2020 Q2 and First Half Results
(January – June)
and Full-Year Outlook

Michael Coombs

Chief Financial Officer

Shiseido Company, Limited

August 6, 2020

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.

2020 Q2 Executive Summary

Severely Impacted by COVID-19
Net Sales -32.6%[*1], Operating Profit -¥9.9 Bn, Net Profit -¥22.8 Bn

Net Sales: ¥190.9 Bn YoY change: -34.4%, FX-Neutral: -32.8%, Like-for-Like : -32.6%[*1]

- Bottomed out in April-May globally, but still largely affected
- China prestige recovered solidly to above pre-COVID-19 growth levels
- Growth in E-Commerce +40%[*2], despite a significant decline in offline sales

Operating Profit: -¥9.9 Bn, YoY change: -¥40.0 Bn

- Operating loss expanded, mainly in Japan (-¥22.0 Bn vs LY) and Americas (-¥11.0 Bn vs LY)
- Recovered 42%[*3]of gross profit decline through cost control

Extraordinary Income (Loss): -¥15.6 Bn, YoY change: -¥15.2 Bn

- COVID-19-related -¥14.8 Bn (employee-related expenses, rent and maintenance for shops and factories, etc.)

Tax Expenses: -¥4.8 Bn YoY change: -¥13.4 Bn

- Non-recoverability of deferred tax assets due to decline in taxable profit in Americas and EMEA

Net Profit Attributable to Owners of Parent: -¥22.8 Bn YoY change: -¥41.7 Bn

EBITDA: -¥10.2 Bn, YoY change: -¥53.6 Bn

*1. Like-for-like excluding the impacts of (1) the adoption of new revenue recognition standard, ASC 606 in the Americas, (2) advance sell-in related to the implementation of a new ERP system in the Americas in 2019 and (3) the acquisition of *Drunk Elephant*, etc. *2. Based on Shiseido consumer purchases
*3. Excluding the impact of reclassification to extraordinary loss on COVID-19 , etc.

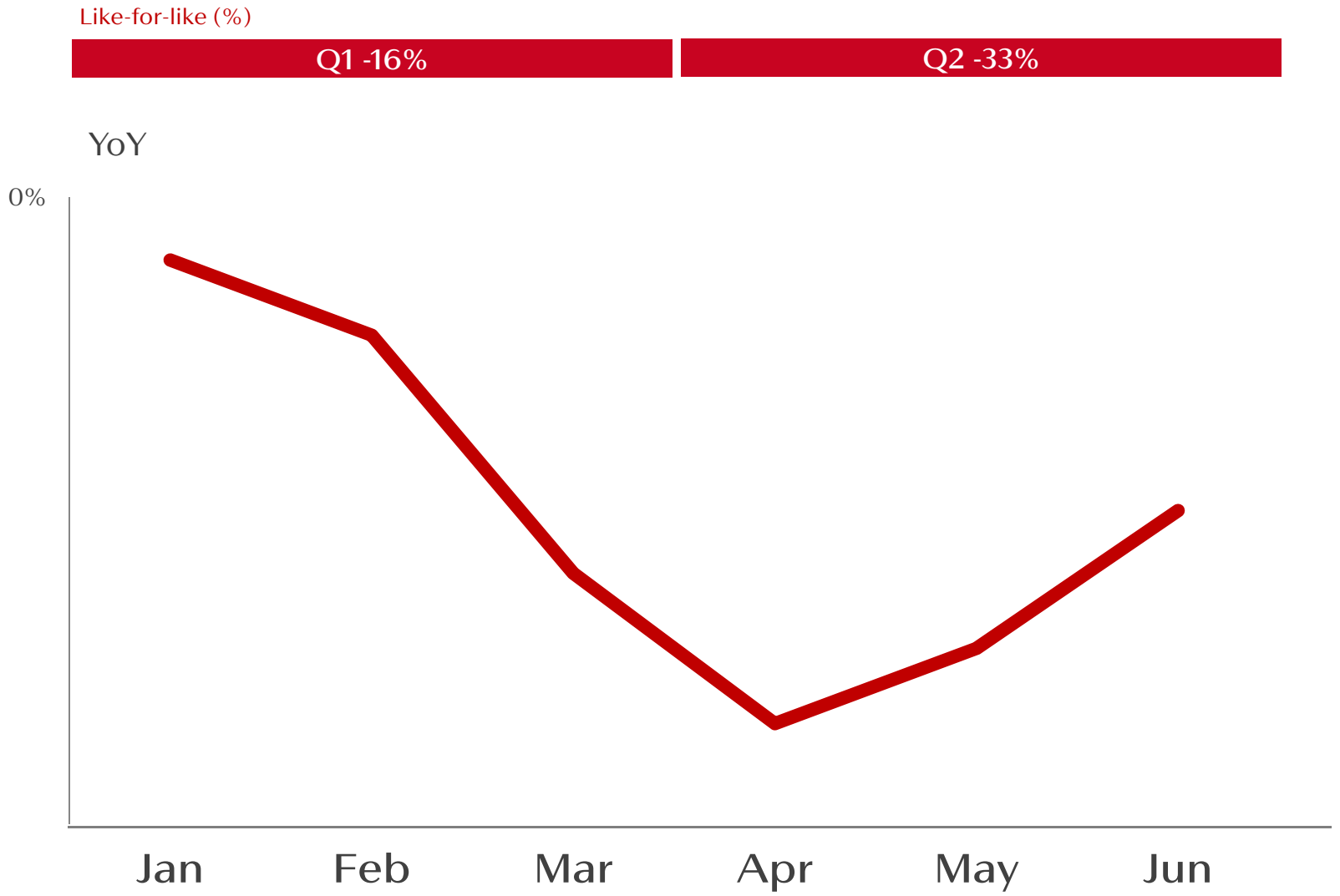
Summary of Q2 Results

(Billion yen)	2019	% of Net Sales	2020	% of Net Sales	YoY Change	YoY Change %	YoY Change FX-Neutral%	Like-for-Like %
Net Sales	291.0	100%	190.9	100%	-100.1	-34.4%	-32.8%	-32.6%
Cost of Sales	59.0	20.3%	51.1	26.7%	-7.9	-13.5%		
Gross Profit	232.0	79.7%	139.8	73.3%	-92.2	-39.7%		
SG&A	202.0	69.4%	149.8	78.5%	-52.2	-25.8%		
Operating Profit	30.0	10.3%	-9.9	-5.2%	-40.0	-		
Non-operating Income (Expenses)	-1.6	-0.5%	-2.5	-1.3%	-0.9	-		
Extraordinary Income (Loss)	-0.5	-0.2%	-15.6	-8.2%	-15.2	-		
Tax Expenses	8.6	2.9%	-4.8	-2.5%	-13.4	-		
Net Profit*1	18.9	6.5%	-22.8	-11.9%	-41.7	-		
EBITDA*2	43.4	14.9%	-10.2	-4.5%	-53.6	-		

Exchange rates: USD 1 = JPY 107.5 (YoY change: -2.2%), EUR 1 = JPY 118.3 (-4.2%), CNY 1 = JPY 15.2 (-5.6%)

*1. Net Profit Attributable to Owners of Parent
*2. After adjustment: Net income (loss) before income taxes + Interest expense + Depreciation and amortization expense + Impairment loss on goodwill and other intangible assets

