society, and Culture —

◆ ENVIRONMENT

Cutting-edge Nasu Factory Aims to Coexist with the Local Community and the Environment

Nasu Factory in Tochigi Prefecture began full-scale operation in December 2019 as a manufacturing facility for medium-to-high-priced skincare products for Japan and overseas markets. It focuses not only on the high quality exemplified by made-in-Japan products, but also on coexistence with the local community and abundant nature of Nasu.

Wastewater treatment is automatically monitored 24 hours a day under strict self-imposed standards. In addition, the factory uses 100% CO₂-free electricity through the “Tochigi Furusato Electric” program, provided by hydropower generation in Tochigi Prefecture. This makes for an

eco-friendly factory contributing to the local community.



Nasu Factory lit up with the “Tochigi Furusato Electric” program

◆ SOCIETY

Received Prime Ministerial Award for Women Empowering Companies 2020 First Japanese Company to be Honored at WCD's 2020 Visionary Awards

Shiseido has received the Prime Ministerial Award for Women Empowering Companies 2020, one of two Awards for Women Empowering Companies 2020 bestowed by the Cabinet Office of Japan. The award is presented to companies that have delivered outstanding results in terms of policies, initiatives and achievements in promoting women to executive and managerial positions. Shiseido has been recognized for its efforts to promote the activities of women beyond the boundaries of the industry, such as the enhancement of support for balancing work and childrearing, and initiatives such as a female leadership training program, as well as the appointment of Masahiko Uotani, President and CEO of the Company, as the chair of the “30% Club Japan,” which aims to increase the ratio of female executives in Japanese companies.

In addition, at a global level, the WomenCorporateDirectors (WCD) Foundation, a global network of women corporate board directors, has announced Shiseido as a 2020 Visionary Award

honoree for Leadership and Governance of a Public Company, in recognition of our diversity in governance.

We will continue to promote the activities of employees with diverse backgrounds, not only women but also foreign nationals and mid-career hires, to further accelerate diversity in our management.



◆ CULTURE

Shiseido Gallery Received the Award Granted by the Commissioner for Cultural Affairs, a Special Award at Japan Mécénat Awards

At Japan Mécénat Awards 2020 sponsored by the Association for Corporate Support of the Arts, we received a Special Award Granted by the Commissioner for Cultural Affairs in recognition of our achievements in the planning and operation of Shiseido Gallery. Shiseido was highly praised for the achievements in creating social value through

art by capturing the changes of the times while maintaining the founder's spirit, as well as the policy of incorporating culture in management, raising shared awareness among employees, and work on social issues. Overall, one Grand Mécénat Award, five Awards for Excellence, and one Special Award were granted among 165 eligible projects.



“Anneke Hymmen & Kumi Hiroi, Tokuko Ushioda, Mari Katayama, Maiko Haruki, Mayumi Hosokura, and Your Perspectives” exhibition (Photo by Ken KATO)

Learn more about Shiseido's sustainability:
<https://corp.shiseido.com/en/sustainability>





