For the sake of better dialogue with all of our stakeholders, including our shareholders and investors, we have summarized our efforts within our annual report to further improve corporate value over the medium-to-long term, which we have disclosed on our corporate website. This report, Annual Report 2019 (Digest), is a compact version of the annual report that we have disclosed on our corporate website and was created for those who wish to view a printed copy of the report. We hope that this report helps promote better dialogue with all of our stakeholders.

Further information can be found on our corporate website.

Further information can be found on our corporate website.
THE SHISEIDO PHILOSOPHY

OUR DNA

OUR DNA is the very essence of Shiseido. It has been passed down since our founding in 1872, and to this day—for every employee—it is at the core of everything we do.

OUR PRINCIPLES (TRUST 8)

Our principles serve as the working principles that every Shiseido employee must follow. These eight working principles—known as “TRUST 8”—are based on the idea that mutual trust is the key to succeeding in our mission.

BEAUTY INNOVATIONS FOR A BETTER WORLD

Shiseido is strengthening its global initiatives in ESCG (environment, society, culture, and governance), which are aimed at solving social issues and creating a sustainable society where people can live in happiness.

In 2020, in response to the spread of COVID-19, we promptly launched the “Relay of Love Project.” Additionally, we implemented a variety of support initiatives, such as producing a hand sanitizer specially developed for sensitive and rough skin and distributing it to medical institutions around the world.

Beauty brings confidence and courage, joy and new energy to people. We believe that, in today’s difficult environment, beauty can help reinvigorate society. That now more than ever it has the power to change the world.

Aiming to “Be a Global Winner with Our Heritage,” we will research and develop beauty innovations that vigorously build new value. With this mission in mind, we will continue to make steadfast progress towards our goal as One Shiseido.

WE LOOK FORWARD TO THE CONTINUED SUPPORT OF OUR SHAREHOLDERS AND INVESTORS.

May 2020

Masahiko Uotani
Representative Director, President and CEO

THE SHISEIDO PHILOSOPHY

OUR DNA

PEOPLE FIRST

ART & SCIENCE

UNCOMPROMISING QUALITY

DIVERSITY

JAPANESE AESTHETICS

OMOTENASHI

OUR PRINCIPLES

THINK BIG

HANDS ON

BE OPEN

BE ACCOUNTABLE

TAKE RISKS

COLLABORATE

ACT WITH INTEGRITY

APPLAUD SUCCESS

Message from the CEO

Beauty Has the Power to Change the World

Masahiko Uotani
Representative Director, President and CEO

First of all, I would like to extend my heartfelt condolences to the families of the victims of COVID-19, and to express my warmest sympathy to all those who have found themselves in difficult circumstances because of this pandemic.

In 2019, Shiseido achieved robust growth despite an increasingly uncertain business environment: Continuing the trend of the previous year, our net sales, operating profit, and net profit reached record highs. Our operating margin climbed to 10.1%, hitting double digits for the first time. Our prestige brands, which we have been intensely focusing on, drove growth. In addition, we acquired the American skincare brand Drunk Elephant and worked at strengthening the global presence of our Japanese brands ELIXIR and ANESSA.

Crisis as a Transformation Opportunity

The impact of COVID-19 will most likely reverberate beyond 2020, reshaping consumer behavior and the entire beauty industry. Shiseido needs to swiftly adapt to this new reality and evolve into an even stronger company with a potential for further expansion. To that end, we position 2020 as a year to “Defend Business and Review Medium-Term Strategy” while in 2021-2022 we will concentrate our efforts on “Fundamental Reforms” in order to realize our VISION for 2023 and beyond with a resilient revenue base and a solid foundation for growth.

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We look forward to the continued support of our shareholders and investors.

May 2020

Masahiko Uotani
Representative Director, President and CEO
Facts & Figures

Net Sales
¥1,131.5 billion
YoY +3.4%
FX-neutral +5.7%
Like-for-like +6.8%

Consolidated net sales grew steadily, up 3.4% year on year (or 6.8% like-for-like), driven predominantly by prestige brands, in which the Company continued to step up investments.

Operating Profit
¥113.8 billion
YoY +5.1%

Although the Company increased investments in marketing, R&D, and human resources, consolidated operating profit rose 5.1% due to higher margins accompanying growth in sales.

Operating Margin
10.1%
YoY +0.2 percentage point

The consolidated operating margin reached double digits for the first time ever, standing at 10.1%, allowing the Company to achieve its original target of 10% under the medium-to-long-term strategy VISION 2020 one year ahead of schedule.

ROIC
12.9%
FY2018 13.1%

Although ROIC weakened slightly due to an increase in interest-bearing debt that accompanied business acquisitions, ROIC came to 12.9%, reflecting an improvement in capital efficiency. As a result, the Company achieved its original VISION 2020 target ahead of schedule for two consecutive years.

ROE
15.6%
FY2018 14.1%

Employees** / Nationalities Employed**
Approx. 48,000
(Approx. 70

Countries and Regions Served

Position amongst Japan and Asia Cosmetics Manufacturers

No.1

Percentage of Female Leaders**
52.7%

Employees** / Nationalities Employed**
Approx. 48,000
(Approx. 70

Awards Received at IFSCC* Congresses and Conferences**

27

Introducing IFSCC Research Awards

¥1,131.5 billion
YoY +3.4%
FX-neutral +5.7%
Like-for-like +6.8%

Although the Company increased investments in marketing, R&D, and human resources, consolidated operating profit rose 5.1% due to higher margins accompanying growth in sales.

* The Shiseido Group has revised its reportable segment classification method in line with its amended internal management structure, effective from fiscal 2019. Shiseido Beauty Salon Co., Ltd., formerly included in the Professional Business, is now positioned in the Other segment. Shiseido Astech Co., Ltd. and Hanatsubaki Factory Co., Ltd., which previously fell under the Japan Business, are now included in the Other segment. Effective from the third quarter of fiscal 2018, IPSA Co., Ltd., which had been included in the Japan Business, was moved to the Other segment in accordance with the change in the Group's internal management structure.

** The number of employees includes full-time employees and temporary employees. Temporary employees include part-time workers. Dispatched employees are excluded.

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** Abbreviation for the International Federation of Societies of Cosmetic Chemists. The IFSCC is an organization that brings together cosmetic chemists from around the world in pursuit of cosmetic technology development that achieves greater functionality and safety.