YTD Sales Trends: Most Regions Bottomed Out in Apr-May



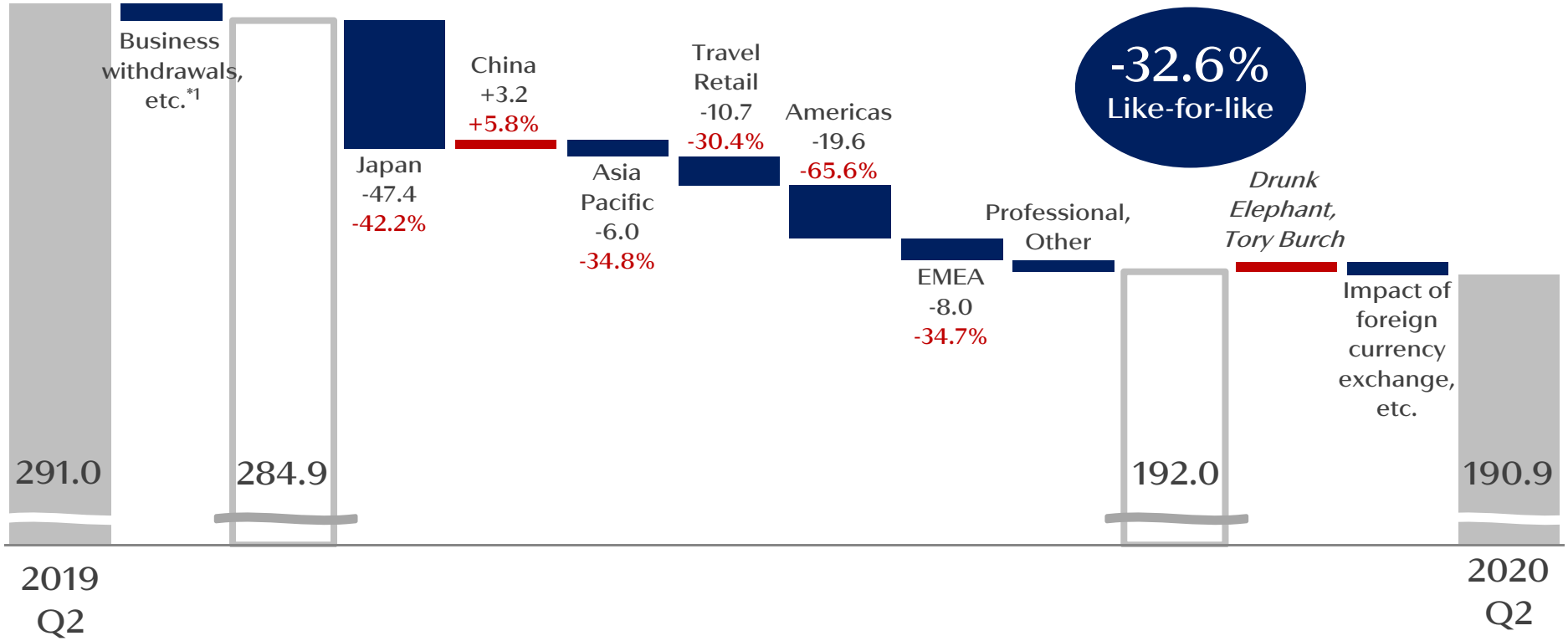
Q2 Net Sales: China Turned Positive; Strong Impact from COVID-19 across Most Other Regions

YoY breakdown of change in Net Sales by reportable segment

Top: YoY change

Bottom: Like-for-like

(Billion yen)



*1. Includes the impacts of (1) business withdrawals (dermatologic agent brands FERZEA and Encron in Japan in 2019, etc.), (2) The adoption of new revenue recognition standard, ASC 606 in the Americas, and (3) advance sell-in related to the implementation of a new ERP system in the Americas in 2019

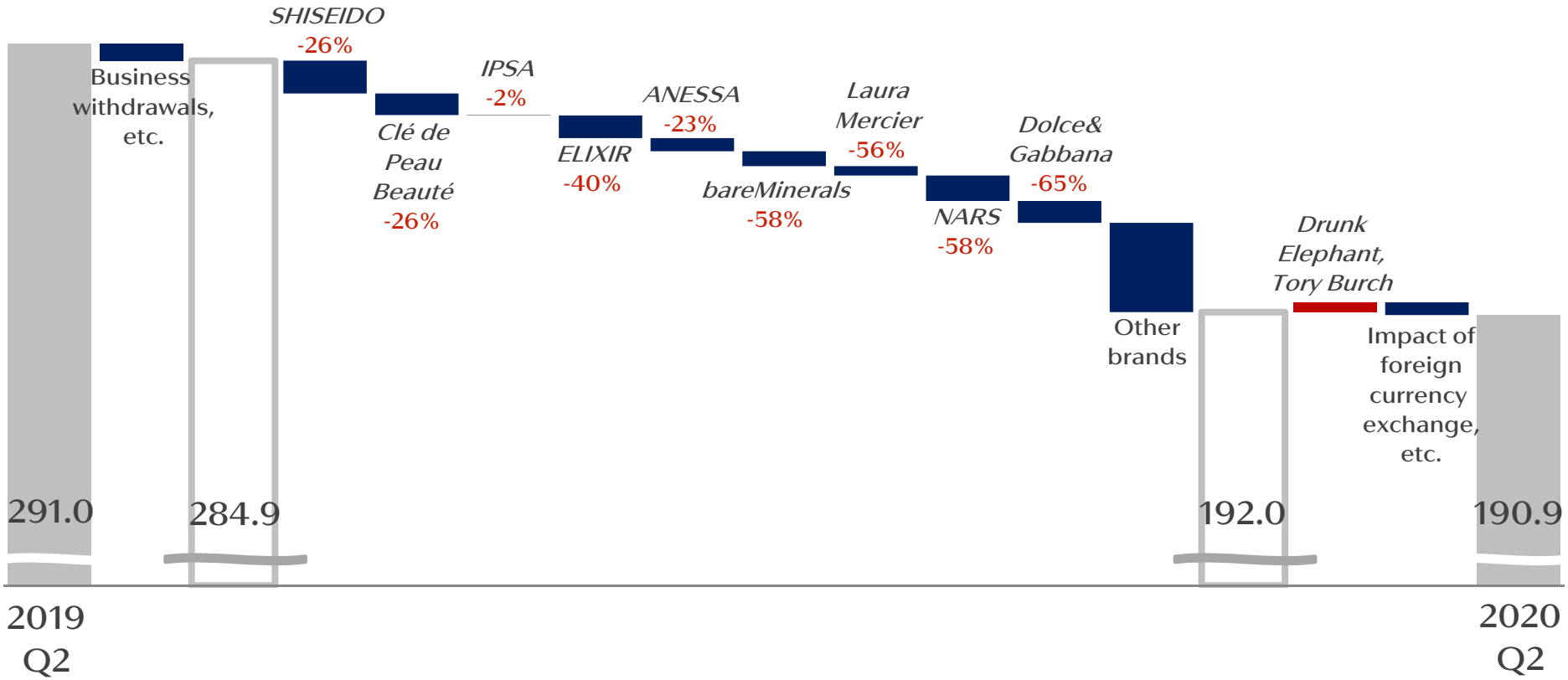
*2. YoY change in local currency for each business is calculated based on the actual exchange rates

Q2 Net Sales: Skincare Relatively Resilient; Makeup & Fragrance Largely Negative

Change in Net Sales by brand

Like-for-like

(Billion yen)



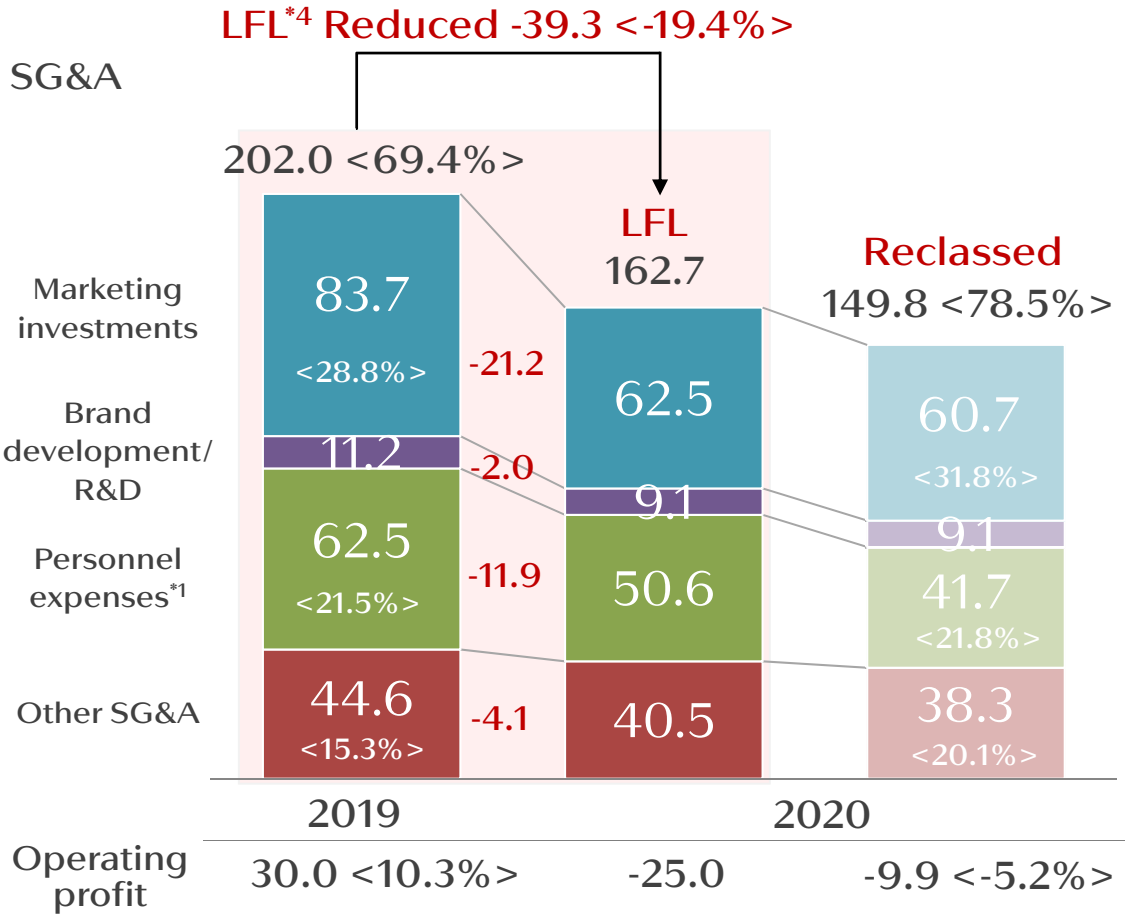
*1. YoY change (%) for each brand is calculated based on initial exchange rate assumptions. Excluding the adoption of the new revenue recognition standard, ASC 606 in the Americas.