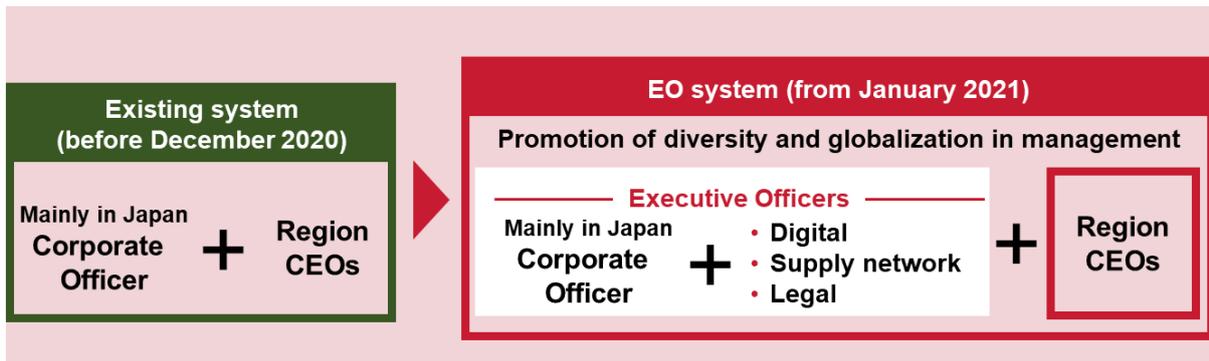
— Corporate Governance —

— Executive Officers

◆ **New Management System of Executive Officers (EO System)**

From January 2021, the Company further evolved its matrix-type management execution system and introduced a new management system of Executive Officers, including the current corporate officers, with the aim of further enhancing profitability and agility in the company-wide structural reform. The system is based on an approach in which the head of each domain in the global matrix organization, called an executive officer, bears

global responsibility for its business execution. In order to strengthen the Group headquarters function, we will establish a structure in which appropriate members are assigned regardless of gender, nationality or organizations they belong to. Furthermore, by reflecting diverse values and ideas in our management structure, we will aim to achieve “WIN 2023” targets and realize our long-term vision to “Be a Global Winner with Our Heritage.”



Executive Officers (As of January 1, 2021)



Masahiko Uotani

Executive Officer*
President and CEO
Japan Region CEO



Yukari Suzuki

Executive Officer*
Chief Brand Officer,
Clé de Peau Beauté, IPSA,
THE GINZA, and BAUM



Norio Tadakawa

Executive Officer*
Japan Region COO
(Chief Operating Officer)



Kentaro Fujiwara

Executive Officer*
China Region CEO

Message to shareholders



Yoshiaki Okabe

Executive Officer*
Chief Brand Innovation Officer



Jun Aoki

Executive Officer*
Chief Social Value Creation
Officer



Hiromi Anno

Executive Officer*
Chief Public Relations Officer



Maria Chiclana

Executive Officer
Chief Legal Officer
Global General Counsel



Kiyomi Horii

Executive Officer*
Chief Beauty Strategy Officer



Akihiro Miura

Executive Officer*
Deputy Chief Supply Network
Officer



Angelica Munson

Executive Officer
Chief Digital Officer



Minoru Nakamura

Executive Officer*
Chief People Officer
Chief Wellness Officer



Antonios Spiliotopoulos

Executive Officer
Chief Supply Network Officer



Atsunori Takano

Executive Officer*
Chief Information Technology
Officer



Toshinobu Umetsu

Executive Officer*
Chief Strategy Officer



Naomi Yamamoto

Executive Officer*
Chief Creative Officer



Takayuki Yokota

Executive Officer*
CFO (Chief Financial Officer)
Japan Region CFO



Katsunori Yoshida

Executive Officer*
Chief Quality Officer
Chief Technology Officer



Ryota Yukisada

Executive Officer*
Chief Brand Officer,
brand *SHISEIDO*

*To hold the concurrent title of Corporate Officer

— Corporate Governance —

— Directors and Audit & Supervisory Board Members

◆ Our Corporate Governance

- We define corporate governance as our “platform to realize sustainable growth through fulfilling the corporate mission.”
- We have adopted a double-check system whereby business execution is supervised by the Board of Directors with audit for legality and appropriateness by the Audit & Supervisory Board (Members) (a company with an audit & supervisory board system).

◆ Skill Set Sought in Directors and Audit & Supervisory Board Members (Skill Matrix of the Members of the Board of Directors)

Board of Directors			When considering diversity, it is a policy of the Company to appoint appropriate persons based on their personality and insight irrespective of gender, age, and nationality, etc.
Various viewpoints	Various backgrounds	Multilateral sophisticated expertise	
Necessity of a Board comprised of members with these characteristics			

Directors and Audit & Supervisory Board Members of the Company after the Ordinary General Meeting of Shareholders on March 25, 2021 (Planned)