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** As of December 2019
Business Categories and Brands

**Cosmetics**
Mid- and low-priced cosmetics that consumers select themselves, primarily sold in drugstores and general merchandise stores. Counseling tailored to market, brand and channel characteristics also offered as needed

**Prestige**
Luxury, high-value-added products sold through counseling, mainly in department stores and specialty stores

- **Share of Total Sales**: 46%
- **YoY Sales Growth**: +10%

**Fragrance**
Luxury fragrances created through collaborations with famous designers

- **Share of Total Sales**: 10%
- **YoY Sales Growth**: +9%

**Personal Care**
Low-priced skincare products, shampoo and other hair care products, as well as body care products, primarily sold in drugstores and general merchandise stores

**Professional**
Hair and styling products, hair color products, perm products, and other products for hair salons

**Main Regions of Availability**
- Japan
- China
- Asia Pacific
- Americas
- EMEA
- Travel Retail

Shiseido  |  Annual Report 2019

See also the Messages from Brand Heads of the major brands.

> Messages from Brand Heads
Business Strategy

The global spread of COVID-19 is causing a decline in consumption and changes in consumer purchasing behavior. Business economic activities are stagnating, and the environment differs considerably from our initial expectations. Going forward, business results may fluctuate significantly depending on the viral spread and regulatory measures taken by each country. It is therefore difficult to forecast the timing of recovery and the amount of impact on the Group’s results.

Given such circumstances, the Company has withdrawn its consolidated forecast for FY2020 on May 12, 2020. We will provide a new forecast at the time of the second quarter results announcement (planned for August 6, 2020).

Prestige Brands Continue to Drive Growth

Accounting for nearly half of our consolidated net sales, prestige brands continue to act as a significant growth driver for our global business. Among these, brand SHISEIDO is offered in 85 countries and regions around the world and has grown into an over ¥200 billion brand. In addition, sales of our made-in-Japan cosmetics brands ELIXIR and ANESSA have continued to grow dramatically, particularly in Asia.

We will pursue further growth of our core brands through greater investments in marketing.

Delivering Steady Results in China, EMEA, and Travel Retail Businesses

In the Japan Business, amid reluctant consumer spending after the consumption tax hike and sluggish inbound demand, we continued to focus on our “skin trinity” of skincare, base makeup, and sun care. In the China Business, prestige brands and made-in-Japan cosmetics brands such as ELIXIR and ANESSA continued to perform remarkably despite the difficult situation in the Hong Kong market. The Travel Retail Business, meanwhile, continued to grow mainly in Asia, owing to active investments in marketing.

Overview of the Three-Year Plan

2018 – 2020 Five Key Strategies:

1. Further Selection and Concentration of Brands and Businesses
2. Acceleration of Digitalization / New Business Development
3. New Value Creation through Innovation
4. Talent and Organization Development to Be a Global Winner: “PEOPLE FIRST”
5. New Global Management Structure

achieving record-high net sales, operating profit, and net profit

2019 Results

<table>
<thead>
<tr>
<th></th>
<th>(Billions of yen)</th>
<th>YOY change</th>
<th>Like-for-like*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales</td>
<td>1,131.5</td>
<td>+3.4%</td>
<td>+6.8%</td>
</tr>
<tr>
<td>Operating Profit</td>
<td>113.8</td>
<td>+5.1%</td>
<td></td>
</tr>
<tr>
<td>Operating Margin</td>
<td>10.1%</td>
<td>0.2%</td>
<td></td>
</tr>
<tr>
<td>Ordinary Profit</td>
<td>108.7</td>
<td>-0.7%</td>
<td></td>
</tr>
<tr>
<td>Extraordinary Income (Gains)</td>
<td>-3.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Profit Attributable to Owners of Parent</td>
<td>73.6</td>
<td>+19.8%</td>
<td></td>
</tr>
</tbody>
</table>

* Excluding the impact of foreign currency exchange and the application of U.S. accounting standard ASC 606 in 2019

Regarding our consolidated business performance in 2019, despite the drastic changes and rising uncertainty in our business environment, net sales rose 3.4% year-on-year (6.8% like-for-like*), to ¥1,131.5 billion, driven by the growth of the prestige business, where we stepped up investments. Operating profit increased 5.1%, to ¥113.8 billion, and we achieved our target operating margin of more than 10% ahead of the schedule established at the start of our medium-to-long-term strategy VISION 2020. Net profit attributable to owners of parent surged 19.8%, to ¥73.6 billion, on the back of higher operating profit and reduced tax expenses, resulting in record-high net sales, operating profit, and net profit.
Regional Strategy

Since 2016, we have had in place a matrix organization that cross-matches six regions with brand categories. The regional headquarters are responsible for and have authority over their respective businesses. Guided by a “Think Global, Act Local” approach, these headquarters implement flexible decision-making and marketing activities attuned to the needs of local consumers.

At our Centers of Excellence, which contribute to future value creation, we collect information from regions that lead the way in each domain, conduct research, and formulate global strategies accordingly. For example, Japan hosts the Center of Excellence for skincare; the Americas, for makeup and digital technology; and EMEA, for fragrances. Moreover, we share the knowledge obtained at each Center of Excellence globally.

Region x Brand Global Matrix Organization

Enhancement of Brand Portfolio

In 2019, Shiseido concluded a long-term beauty partnership agreement for the distribution of Tory Burch, an American lifestyle brand, and acquired the American skincare brand Drunk Elephant.

Following changes in the competitive environment and diversifying consumer needs around the globe, brand value is becoming more important than ever. Accordingly, we are working to enhance our brand portfolio through such means as M&A and global brand development.

Drunk Elephant Skincare Brand

In 2019, we acquired the Drunk Elephant skincare brand, which is realizing rapid growth in the U.S.

Drunk Elephant boasts a tremendous presence in the clean market in the U.S., which emphasizes products that are good for both people and the environment. Furthermore, by capturing the changing values of a diverse group of consumers, including Millennials and Generation Z*, Drunk Elephant garners a high level of support through close personal communication with consumers by the brand’s founder Tiffany Masterson as well as through digital marketing that leverages social media.

We will further enhance our brand portfolio with the addition of Drunk Elephant, which has exceeded sales of ¥10 billion in just seven years in the market and demonstrates a strong potential for growth. This acquisition will also help us fortify our earnings structure in the Americas Business, and we will utilize our cross-border network to expand this brand into global markets.

* A generation born in the second half of the 1990s and the 2000s. In addition to being known as “digital natives,” this generation has a strong interest in environmental and social issues.

Tory Burch Lifestyle Brand

We concluded a long-term beauty partnership agreement with Tory Burch through Shiseido Americas Corporation, our headquarters for the Americas region. By doing so, we have acquired an exclusive license to globally develop, produce, market, and sell Tory Burch beauty products, which center on fragrances. Sales by Shiseido will commence in 2020.

Tory Burch is an American lifestyle brand that embodies the aesthetic and personal style of its executive chairman and chief creative officer of the same name, who launched the company in 2004. Tory Burch offers a wide range of products, including clothes, shoes, and handbags, at over 250 boutiques and over 3,000 department stores around the world, as well as through its official online store.