Cost Reductions in Q2

(Billion yen)
<% of net sales>

	2019	2020	vs. LY
Net Sales	291.0	190.9	-100.1
COGs	59.0	51.1	-7.9
Gross profit	232.0	139.8	-92.2

Gross profit recovery rate*2
Q2: 42%*4
Q1: 19%



- COGs
  - Inventory write-off/provision
  - Lower productivity due to decreased production volume
- Marketing investments
  - Canceled/postponed advertising and events
  - Reallocated investment to digital marketing in China, enhanced digital engagement
- Personnel expenses
  - Reduced performance-linked remuneration
- Other SG&A
  - Cut non-urgent costs
  - Amortization/depreciation of *Drunk Elephant* goodwill, etc.

*1. Including POS personnel expenses *2. Vs. LY SG&A / vs. LY Gross Profit
*3. From 2020, the Company has reclassified some of its costs, e.g. a part of media costs are reclassified from brand development investments to marketing investments. The results for the previous year have been restated accordingly. *4. Excluding the impact of reclassification to extraordinary loss on COVID-19 , etc.

Japan: Local: Bottomed Out in April to May
Inbound: Significant Drop, Worse Than Q1

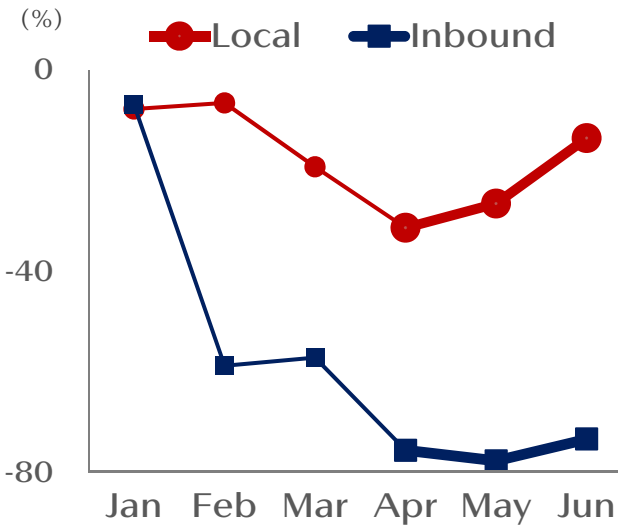
- Market: Double-digit decline due to COVID-19
  - Stores closed during state of emergency
  - Inbound traffic: close to zero
  - Resilient skincare

- Shiseido Consumer Purchases: - high 30%
  - Local: - low 20%
    - Department stores closed; drugstores shortened hours
    - Bottomed out in April-May; still struggling
  - E-Commerce: +19% growth
  - Inbound: - over 70%



Counter activities after shop reopening

■ Japan Business:
Consumer Purchases YoY



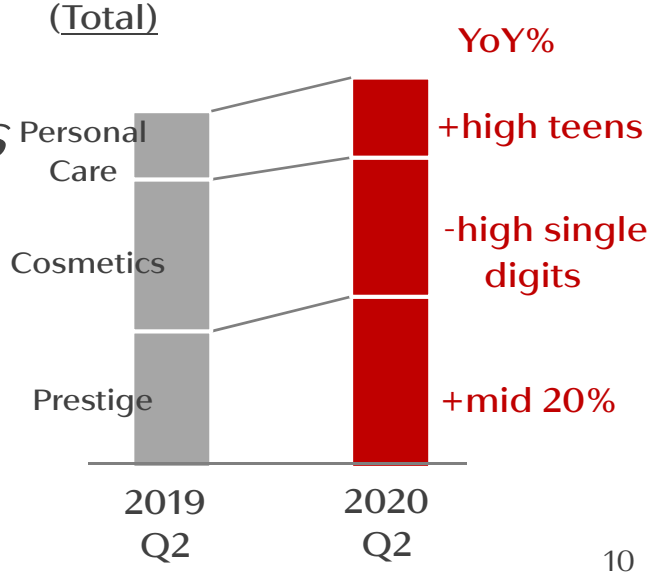
China: Driving Overall Recovery Thanks to Prestige Brands

- Market:
  - ➢ Almost all counters operating
  - ➢ Prestige: largest contributor to overall recovery
  - ➢ E-Commerce: accelerated growth
  - ➢ Pricing under pressure
  - ➢ Hong Kong: still challenging

- Shiseido Consumer Purchases: total +9%
  - ➢ China +19%
    - Prestige brands: +over 50%, increased market share
      Growth exceeding pre-COVID-19 level
      SHISEIDO, Clé de Peau Beauté, IPSA, NARS
    - E-Commerce sales ratio: over 40%, growing at +over 35%
      Prestige: +150%
      fueled by successful 6.18 campaign and Super Brand Day, etc.



■ Consumer Purchases by category (Total)



Travel Retail: Encouraging Momentum in China and South Korea Downtown DFS amid Tough Conditions

- Market:
  - ➢ International flights largely suspended
  - ➢ Growth in Chinese travelers to Hainan Island; Increased duty-free allowance from July to accelerate trends



SHISEIDO store in Hainan island

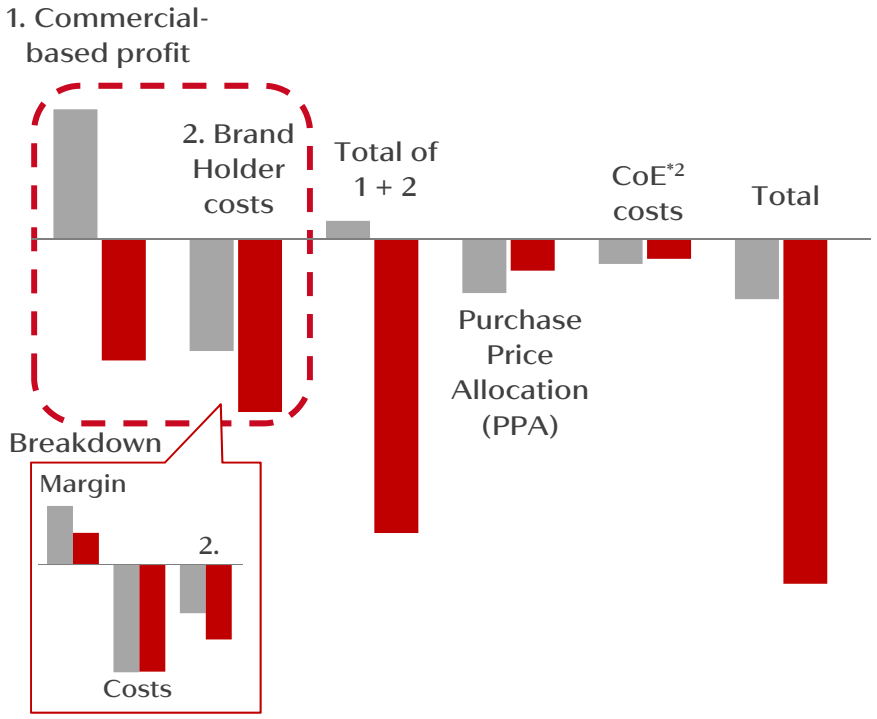
- Shiseido Consumer Purchases:
  Asia grew by +low teens% (Global: -low 20%)
  - ➢ Strong demand in China's Hainan and South Korea downtown DFS
  - ➢ Japan: Inbound suffered the largest hit
  - ➢ Sales in Americas and EMEA plunged

Americas and EMEA:
Structurally High Fixed Costs and Low Profitability

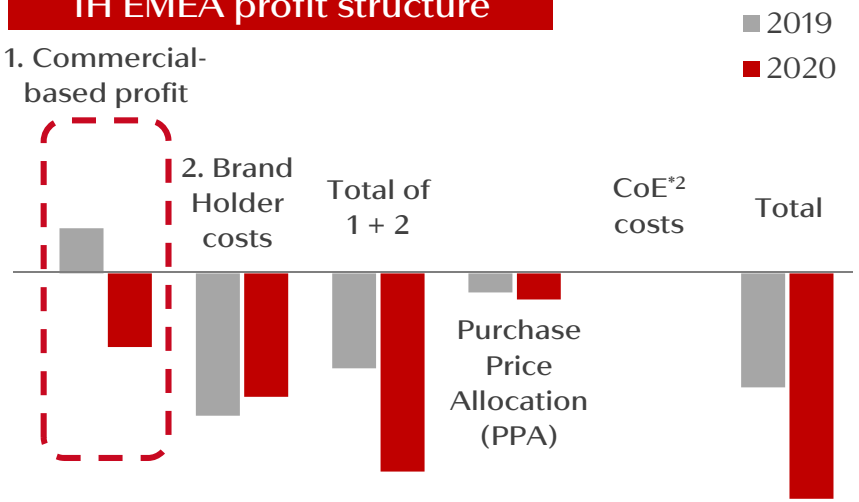
- Market and Shiseido overview
  - Offline largely affected by COVID-19
  - Resilient skincare; weak makeup and fragrance
  - Strong performance of *Drunk Elephant* in U.S.