				
	Masahiko Uotani	Yukari Suzuki	Norio Tadakawa	Takayuki Yokota
Position	Representative Director	Representative Director	Director	Director (New Director)
Number of years in office of the Company*	6 years and 9 months	1 year	1 year	—
Managerial and international experience	◆	◆	◆	◆
Marketing / Experience of the Company's business and the industry	◆	◆	◆	
ESG (Environmental / Social / Governance)	◆			
Legal affairs / Risk management				
Finance / Accounting / M&A			◆	◆

Message to shareholders

				
	Yoshiaki Fujimori	Yoko Ishikura	Shinsaku Iwahara	Kanoko Oishi
Position	External Director	External Director	External Director	External Director
Number of years in office of the Company*	1 year	5 years and 9 months	3 years	5 years
Managerial and international experience	◆	◆		◆
Marketing / Experience of the Company's business and the industry				
ESG (Environmental / Social / Governance)	◆	◆	◆	◆
Legal affairs / Risk management				
Finance / Accounting / M&A	◆		◆	

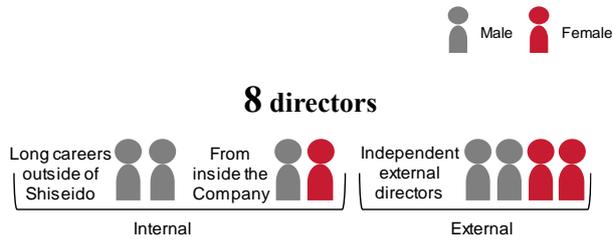
Message to shareholders

					
	Takeshi Yoshida	Akiko Uno	Yasuko Gotoh	Ritsuko Nonomiya	Hiroshi Ozu
Position	Audit & Supervisory Board Member (Full-time)	Audit & Supervisory Board Member (Full-time)	Audit & Supervisory Board Member (External)	Audit & Supervisory Board Member (External)	Audit & Supervisory Board Member (External)
Number of years in office of the Company*	3 years	2 years	2 years	1 year	4 years
Managerial and international experience	◆		◆	◆	
Marketing / Experience of the Company's business and the industry	◆	◆			
ESG (Environmental / Social / Governance)		◆	◆		◆
Legal affairs / Risk management		◆			◆
Finance / Accounting / M&A	◆		◆	◆	
<p>Maximum three main areas of expertise for each individual are indicated by the ◆.</p> <p>Executive Officers in charge of relevant domains attend meetings of the Board of Directors according to the agenda and provide explanations on the agenda items to ensure fruitful discussions.</p>					

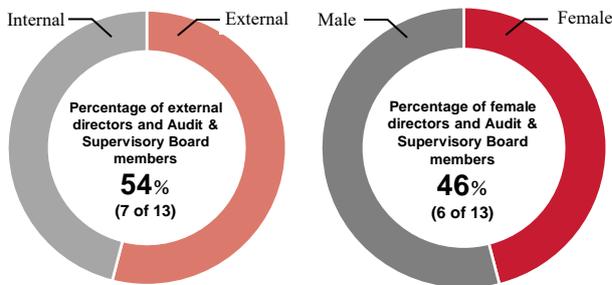
* Number of years in office of the Company notes the number of years and months at the time of assuming each post if they assume the post at the end of March 2021.

◆ **Our Governance in Numbers**

After the Ordinary General Meeting of Shareholders on March 25, 2021 (planned)



5 Audit & Supervisory Board members



Topics

Received Japan's METI Minister's Award for the Corporate Governance of the Year 2019



At the award ceremony

Shiseido received the METI Minister's Award for the Corporate Governance of the Year 2019 organized by the Japan Association of Corporate Directors (JACD). The award program has been held by JACD since 2015 with support by the Ministry of Economy, Trade and Industry (METI) and other organizations, in order to champion corporations that continue to achieve sound growth over the medium to long term through corporate governance. The METI Minister's Award selects companies that effectively supervise and accomplish appointment and succession plans for presidents and CEOs, which is fundamental for corporate governance, with independent nomination committees playing the key role. Shiseido was recognized for its transparency and objectivity in the nomination and succession planning of the President and CEO, the effective operation thereof, and the total shareholder return (TSR) and financial performance since the current President and CEO took office.