By adding Tory Burch to our prestige brands, we will not only enhance our brand portfolio, but also strengthen our fragrance business in the U.S. Furthermore, with this partnership we will aim to expand our consumer contact points in Japan, other countries in Asia, and in the Middle East, where Tory Burch has a high level of brand recognition.

Strengthening ELIXIR and ANESSA as Global Brands

The skincare brand ELIXIR and sun care brand ANESSA have enjoyed high demand from consumers, primarily in Japan, for many years, thus realizing continuous sales growth. Going forward, we will accelerate the expansion of these brands into the Asia Pacific, EMEA, and Americas regions and turn them into truly global brands originating in Japan.
Regional Strategy

Japan Business
Driving the Growth of the Group through Stable Profit Generation

2019 Review
The cosmetics market in Japan grew at an annual rate of about 1% resulting from the consumption tax hike and stagnating demand from inbound tourists. Our net sales in the Japan Business rose 0.7% like-for-like*, on par with the overall cosmetics market. For brand SHISEIDO, the serum Ultimune and foundation products performed well, resulting in a significant increase in sales. Furthermore, Happi and program achieved robust performances with the launch of "Medicated Care-Hybrid Foundation" products, which condition the skin while promoting a more beautiful complexion and finish.

Key Strategies
As a global beauty company originating in Japan, we will strive to once again bolster the Japan Business.

1* Excluding the impact of business withdrawals

China Business
Accelerating Sales and Profit Growth through Made-in-Japan Brands

2019 Review
Demand for beauty products in China overall continued to be high. We maintained high sales growth for prestige brands such as SHISEIDO, Cle de Peau Beauté, IPSA, and NARS. The made-in-Japan cosmetics ELIXIR and ANESSA also realized significant growth. In addition, we achieved substantial growth in e-commerce sales channels due to proactive digital marketing. In particular, we maintained high-level sales of ANESSA and ELIXIR, which got off to a strong start. Going forward, we will step up efforts to roll out Cle de Peau Beauté across Europe.

Key Strategies
To secure a high level of sales growth, we will concentrate investments primarily on prestige brands such as SHISEIDO and Cle de Peau Beauté as well as on the made-in-Japan brands ELIXIR and ANESSA. Also, while enhancing our offline channels, we will strengthen our digital marketing activities and further reinforce e-commerce.

Asia Pacific Business
Maintaining Solid Performance of Prestige Brands and Expanding Growth in Southeast Asia

2019 Review
Amid an uncertain economic environment, Shiseido’s prestige brands Laura Mercier and Cle de Peau Beauté continued solid performances. In addition, ELIXIR, ANESSA, and Dolce&Gabbana recorded significant growth. Although we faced challenging conditions in South Korea, performance in Southeast Asia held firm owing to the expansion of free-standing stores. We also achieved robust growth in cosmetics sales. Furthermore, the expansion of high-end stores and the launch of new products contributed to significant growth.

Key Strategies
We will work to strengthen our prestige brands as well as made-in-Japan cosmetics and personal care brands. In terms of prestige brands, we will further expand sales channels such as free-standing stores and e-commerce.

Travel Retail Business
Driving Growth in Asia and Maintaining High Profits

2019 Review
Travel Retail enjoyed a growing market centered on Asia following an increase in tourism. In line with this growth, Shiseido actively promoted marketing investments, particularly in airport advertising around the world. As a result, sales growth of core brands such as SHISEIDO, Cle de Peau Beauté, NARS, and ANESSA significantly outpaced that of the previous fiscal year, primarily in South Korea, China, Thailand, and other Asian countries and regions. In addition, with a view to further accelerating sales growth, we expanded the availability of IPSA and ELIXIR and worked to strategically reinforce store counters. As a result, net sales in the Travel Retail Business exceeded ¥100 billion.

Key Strategies
We will continue to pursue proactive marketing investments in-order to further strengthen our market position in the global prestige category. Additionally, in 2020 we integrated our duty-free operations in Japan into the Travel Retail Business to create a unified global framework. We will aim to achieve further growth by strengthening marketing activities for tourists through digital communication, establishing stronger partnerships with major operators, and bolstering our in-store service capabilities.

Americas Business
Continued Initiatives to Improve Profitability amidst Challenging Market Conditions

2019 Review
Although market conditions remained challenging, primarily in makeup, sales of SHISEIDO and Dolce&Gabbana continued to grow. For bareMinerals, we continued to move forward with structural reforms, including the closing of unprofitable boutiques. Additionally, we made efforts to fortify our brand portfolio in such ways as concluding a licensing agreement with Tory Burch, an American lifestyle brand, and acquiring Drunk Elephant, a fast-growing prestige skincare brand centered on the U.S. market.

Key Strategies
We will continue to reinforce the makeup brands NARS and Laura Mercier and accelerate the growth of the skincare brands SHISEIDO and Cle de Peau Beauté. For bareMinerals, we will remain committed to pursuing structural reforms while promoting a further shift toward digital.

2* Excluding the impact from application of U.S. accounting standard ASC 606 and the acquisition of skincare brand Drunk Elephant

EMEA Business
Striving to Expand Growth and Steadily Improve Profits

2019 Review
Fragrance brands such as Dolce&Gabbana and narciso rodriguez helped drive growth in the EMEA Business, with new products recording robust sales. Additionally, SHISEIDO makeup performed favorably, and NARS continued to grow. In October 2019, we opened a dedicated Cle de Peau Beaute boutique in London, which got off to a solid start. Going forward, we will step up efforts to roll out Cle de Peau Beaute across Europe.

Key Strategies
We will continue to invest in fragrance brands that are driving growth, such as Dolce&Gabbana and narciso rodriguez. Furthermore, we will focus on the cultivation of skincare brands, our area of strength, such as SHISEIDO and Cle de Peau Beaute.

Key Strategies
We will continue to pursue proactive marketing investments in order to further strengthen our market position in the global prestige category. Additionally, in 2020 we integrated our duty-free operations in Japan into the Travel Retail Business to create a unified global framework. We will aim to achieve further growth by strengthening marketing activities for tourists through digital communication, establishing stronger partnerships with major operators, and bolstering our in-store service capabilities.
Financial Strategy

Message from the CFO

Strengthening Our Real-Time Business Analytics Capabilities on a Global Scale to Further Enhance Decision-Making

Michael Coombs
Corporate Officer
Chief Financial Officer

In 2019, Shiseido was able to realize record-highs for net sales, operating profit, and net profit. In 2020, the final year of VISION 2020, we will push forward with our business activities while keeping a sharp focus on the future under the tough market conditions.