- Issues
  - Americas: high fixed cost structure from commercial base and brand holder functions
  - EMEA: high level of marketing investment in fragrance business

1H Americas profit structure*1



1H EMEA profit structure



*1. Excluding *Drunk Elephant* *2. Center of Excellence

Summary of 1H Results

(Billion yen)	2019	% of Net Sales	2020	% of Net Sales	YoY Change	YoY Change %	YoY Change FX-Neutral%	Like-for-Like %
Net Sales	564.6	100%	417.8	100%	-146.8	-26.0%	-24.5%	-24.7%
Cost of Sales	115.6	20.5%	100.9	24.1%	-14.7	-12.7%		
Gross Profit	449.0	79.5%	316.9	75.9%	-132.1	-29.4%		
SG&A	380.1	67.3%	320.4	76.7%	-59.7	-15.7%		
Operating Profit	69.0	12.2%	-3.4	-0.8%	-72.4	-		
Non-operating Income (Expenses)	-1.0	-0.2%	-2.9	-0.7%	-1.9	-		
Extraordinary Income (Loss)	-1.3	-0.2%	-16.1	-3.9%	-14.8	-		
Tax Expenses	12.3	2.2%	-1.2	-0.3%	-13.5	-		
Net Profit*1	52.5	9.3%	-21.4	-5.1%	-73.8	-		
EBITDA*2	96.0	17.0%	13.8	3.3%	-82.2	-85.7%		

Exchange rates: USD 1 = JPY 108.2 (YoY change: -1.7%), EUR 1 = JPY 119.2 (-4.1%), CNY 1 = JPY 15.4 (-5.0%)

*1. Net Profit Attributable to Owners of Parent
*2. After adjustment: Net income (loss) before income taxes + Interest expense + Depreciation and amortization expense + Impairment loss on goodwill and other intangible assets

COVID-19-related Market Assumptions for 2H

No additional emergency declaration/lockdowns expected

Japan	• Local: Stores open • Inbound: No recovery for inbound travelers, especially from China
China	• Full recovery; E-Commerce sales to accelerate further from online events such as W11
Asia Pacific	• Most stores to resume operations albeit with shorter hours
Americas	• Most stores to resume operations albeit with shorter hours • Factory to operate at approx. 80% of regular capacity • E-Commerce to expand further
EMEA	• Most stores to resume operations albeit with shorter hours • Production and logistics to operate as normal
Travel Retail	• Number of international flights still drastically reduced; drop in Chinese travelers not to recover • Significant growth of tax-free sales on Hainan Island, etc. (increased duty-free allowance)

Strengthening Countermeasures for 2H

➢ Marketing attuned to changes in consumer needs (new launches, beauty information)

- Respond to skin issues and changes in makeup needs caused by wearing masks
- Respond to heightened hygiene and price awareness
- Expand use of digital and E-Commerce
  - BC livestreaming and online counseling
  - Strengthen investment in events such as W11 (exclusive items, samples, tie-in sales)

➢ Bold shifts in marketing investments

- Prioritize areas (China) and contact points with consumers (digital, E-Commerce)

➢ Flexible supply system adjustable to demand

- Shorten procurement lead time and promptly adjust production plans (reductions and increases)

➢ Thorough cost control in line with fluctuations in sales

Japan Business
New Products and Promotions for 2H



Japan Business: New Products and Promotions for 2H

SHISEIDO
GINZA TOKYO



Launched on July 31
at selected stores only
"ULTIMUNE Power Infusing
Concentrate GINZA
FLAGSHIP LIMITED
EDITION"



Launched on July 1
Limited edition
"ULTIMUNE Defense Refresh Mist"
Refreshing face mist that cools, hydrates,
and defends skin from daily damage





Launch on September 1
"ModernMatte
Powder Lipstick"

Japan Business: New Products and Promotions for 2H

clé de peau BEAUTÉ

Launch on August 21
limited edition

Key Radiance Care
1st anniversary self-selection sets



Launch on September 21
“CRÈME SUPREME VOLUMISANTE”
(quasi-drug)
Integrated the state-of-the art skin science
4th product of the high function
“aging design” series



Japan Business: New Products and Promotions for 2H

ELIXIR



Launch on August 21
New “Luminous Glow Foundation”



Launch on August 21
limited edition
ELIXIR SUPERIEUR
“Design Time Serum”



Launch on September 21
ELIXIR SUPERIEUR
“Smoothing Gel Wash”

Japan Business: New Products and Promotions for 2H

d program



Launch on August 21
New lotion & emulsion
“Skincare Series for Sensitive Skin”

PRIOR

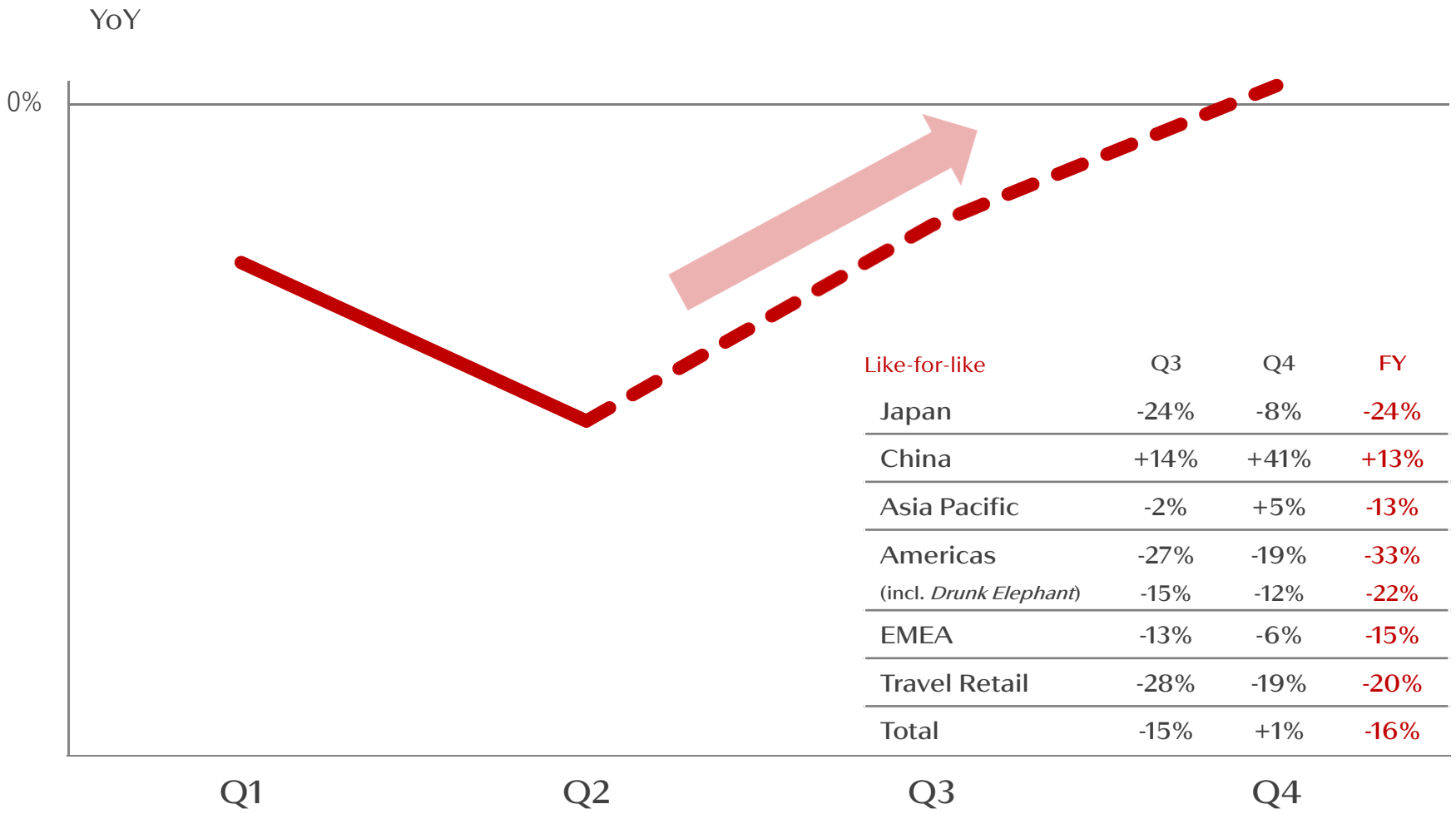


Launch on September 21
New
“Medicated Lotion Moist”

Sales Trends: FY Outlook

Like-for-like

Q1: -16%	Q2: -33%	Q3: -15%	Q4: +1%



Like-for-like	Q3	Q4	FY
Japan	-24%	-8%	-24%
China	+14%	+41%	+13%
Asia Pacific	-2%	+5%	-13%
Americas	-27%	-19%	-33%
(incl. *Drunk Elephant*)	-15%	-12%	-22%
EMEA	-13%	-6%	-15%
Travel Retail	-28%	-19%	-20%
Total	-15%	+1%	-16%

Latest 2020 Full-Year Outlook

(Billion yen)	2019	2020	% of Net Sales	YoY Change	YoY Change %	YoY Change FX-Neutral %	Like-for-Like %[*2]
Net Sales	1,131.5	953.0	100%	-178.5	-15.8%	-15%	-16%
Operating Profit	113.8	0.0	0.0%	-113.8	-		
Ordinary Profit	108.7	-6.5	-0.7%	-115.2	-		
Net Profit[*1]	73.6	-22.0	-2.3%	-95.6	-		
EBITDA	169.3	58.0	6.1%	-111.3	-65.7%		

Exchange rates for 2020: USD 1 = JPY 108.0 (-1.0%), EUR 1 = JPY 120.7 (-1.1%), CNY 1 = JPY 15.3 (-3.2%)

*1. Net Profit Attributable to Owners of Parent
*2. Like-for-like excluding the impacts of the acquisitions *of Drunk Elephant*, etc.

Liquidity Management

(Billion yen)

Cash Liquidity, B/S	2019	2020 Outlook	Measures / Comments
Cash & time deposits (monthly sales)	110.3 (1.2 months)	100.0 (1.3 months)	Liquidity enhancement: ・Increase credit facilities and commitment lines +¥200 Bn ・Maintain sound liquidity at 1.5 months of Net Sales
Net interest-bearing debt/EBITDA	0.8 times	4.0 times	・Retain a minimum of single-A rating ・Mid-to-long term acceptable standard based on COVID-19 impacts: Net interest-bearing debt/EBITDA 2.0 times Net D/E ratio 0.7 times ・Interest-bearing debt outlook for 2020 ¥330.0 Bn* (Dec 2019 ¥248.1 Bn) - Refinance interest-bearing debt for the acquisition of *Drunk Elephant* into long-term * Including the impact of IFRS 16 "Leases"
Net D/E ratio	0.3 times	0.5 times	
Interest-bearing debt ratio	33.3%	42.0%	

Cash Flow	2019	2020 Outlook	Measures / Comments
Free cash flow	-127.3	-60.0	・Reduce inventory: shorter order lead times ・Carefully select investments ・Cash generation through the sale of idle assets, etc.
CAPEX	132.2	92.0	・Compress ¥53.0 Bn vs. plan, e.g.: - Partially cancel CAPEX for existing plants -¥34.0 Bn - Postpone investment in counters -¥10.0 Bn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WIN the Crisis through Transformation: Towards 2023

August 6, 2020

Masahiko Uotani

Representative Director, President and CEO
Shiseido Company, Limited

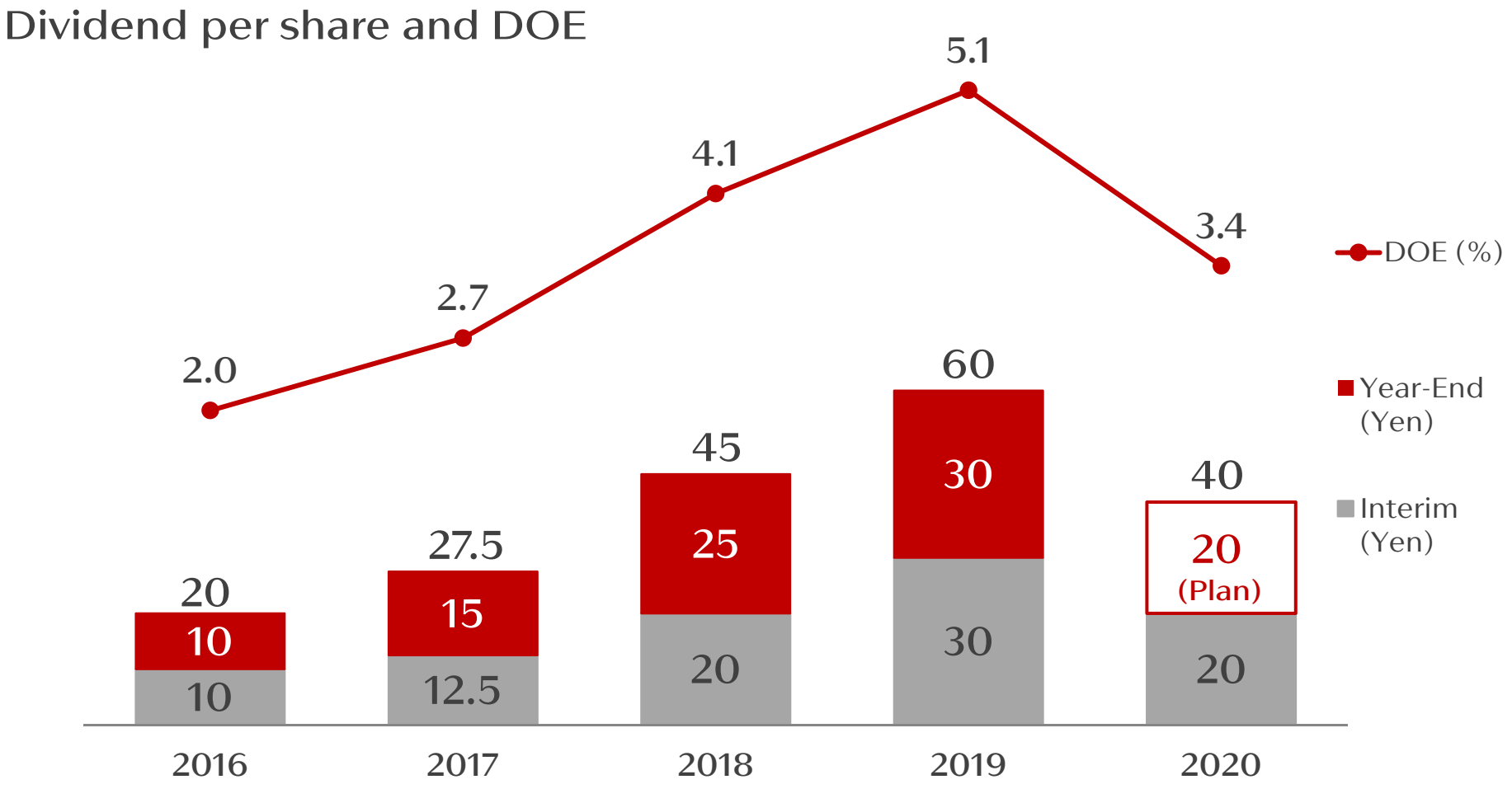


2020 Emergency Initiatives to Address Risks

(Billion Yen)	2020 Outlook	YoY Change
Net Sales	953.0	-16%
Operating Profit	0	-
Net Profit	-22.0	-
EBITDA	58.0	-66%
Dividend (Plan)	¥40	-33%

- Maximize sales through marketing adapted to the “new normal” (enhance promotion of new launches)
- Reduce SG&A
  - Marketing / Personnel / Other SG&A
  - Reduce executive compensation for Aug. – Dec. CEO: 30%, others: 10–15%
- Review CAPEX
- Sell idle assets
- Stabilize the financial base by securing credit facilities