As I commence my second year as CFO with Shiseido, I will leverage the realizations I have made over the past year to further improve our business operations. Strengthening Shiseido’s real-time business analytics capabilities on a consolidated basis is one of the key priorities for my team in 2020. Our newly-established Business Transformation team is driving the design and gradual implementation of a globally shared IT platform. I can say with confidence that this new global platform, known as FOCUS, is a best-in-class system that offers standardized data and optimized processes. While having such capabilities is not necessarily a competitive advantage in today’s environment, the absence of advanced, real-time business analytics can be an impediment to reaching our next milestone if not addressed with urgency.

Outstanding people, processes and systems are all key enablers of our success and are critical to raising Shiseido’s overall performance and profitability to a level comparable with or ahead of our global peers. In order to promote our businesses at a speed that matches that of the changes in the business environment, we will become a data-enabled organization that is able to grasp global conditions in real time and accurately analyze data.

While forging ahead with FOCUS, we must remain conscious of the need to have a world-class team of finance professionals. With the aim of achieving an industry-leading cost structure, Shiseido is working to optimize its balance sheet, ensure disciplined cash allocation, and manage and improve its financial metrics. In 2020, we will continue to make the utmost effort to increase shareholder value.

Michael Coombs
Corporate Officer
Chief Financial Officer

Unlocking Value across Our Business
Major System Transformation Under Way

We established our new Business Transformation Department in 2019 and are proceeding with the development of a globally standardized IT platform called FOCUS. This platform will allow us to pursue shorter order lead times, a more refined demand-forecasting process, and higher marketing ROI.

In addition to reengineering and innovating our IT systems, FOCUS will help us change all of our processes at Shiseido by merging together various personnel, processes, and systems with the intent of realizing our long-term target operating margin of 15% and sustainable growth in the future. Through FOCUS, we will fine-tune our ability to create value in all of our business.

Improving Capital Efficiency

- Discount and pricing optimization, portfolio rationalization, focused marketing capability and BI investment
- Optimized demand-forecasting processes
- Reduced order lead times
- Inventory visibility, minimizing out-of-stocks
- Global Direct Procurement
- Outsourcing of production
- Increased marketing productivity, enabled by data and analytics
- Efficient product lifecycle management
- Optimized and simplified back-office processes
- Lower technology costs
- Improved headcount efficiency
- Optimized third-party spend from better visibility

We will become a data-enabled organization that is able to grasp global conditions in real time and accurately analyze data.

In 2019, return on invested capital (ROIC) came to 12.9%, exceeding its VISION 2020 original target of 12% but representing a slight decline from the previous fiscal year due to the higher interest-bearing debt incurred from business acquisitions. Return on equity (ROE) was 15.6%, thereby also surpassing its VISION 2020 original target of 14%. As a result, both ROIC and ROE reached their targets ahead of schedule.

Meanwhile, we recorded a cash conversion cycle (CCC) of 149 days, which was longer than that of the previous fiscal year, owing to an increase in inventory. We will continue to do our utmost to establish a flexible production and supply capacity and achieve greater precision in our demand forecasts as we target a CCC of 100 days.
Achieving Steady Growth in the Americas and EMEA

Shiseido is placing its highest priority on maximizing profits by maintaining sales growth. Our marketing ROI has improved thanks to our efforts in optimizing costs according to shifts in the market environment and shifting investments toward digital marketing, in addition to continuous strategic investments in core brands. In 2019, the cost of sales ratio expanded primarily due to a rise in inventory and costs associated with the construction of our Naui Factory, while the proportion of costs accounted for by other SG&A expenses also climbed owing to an increase in logistics costs, among other factors.

With our sights set on achieving further growth in net sales and profitability, we will continue to step up our investments in priority areas such as marketing, brands, and research and innovation, and move forward with cost-control measures.

Aggressive Investment for Sustainable Growth

We solidified the ability to generate cash throughout our businesses and realized a record-high EBITDA of ¥169.3 billion in 2019. In addition, we aggressively carried out investments with the goal of realizing long-term growth, such as through capital expenditures to boost our production capacity and the acquisition of U.S. skincare brand Drunk Elephant. At the same time, we have been gradually reducing strategic shareholdings to ensure more efficient use of capital, pursuant to the Corporate Governance Code. Going forward, based on a strict approach to cash allocation, we will continue to expand our cash generation capacity while stepping up investments geared toward sustainable growth, including investments to strengthen our supply structure, which has been an issue, and to promote the standardization of our IT systems on a global basis.

Shareholder Return Policy

Realization of Total Returns Comprising Direct Income Gain and Medium-to-Long-Term Capital Gain

To ensure that we maintain a single-A credit rating, which allows us to raise funds under advantageous terms, we target a debt-to-equity ratio of 0.3 and an interest-bearing debt to EBITDA ratio of 1.0. While doing so, we implement financing activities that support future growth in a timely manner using optimal methods taking into account the market environment and other factors. However, to realize an optimal capital structure that enables the pursuit of further improvements to capital efficiency, we may periodically revise these targets, as well as our shareholder return policy, in consideration of profitability and our ability to generate cash flows.

In regard to the Company’s shareholder return policy, we aim for total returns that comprise direct income gain and medium-to-long-term capital gain. Based on this approach, we will emphasize strategic investments toward sustainable growth and aim to maximize corporate value. Meanwhile, we intend to adopt a basic approach of enhancing invested capital efficiency while considering the cost of capital, in order to increase dividends and share price over the medium-to-long term. In determining dividends, we will focus on our consolidated business results and free cash flow as we work to realize stable and continuous shareholder returns over the long term that target a DOE (dividend on equity) ratio of 2.5% or higher. Also, we maintain an approach of flexibly buying back shares with consideration for the market environment.
"Sustainable Beauty Initiative" Realizing a Better World

Jun Aoki
Executive Corporate Officer
Chief Social Value Creation Officer

Since its founding in 1872, Shiseido has pursued unprecedented new value and worked to deliver it across society. The establishment of Japan’s first Western-style private pharmacy, the introduction of the soda fountain, and the creation of the cosmetics business are all examples of how Shiseido has incorporated Western lifestyle practices and culture into Japanese society to realize new value. The name “Shiseido” comes from a passage in the ancient Chinese divination text Yi Jing. The passage reads, “Praise the virtues of the earth, which nurtures new life and brings forth significant value.” We have always felt that our ongoing business activities are only possible thanks to the abundance of nature and the sustainability of the environment. To that end, we firmly believe that our business activities must place importance on the creation of social value, in addition to economic value. We also believe that a sustainable society is a prerequisite for sustainable business. Guided by these beliefs, we are engaging in a broad range of activities to create a virtuous cycle for a better society.