Dividends for FY2020 to Be Reduced; Aiming for Recovery

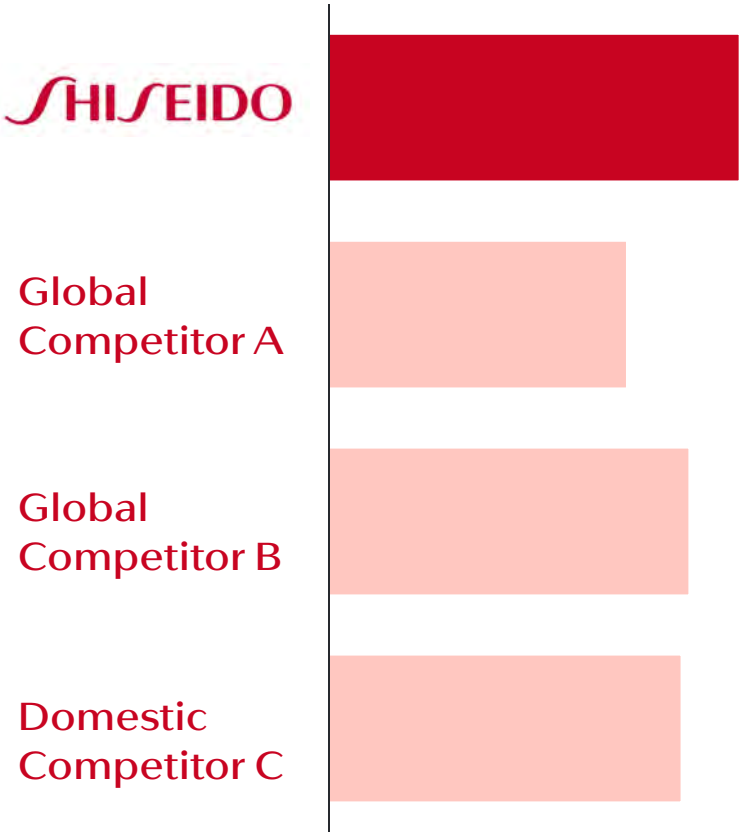


Critical Issues to Address

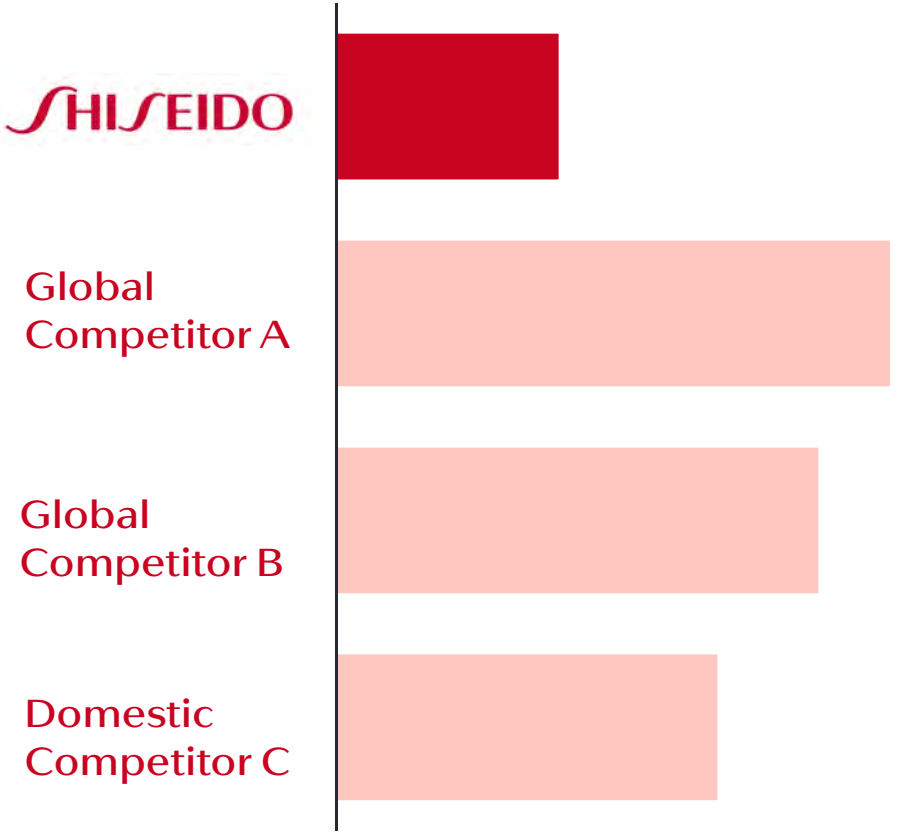
1. High SG&A (fixed costs) coupled with a high-gross-margin business model; low productivity
2. High dependency on demand from travelers (Japan, Travel Retail)
3. Low profitability in Americas and EMEA due to a high share of makeup and fragrance businesses
4. Business model not sufficiently digital, despite accelerating investment
5. Outdated supply and IT systems: strategic investment underway
6. Adaptability to consumer changes resulting from COVID-19

Challenges in Productivity

SG&A Ratio



Operating Profit per Employee



* 2019 results

COVID-19 as Game Changer

Irreversible Changes in Consumer Values and Behavior

- **Overall Market**
  - Cutting expenses; focus on “value for money”
  - Longer time at home, drastic shift to online, acceleration of E-commerce
  - Awareness of health and hygiene
  - Interest in sustainability and corporate social responsibility

- **Beauty Market**
  - Value placed on skincare and skin health
  - Decrease in makeup usage
  - Merging of online and offline and importance of digital
  - Price consciousness





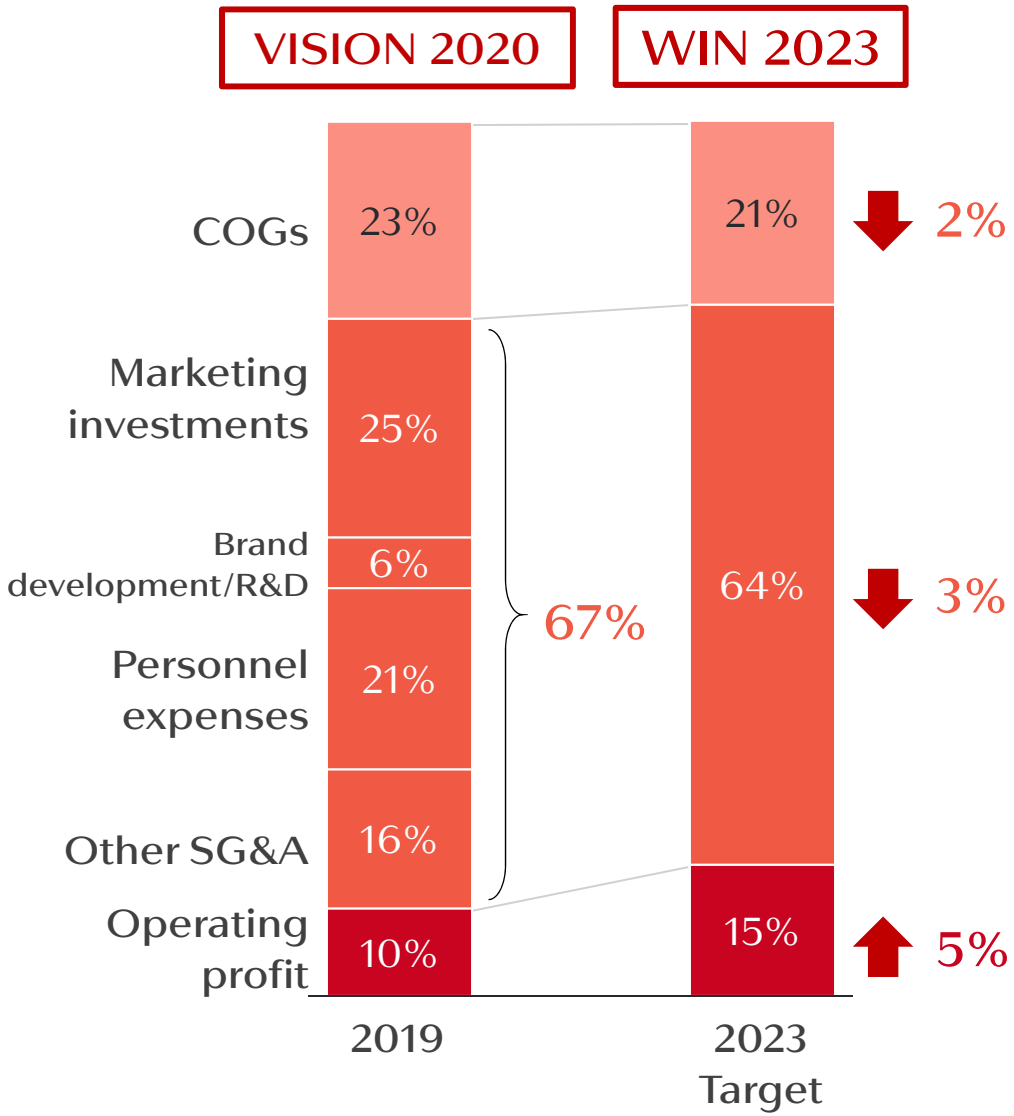


Our Market Assumptions

We project COVID-19 to subside in 2021.
Our reforms are based on the assumption of overall recovery of the beauty market within 2023.