This virtuous cycle is put into motion by our corporate mission, BEAUTY INNOVATIONS FOR A BETTER WORLD. Our sustainability strategy centers on ESG. “ESG” stands for “environment,” “society,” and “corporate governance” and is a concept on which modern society places value, while “C” represents “culture,” a unique strength of Shiseido. Accordingly, we are working to promote the Sustainable Beauty Initiative, which aims to realize a better world, and have defined the following key areas that require our attention as a beauty company. See page 19 for the goals and specific strategies in each area.

Positioning these efforts as important elements of its ESG management, Shiseido will strive to remain vital for the next 100 years and be the world’s most trusted beauty company.

Shiseido’s Material Issues

As a framework for creating social value unique to a beauty company, we defined the Shiseido Group’s material issues in April 2019 based on interviews and discussions with our stakeholders.

Categorizing issues taking into consideration their impact on our stakeholders (consumers, business partners, employees, shareholders, and society and the earth) and their impact on the Company’s businesses, we established an order of priority and selected 18 material issues. In addition, we revised our definition of social value from the perspectives of the environment, society, and culture. The details and positioning of each mapped issue are reviewed as necessary through discussions by the dedicated management board called the Sustainability Committee, etc.

The Shiseido Group’s Materiality Map

Strategies Adopted by Shiseido and Corresponding SDGs

We promote the Sustainable Beauty Initiative and contribute to the achievement of the Sustainable Development Goals.

Clean Environment
Striving for the ideal of a global environment that supports lives of vibrancy.

In regard to environmental areas, we are focusing efforts on establishing targets and timelines for reducing our environmental footprint, such as CO₂ emissions, palm oil, paper, and water resources, as we aim to achieve further sustainable growth. For climate change, in particular, we expressed our support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in April 2019. In addition, we are strengthening initiatives such as reducing marine pollution through the development of eco-friendly packaging. Also, we continue to protect people's skin and bodies from the damage of UV rays by leveraging our sunscreen technologies, which have garnered high praise.

Respectful Society
Advancing a society that embraces diversity through respect, and supports lives of beauty.

For social areas, President Masahiko Uotani has been appointed as the inaugural chair of the 30% Club Japan, a chapter aiming to boost female representation on company boards. We are working together with other companies in Japan to resolve issues that impede the empowerment of women. Globally, we will expand activities to empower senior citizens and those with serious concerns about their skin and appearance, including changes in skin color caused by the side effects of cancer treatment, through the power of beauty.

Enriched Culture
Creating new value to enrich culture by transforming beauty.

In areas related to culture, we will pass on our long-cultivated corporate culture and DNA to future Group employees, as we strengthen our unity through shared value and evoke our power to innovate that has enabled us to constantly transform in response to changing times. By doing so, we will explore and discover new aesthetic sensibilities and create new value through collaboration with our businesses.
Shiseido has consistently pursued research & innovation activities on the latest technologies. Going forward, in addition to leveraging its long-cultivated cosmetic technologies that prioritize safety, Shiseido will continue to offer products with value exceeding that of conventional cosmetics. By doing so, we will realize Beauty Innovations that lead to new lifestyles for people around the world.

**Strengths Cultivated Over Our 100-Year History**

Since establishing the Testing Room in 1916, which handled product development and improvement, Shiseido has promoted research & innovation activities that combine Eastern and Western science with a focus on beauty. Throughout this history, we have cultivated three core strengths that cannot be easily imitated by our competitors.

The first strength is safety. We endeavor to research, develop, and manufacture products and services that truly satisfy our consumers and offer outstanding levels of safety, always with the consumer in mind. In addition to laws and regulations, we adhere to strict, independent safety standards to offer products that guarantee safety without compromise.

Another strength is our holistic anti-aging care technologies that focus substantially on inner beauty. For many years, we have been engaging in research based on Western science in a quest to clarify the cause-and-effect relationship between the inner body and skin, a relationship that closely pertains to the concepts of Eastern medicine. This kind of approach, which combines Eastern and Western ideas, has engendered safety partners to reinforce the supply chain and improve our product supply capabilities in the market. Furthermore, we believe that, in the ever-changing market environment, the ability to build an agile supply structure will be of crucial importance going forward. To that end, while precisely capturing the needs of consumers around the world, we will strengthen collaboration with our business partners, build a supply structure that is fast and flexible, and evolve our supply chain into a supply network.

**Shiseido’s Supply Network**

We have four strengths in our supply network.

- **Customer orientation**
- **Agility to market opportunities**
- **Implementation of production and logistics strategies**
- **Personalized services**
- **Cost & CashInnovation**

Our inovation strategy going forward will focus on the following three points. The first is engaging in thorough R&D activities focused on consumers to spur innovation. This will be done by leveraging the special features of the GIC, which is located in a major urban area, to promote co-creation initiatives and understand the latent needs of consumers regarding beauty.

The next point of our innovation strategy is to provide products and services that contribute to a sustainable society in order to deliver the true value of beauty. This will be realized through unique technological development and external collaboration, including in terms of developing packaging with minimal environmental impact, procuring eco-friendly raw materials, and developing new formulas.

The final point is the promotion of open innovation and the development of new products and services realized through such innovation. To create synergistic effects by combining our core strengths of safety, holistic anti-aging care technologies, and sensibilities with the insight and technologies of external organizations, we will take on challenges in new domains.

Additionally, we will focus on integrating digital technologies with the research we conduct at the GIC in order to respond to the personalization demand, which is expected to grow even further going forward.

We ask that you continue to look forward to the research & innovation activities of Shiseido as we work to realize BEAUTY INNOVATIONS FOR A BETTER WORLD.
Corporate Governance

Features of Shiseido’s Corporate Governance

Shiseido’s basic policy on corporate governance defines governance as the “platform to realize sustainable growth by fulfilling the corporate mission.” We strive to maximize medium-to-long-term corporate and shareholder value by implementing and reinforcing corporate governance to maintain and improve management transparency, fairness, and speed, and through dialogue with all stakeholders, from consumers, business partners, employees, and shareholders to society and the earth. At the same time, by fulfilling its responsibilities as a public entity of society, Shiseido works to optimize the value it delivers to respective stakeholders.

Shiseido’s Governance in Numbers

Directors and Audit & Supervisory Board Members

Career Summaries

Skills and Expertise Required of Directors and Audit & Supervisory Board Members

Given that the Company requires directors and Audit & Supervisory Board members to supervise business execution and conduct decision-making on critical matters, it selects candidates based on their personality and insight, regardless of attributes such as gender, age, and nationality, as they must possess various viewpoints and backgrounds, in addition to diverse and sophisticated skills.
Corporate Governance

Executive Remuneration—A Remuneration System That Strikes a Balance between Short-Term and Long-Term Incentives

The Company regards the remuneration policy for directors, Audit & Supervisory Board members, and corporate officers as a matter of the utmost importance for corporate governance. Remuneration for directors and corporate officers comprises basic remuneration and performance-linked remuneration. The Company sets appropriate executive remuneration levels by making comparisons with those of companies in the same industry or of the same scale in Japan and overseas, taking the Company's financial condition into consideration.