Subsidence of COVID-19	Recovery of the Beauty Market
Major countries / regions: within 2021	2H 2020: China 2H 2021: Japan (Inbound recovering) 2022: Asia Pacific, Travel Retail 2H 2022 – 23: Americas, EMEA

Achieve 15% OPM in 2023 through Fundamental Reforms



Reforms under WIN 2023

Reduce COGs:
Improve productivity and mix through increased skincare share

Strengthen digital marketing:
Expand digital investment
Improve marketing ROI

Accelerate innovation:
Increase investment in innovation
Focus on skincare and new fields

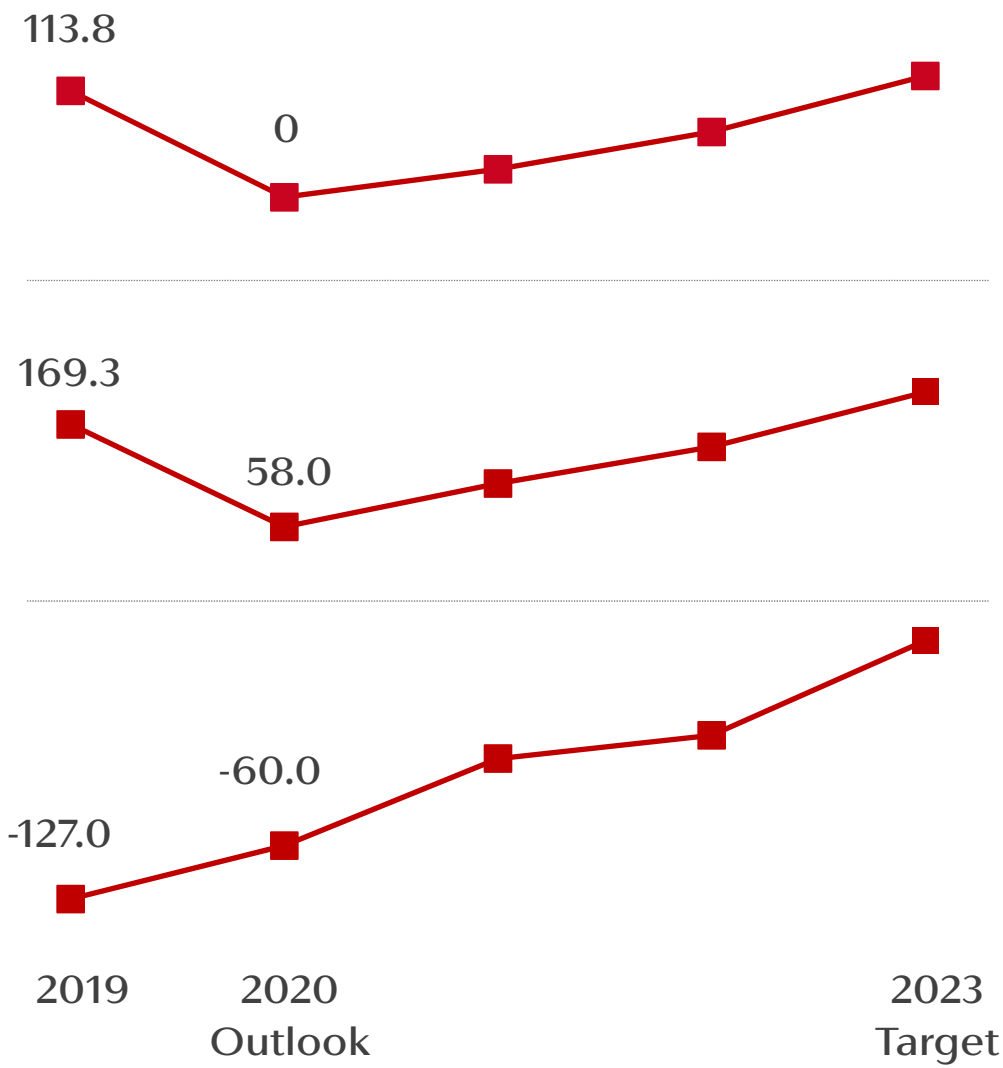
Reduce SG&A:
Raise productivity
Reduce fixed costs and convert to variable costs

Maximizing Cash Flow for Financial Soundness and Enhancing Shareholder Returns

Operating Profit

EBITDA

Free Cash Flow



(Billion yen)

* Excluding one-time factors

VISION 2020 Key Strategies

1. Become a global beauty company in skincare, makeup and fragrance with “Prestige First” strategy

2. Achieve double-digit OPM through enhanced gross margin and reduced SG&A ratio from topline growth (CAGR +8%). Main driver: organic growth backed by increased investment in brand marketing, coupled with M&A

3. Increase presence in Americas and EMEA and aim for global expansion leveraging strong foundation in Asia

4. Enhance investment in R&D, supply network, digital and IT to build a foundation for long-term growth

5. Build a global management structure (people, organization, culture) under the matrix organization

WIN 2023 Key Strategies

1. Become a global No. 1 “Skin Beauty Company” with premium skin beauty as core business by 2030

2. Shift priorities from topline growth to profitability and cash flow and achieve 15% OPM through reform of COGs/SG&A

3. Speed up profitability improvement in Americas and EMEA while centering on Asia (Japan, China, Asia Pacific, Travel Retail)

4. Accelerate conversion to digital-oriented business model and reinforce its structure

5. Continue to invest in R&D, supply network, IT and people to establish a foundation for long-term growth, including external collaborations

6. Establish a Global Transformation Committee chaired by the CEO to accelerate reforms

Focus on Premium Skin Beauty

Further portfolio enhancement through inhouse development, open innovation, and strategic M&A

	2019	2023
Sales Ratio	60%	80%



Japanese Beauty to the World

SHISEIDO
GINZA TOKYO

clé de peau
BEAUTÉ

IPSA

THE GINZA









ELIXIR



ANESSA



d program



SHISEIDO
GINZA TOKYO

A Brand of Versatile Skin Beauty





Suncare







Innovation
(Second Skin)



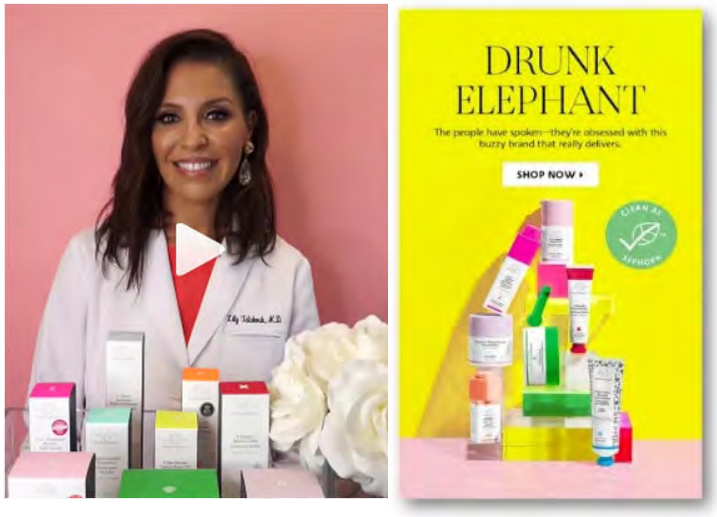
Brand Experience



MEN's

Global Expansion of New Brands

DRUNK ELEPHANT™



- 2021-2022: Key countries in Europe, Travel Retail, Japan, China, South Korea, Mexico, Brazil

BAUM



- 2021: China

Creating New Value ~Skincare and Beauty Devices~

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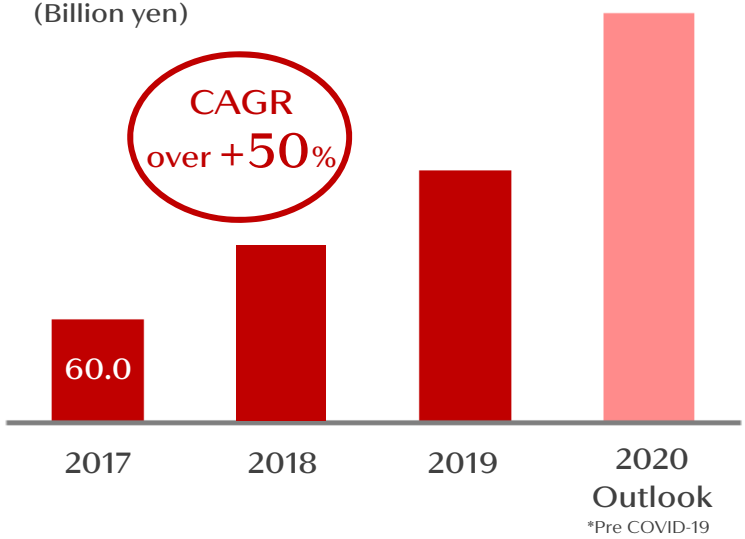
YAMAN



- Joint venture with Yaman Co., Ltd., the No. 1 Japanese brand in China's beauty device market
- Develop new brands and business models through innovation leveraging the expertise of both companies
- Launch in China and Japan in 2021

■ Size of China's beauty device market

(Billion yen)