**Composition of Executive Remuneration**

<table>
<thead>
<tr>
<th>Basic Remuneration</th>
<th>Annual Bonus</th>
<th>Long-Term Incentive</th>
</tr>
</thead>
<tbody>
<tr>
<td>46–64%</td>
<td>18–27%</td>
<td>18–27%</td>
</tr>
</tbody>
</table>

The Company designs remuneration level in accordance with role grades based on the level of responsibility of each director and corporate officer and the size of the impact on business management of the Group.

**Key Points of the Remuneration System**

- Comprises basic remuneration, which is offered as fixed remuneration, and annual bonuses and long-term incentives, which are offered as performance-linked remuneration.
- Introduces a role grade system designed so that the higher the role grade the greater the ratio of the performance-linked component of remuneration.
- Deems the achievement of performance targets in a single fiscal year and in the medium-to-long term to be of equal importance and sets performance indicators for annual bonuses and long-term incentives consistent with their respective objectives. The Company has designed performance indicators to motivate directors and corporate officers to realize growth over not only a single fiscal year but also the medium-to-long term.
- With particular emphasis on long-term incentives, sets indicators that can evaluate performance from the perspectives of both economic and social value, in order to maintain and improve corporate value.

**Shiseido’s Long-Term Incentive Plan for Motivating Management to Promote Growth over the Medium-to-Long Term**

**Aim of Introducing the Long-Term Incentive Plan**

To establish effective incentives for creating and maintaining long-term corporate value and foster an awareness of the common interests we have with our shareholders, we have introduced performance share units, a type of performance-linked stock remuneration.

**Performance Evaluation Indicators for the Long-Term Incentive Plan**

The Company has set the long-term targets of net sales of ¥2 trillion and operating profit of ¥300 billion and recognizes that continuous and constant growth in sales and profits is necessary to achieve these targets. For this reason, we have established compound average growth rate (CAGR) as a performance indicator to improve economic value. We have also set internal and external performance indicators to improve and advance performance continuously from an ESG perspective, and we use these indicators as a mechanism for evaluating performance over a three-year period.

Furthermore, we have added consolidated return on earnings (ROE), an important indicator for shareholders, as a performance indicator for determining the payment rate threshold. If performance falls below the threshold, the Company does not pay the performance-linked component. Through these measures, we will ensure profits above a certain level while implementing investments for growth and robust decision-making. We also expect these measures to further heighten awareness among directors and corporate officers of the common interests we have with our shareholders.

**Performance Share Units**

- Performance share units serve as a type of performance-linked stock remuneration whereby the Company allots a reference share unit to eligible parties and increases or decreases the number of units in accordance with the achievement rate for performance evaluation indicators during the evaluation period. The Company then pays to eligible parties shares of the Company’s stock or an equivalent monetary amount corresponding to the number of determined units. In this way, the system is suitable for fostering awareness of the Company’s share price and reflecting performance results in remuneration.

- The Company’s performance share units comprise two parts: a performance-linked component and a fixed payment component for the three-year performance evaluation period. As part of the performance-linked component, the Company pays shares after increasing or decreasing the number of reference share units in accordance with the compound average growth rate of both consolidated net sales and consolidated operating profit and with the achievement rates for ESG-related targets as a non-financial indicator. The fixed payment component is not linked to performance and is designed to foster an awareness of the common interests we have with our shareholders and secure and maintain superior personnel.

Shiseido’s Performance Share Units

- Number of reference share units
- Minimum number of shares paid
- Performance evaluation period
- Maximum number of shares paid
- Minimum number of allotted shares
- Fixed payment component

Share unit: units equivalent to shares after the evaluation period.
Notes: 1. The fiscal year ended December 31, 2015 is the nine months from April 1, 2015 to December 31, 2015 for Shiseido and its consolidated subsidiaries in Japan and the 12 months from January 1, 2015 to December 31, 2015 for all other subsidiaries. In this report, it is referred to as ‘the year ended December 2015’ in the text and as ‘2015/12’ in tables, charts, and graphs.

2. Amounts less than one million yen are omitted.

3. U.S. dollar amounts are converted from yen, for convenience only, at the rate of ¥106.54 = US$1 prevailing on December 31, 2019.

4. EBITDA (Earnings before interest, taxes, depreciation, and amortization) = Net income (loss) before income taxes + Interest expense + Depreciation and amortization expense + Impairment loss on goodwill and other intangible assets

5. Net profit (loss) per share (primary) is based on the average number of shares outstanding during the fiscal year. Net profit (loss) per share is calculated before dilution.

6. Return on invested capital = Operating profit / Invested capital*  
   * Invested capital = Operating profit × (1 – Tax rate*) / (Interest-bearing debt + Equity)

7. Interest-bearing debt ratio = Interest-bearing debt / Invested capital  
   * Interest-bearing debt is the average of the beginning and the ending balances.

8. Debt-equity ratio = Interest-bearing debt / Equity  
   * Equity = Shareholders’ equity + Non-controlling interests in consolidated subsidiaries

9. Interest-bearing debt ratio = Interest-bearing debt / Invested capital  
   * Invested capital = Operating profit × (1 – Tax rate*) / (Interest-bearing debt + Equity)

10. Cash Conversion Cycle (days) = Receivables turnover period (days) + Inventory turnover (days) – Payables turnover period (days)

11. Tax rate = Total income tax / Profit before income tax

12. The number of employees at year-end may include temporary employees.

13. The annual report includes our consolidated financial statements and the financial statements of our domestic and overseas subsidiaries. To conform with the IFRS, we have reclassified the current deferred taxes to non-current in the consolidated balance sheet as of December 31, 2016. We also applied the amendments made in ASU 2015-17 in our consolidated financial statements for the fiscal year ended March 31, 2013, accordingly.


15. From the fiscal year 2016, Shiseido has been recognizing payables associated with our foreign subsidiaries. For the fiscal year ended December 31, 2019, the interest-bearing debt ratio including these payables was 37.5 percent, the debt-equity ratio was 0.60, and interest-bearing debt was ¥298,475 million.

16. Effective from the fiscal year ended March 31, 2014, certain subsidiaries of the Shiseido Group retroactively adopted the new standard for Employee Benefits (AS 19) issued in November 2013, and changed the method for recognizing changes in our defined benefit obligation. The Shiseido Group applied this change prospectively and restated the consolidated financial statements for the fiscal year ended March 31, 2013, accordingly.

17. Effective from the fiscal year ended March 31, 2014, certain subsidiaries of the Shiseido Group retroactively adopted a new standard for Employee Benefits (AS 19, amended June 13, 2014) and changed the method for recognizing changes in our defined benefit obligation. The Shiseido Group applied this change retrospectively and restated the consolidated financial statements for the fiscal year ended March 31, 2013, accordingly.

18. From the fiscal year 2016, Shiseido has been recognizing payables associated with our domestic and overseas subsidiaries. For the fiscal year ended December 31, 2019, the interest-bearing debt ratio including these payables was 37.5 percent, the debt-equity ratio was 0.60, and interest-bearing debt was ¥298,475 million.

19. Dividends on preferred stock are omitted.

20. Dividends on equity = Return on equity × Payable ratio (Consolidated)

21. The number of employees at year-end may include temporary employees.

22. Shiseido Group subsidiaries in America formerly recognized free samples and promotional items associated with marketing activities in stores as assets when acquired and expensed them after shipped to customers. However, effective from the fiscal year ended March 31, 2012 these subsidiaries began to expense these items when acquired in order to conform with the Group’s accounting policies. As a result, the Shiseido Group retrospectively restated the consolidated financial statements for the fiscal year ended March 31, 2011, accordingly.

23. Effective from the fiscal year ended March 31, 2014, certain subsidiaries of the Shiseido Group retroactively adopted a new standard for Employee Benefits (AS 19, amended June 13, 2014) and changed the method for recognizing changes in our defined benefit obligation. The Shiseido Group applied this change retrospectively and restated the consolidated financial statements for the fiscal year ended March 31, 2013, accordingly.

24. Effective from the fiscal year ended March 31, 2014, certain subsidiaries of the Shiseido Group retroactively adopted a new standard for Employee Benefits (AS 19, amended June 13, 2014) and changed the method for recognizing changes in our defined benefit obligation. The Shiseido Group applied this change retrospectively and restated the consolidated financial statements for the fiscal year ended March 31, 2013, accordingly.
**Financial Highlights**

### Financial Value

#### Net Sales, Operating Profit, and Operating Margin

<table>
<thead>
<tr>
<th>Year Ended March 2015</th>
<th>Year Ended December 2015</th>
<th>Years Ended December 2017–2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Billions of yen)</td>
<td>(Billions of yen)</td>
<td>(Billions of yen)</td>
</tr>
<tr>
<td>Net sales by reportable segment</td>
<td>Net sales by reportable segment</td>
<td>Net sales by reportable segment</td>
</tr>
<tr>
<td>Professional Business</td>
<td>Americas Business</td>
<td>Japan Business</td>
</tr>
<tr>
<td>120.6</td>
<td>23.5</td>
<td>16.1</td>
</tr>
<tr>
<td>24.9</td>
<td>4.5</td>
<td>3.6</td>
</tr>
<tr>
<td>10.5</td>
<td>2.0</td>
<td>1.5</td>
</tr>
<tr>
<td>94.3</td>
<td>16.1</td>
<td>14.6</td>
</tr>
<tr>
<td>82.4</td>
<td>14.5</td>
<td>13.7</td>
</tr>
<tr>
<td>60.0</td>
<td>9.4</td>
<td>8.8</td>
</tr>
<tr>
<td>10.5</td>
<td>1.5</td>
<td>1.5</td>
</tr>
<tr>
<td>16.1</td>
<td>2.7</td>
<td>2.7</td>
</tr>
<tr>
<td>94.3</td>
<td>13.7</td>
<td>13.7</td>
</tr>
</tbody>
</table>

#### Net Profit (Loss) per Share and Return on Equity

<table>
<thead>
<tr>
<th>Year Ended March 2015</th>
<th>Year Ended December 2015</th>
<th>Years Ended December 2017–2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Yen)</td>
<td>(Yen)</td>
<td>(Yen)</td>
</tr>
<tr>
<td>8.8</td>
<td>1.5</td>
<td>1.5</td>
</tr>
<tr>
<td>13.7</td>
<td>2.7</td>
<td>2.7</td>
</tr>
<tr>
<td>21.6</td>
<td>3.6</td>
<td>3.6</td>
</tr>
</tbody>
</table>

#### EBITDA* and Free Cash Flow

<table>
<thead>
<tr>
<th>Year Ended March 2015</th>
<th>Year Ended December 2015</th>
<th>Years Ended December 2017–2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Billions of yen)</td>
<td>(Billions of yen)</td>
<td>(Billions of yen)</td>
</tr>
<tr>
<td>EBITDA</td>
<td>Free cash flow</td>
<td>Cash flows from investing activities</td>
</tr>
<tr>
<td>218.1</td>
<td>248.1</td>
<td>248.1</td>
</tr>
<tr>
<td>33.3</td>
<td>40.0</td>
<td>40.0</td>
</tr>
</tbody>
</table>

#### Net Sales by Reportable Segment

<table>
<thead>
<tr>
<th>Year Ended March 2015</th>
<th>Year Ended December 2015</th>
<th>Years Ended December 2017–2019</th>
</tr>
</thead>
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<tr>
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<td>23.5</td>
<td>16.1</td>
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<tr>
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<td>2.7</td>
<td>2.7</td>
</tr>
<tr>
<td>94.3</td>
<td>13.7</td>
<td>13.7</td>
</tr>
</tbody>
</table>

### Operating Margin by Reportable Segment

<table>
<thead>
<tr>
<th>Year Ended March 2015</th>
<th>Year Ended December 2015</th>
<th>Years Ended December 2017–2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Professional Business</td>
<td>Americas Business</td>
<td>Japan Business</td>
</tr>
<tr>
<td>14.6</td>
<td>17.5</td>
<td>22.1</td>
</tr>
<tr>
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<td>6.8</td>
<td>7.8</td>
</tr>
<tr>
<td>8.8</td>
<td>11.1</td>
<td>12.3</td>
</tr>
<tr>
<td>5.8</td>
<td>6.8</td>
<td>7.8</td>
</tr>
</tbody>
</table>

**Shareholder Value**

### Shiseido Share Price and Nikkei Stock Average

<table>
<thead>
<tr>
<th>Year Ended March 2015</th>
<th>Year Ended December 2015</th>
<th>Years Ended December 2017–2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price earnings ratio (PER)</td>
<td>Price book value ratio (PBR)</td>
<td></td>
</tr>
<tr>
<td>(Times)</td>
<td>(Times)</td>
<td></td>
</tr>
<tr>
<td>2015/3</td>
<td>2015/12</td>
<td>2016/12</td>
</tr>
<tr>
<td>2017</td>
<td>2018</td>
<td>2019</td>
</tr>
<tr>
<td>27.5</td>
<td>29.3</td>
<td>27.5</td>
</tr>
<tr>
<td>2015/3</td>
<td>2015/12</td>
<td>2016/12</td>
</tr>
<tr>
<td>2017</td>
<td>2018</td>
<td>2019</td>
</tr>
<tr>
<td>2015/3</td>
<td>2015/12</td>
<td>2016/12</td>
</tr>
<tr>
<td>2017</td>
<td>2018</td>
<td>2019</td>
</tr>
<tr>
<td>2015/3</td>
<td>2015/12</td>
<td>2016/12</td>
</tr>
<tr>
<td>2017</td>
<td>2018</td>
<td>2019</td>
</tr>
</tbody>
</table>

### Cash Dividends per Share, Consolidated Payout Ratio and Dividend Yield

<table>
<thead>
<tr>
<th>Year Ended March 2015</th>
<th>Year Ended December 2015</th>
<th>Years Ended December 2017–2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Yen)</td>
<td>(Yen)</td>
<td>(Yen)</td>
</tr>
<tr>
<td>Cash dividends per share</td>
<td>Consolidated payout ratio</td>
<td>Dividend yield</td>
</tr>
<tr>
<td>2015/3</td>
<td>2015/12</td>
<td>2016/12</td>
</tr>
<tr>
<td>2017</td>
<td>2018</td>
<td>2019</td>
</tr>
<tr>
<td>2015/3</td>
<td>2015/12</td>
<td>2016/12</td>
</tr>
<tr>
<td>2017</td>
<td>2018</td>
<td>2019</td>
</tr>
</tbody>
</table>

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*1 The fiscal year ended December 31, 2015 is the nine months from April 1, 2015 to December 31, 2015 for Shiseido and its consolidated subsidiaries in Japan and the 13 months from January 1, 2015 to December 31, 2015 for all other subsidiaries.

*2 Net profit (loss) per share is calculated before dilution based on the average number of shares outstanding during the fiscal year.

*3 Price earnings ratio (PER) is calculated using current-year net income attributable to owners of parent for the year as the numerator and the average of the closing stock price at the beginning of the fiscal year and the end of the fiscal year as the denominator.

*4 Interest-bearing debt ratio = Interest-bearing debt / Invested capital

*5 EBITDA (Earnings before interest, tax, depreciation, and amortization) = Income (loss) before interest expense + Interest expense + Depreciation and amortization expense + Impairment loss on goodwill and other intangible assets

*6 Domestic Professional Division sales are included in the Global Business segment.

*7 Net sales by reportable segment represent sales to external customers only and do not include intersegment/interarea sales or transfers.

*8 Operating margin by reportable segment does not include intersegment/interarea sales or transfers.

*9 Operating margin by reportable segment is calculated before dilution based on the average number of shares outstanding during the fiscal year.

*10 Closing stock price at fiscal year-end

*11 Price earnings ratio = Closing stock price at fiscal year-end / Net profit per share

*12 Price book value ratio = Closing stock price at fiscal year-end / Net assets per share

*13 Dividend yield = Cash dividends per share / Closing stock price at fiscal year-end

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Shiseido | Annual Report 2019
Market Data

Beauty and Personal Care Market Scale by Country

Size of Cosmetics Market and CAGR 2015-19

<table>
<thead>
<tr>
<th>Region</th>
<th>Market Size (Millions of U.S. dollars)</th>
<th>CAGR (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global</td>
<td>13.0 trillion</td>
<td></td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>6.1 trillion</td>
<td></td>
</tr>
<tr>
<td>Americas</td>
<td>1.5 trillion</td>
<td></td>
</tr>
<tr>
<td>Europe</td>
<td>1.5 trillion</td>
<td></td>
</tr>
<tr>
<td>Japan</td>
<td>680 billion</td>
<td></td>
</tr>
<tr>
<td>China</td>
<td>15 trillion</td>
<td></td>
</tr>
<tr>
<td>India</td>
<td>1.2 trillion</td>
<td></td>
</tr>
<tr>
<td>Vietnam</td>
<td>700 million</td>
<td></td>
</tr>
</tbody>
</table>


Corporate and Investor Information (As of December 31, 2019)

Head Office
Shiseido Company, Limited
5-5, Ginza 7-chome, Chuo-ku
Tokyo 104-0061, Japan
Tel: +81-3-3572-5111

Founding
September 1872

Incorporation
June 1927

Capital
¥64,506 million

Number of Employees
40,000 (8,130)

Note: The number of employees shown denotes full-time employees. Annual average number of temporary employees is shown in parentheses. Temporary employees include part-time workers. Dispatched employees are excluded.

Fiscal Year-End
December 31

Investor Relations

Stock Listings
Common Stock: Tokyo Stock Exchange
(Code: 4911)

American Depositary Receipts:
U.S. Over-the-Counter (Code: SSDOY)

Accounting Auditors
KPMG AZSA LLC

Share Registrar
Sumitomo Mitsui Trust Bank, Limited

Principal Shareholders

<table>
<thead>
<tr>
<th>Shareholders</th>
<th>Number of shares held (Thousands)</th>
<th>Percentage of shareholding</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Master Trust Bank of Japan, Ltd. (Trust Account)</td>
<td>45,436</td>
<td>11.37</td>
</tr>
<tr>
<td>Japan Trustee Services Bank, Ltd. (Trust Account)</td>
<td>23,330</td>
<td>5.84</td>
</tr>
<tr>
<td>BRYN TREATY OTT 15</td>
<td>12,189</td>
<td>3.05</td>
</tr>
<tr>
<td>Mitsui Trust &amp; Banking Co., Ltd. re-trusted to Trust &amp; Custody Services Bank, Ltd Employees Pension Trust for Mitsui Bank</td>
<td>10,000</td>
<td>2.50</td>
</tr>
<tr>
<td>Japan Trustee Services Bank, Ltd. (Trust Account 7)</td>
<td>8,876</td>
<td>2.22</td>
</tr>
<tr>
<td>Japan Trustee Services Bank, Ltd. (Trust Account 5)</td>
<td>8,051</td>
<td>2.01</td>
</tr>
<tr>
<td>THE BANK OF NEW YORK 134104</td>
<td>7,537</td>
<td>1.88</td>
</tr>
<tr>
<td>SSBTC CLIENT OMNIBUS ACCOUNT</td>
<td>6,770</td>
<td>1.69</td>
</tr>
<tr>
<td>JP MORGAN CHASE BANK 385151</td>
<td>6,258</td>
<td>1.56</td>
</tr>
<tr>
<td>STATE STREET BANK WEST CLIENT - TREASURY 505234</td>
<td>6,228</td>
<td>1.55</td>
</tr>
</tbody>
</table>

Note: Calculations of percentage of shareholding are based on the total number of issued and outstanding shares excluding treasury stock.