Accelerating Digital and E-Commerce

Digital Media Ratio

2019	2023 Target
50%	90~100%

E-commerce Sales Ratio
Consumer purchase-based

	2019	2023 Target
Group	13%	25%
China	34%	50%

Digital and Data Analysis Professionals

- Establish a DX team in HQ
- Japan: appointment of Chief Digital Officer
- Digital marketing professionals: 100 talents to be hired

Regions Committed to Transformation

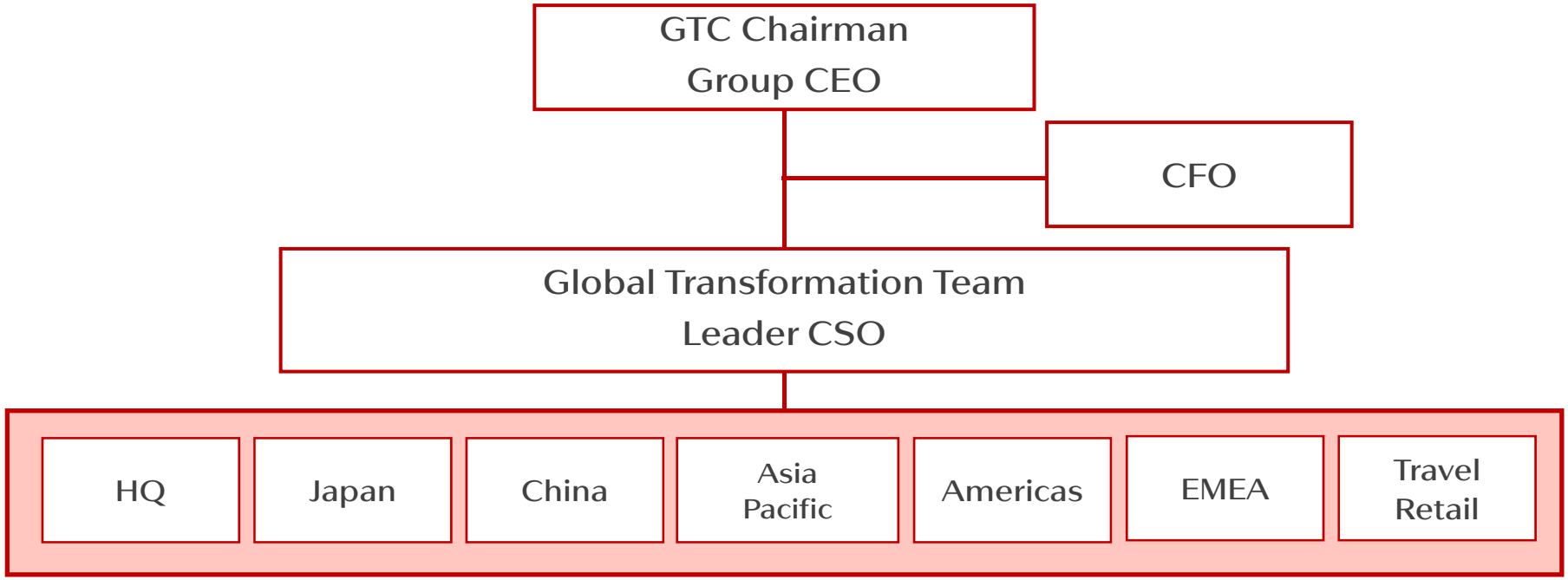
- Japan: From quantity to quality for sustainable high profitability in the local market
  Shifting investment to digital, e.g. OMO[*1]
- China: Strengthen organization as “Second HQ”
  Brand development marketing based on consumer data
  E-commerce ratio by 2023: 50%
- Asia Pacific: Grow in target markets by “Selection and Concentration”
- Travel Retail: Enhance profitability through further collaboration with China Business
- Americas: Boldly shift to D2C; reduce SG&A; 5–10% OPM in 2023[*2]
- EMEA: Improve profitability in fragrance; 5–10% OPM in 2023[*2]

*1. Online Merges with Offline: Marketing that brings together online and offline channels

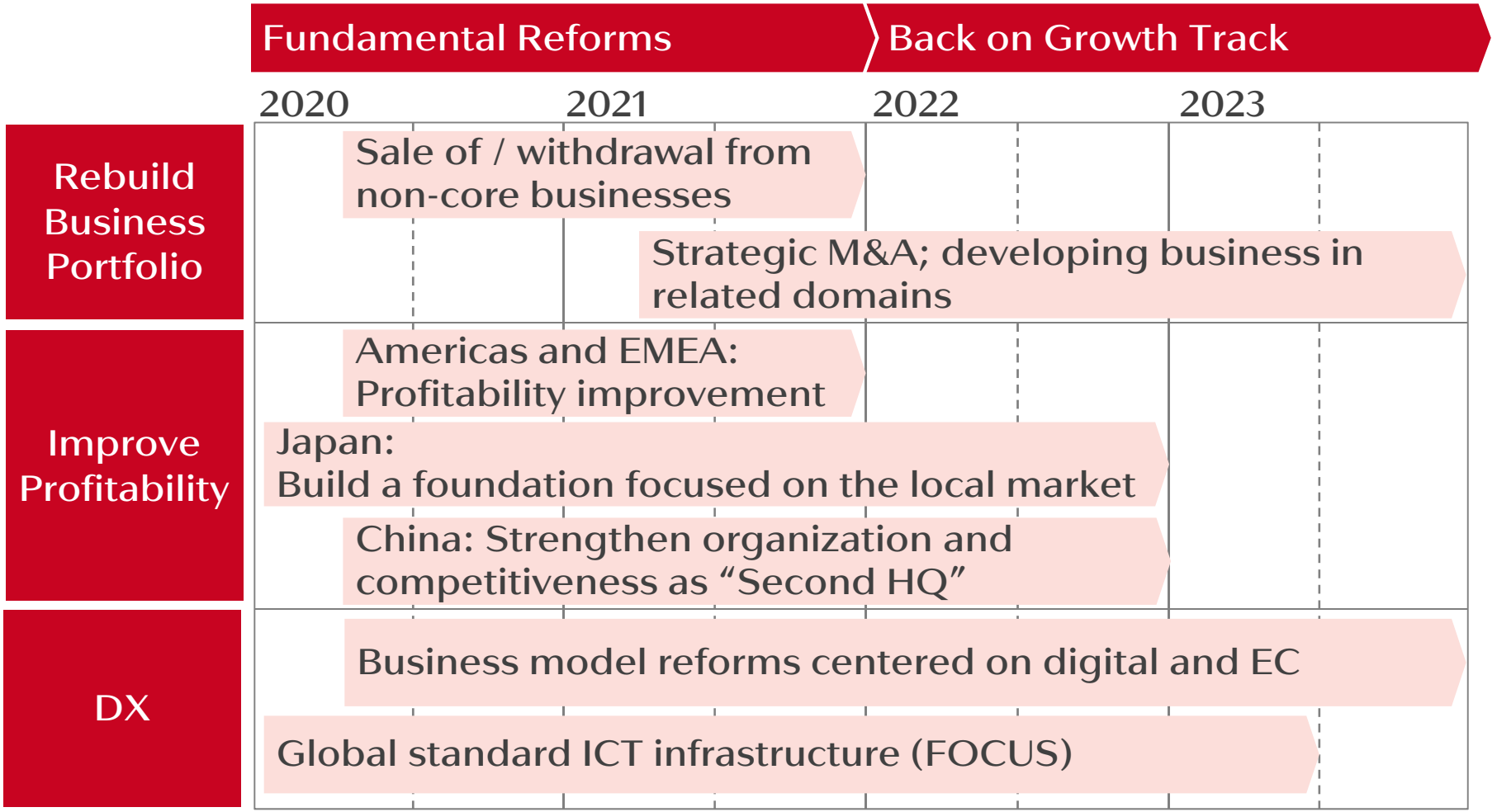
*2. Excluding Center of Excellence costs and PPA

WIN 2023 Global Transformation Committee

- Formulate overall strategy and oversee execution; agile decision-making
- Develop and support transformation plans for each region
- Promote and support sale of non-core businesses
- Promote and support new investments and business development
- HQ: Promote transformation in people, organization, and capabilities



Group Transformation Roadmap



Creating Social Value under the “New Normal” ~Hand Sanitizer~

- Retail launch in early Aug!





Donated 200 thousand bottles to the medical frontline
(Picture taken: June 10, 2020)

“爱心接力 RELAY OF LOVE” Project

- Touring seven cities in China with the “RELAY OF LOVE Bus” delivering vitality and smiles with the power of beauty
- Established “Women Support LOVE Fund” and “Youth Support LOVE Fund”















Protecting the Clean Environment

- *SHISEIDO*
  World-first lip palette with innovative sustainable plastic packaging
  (Launch: November 2020)



- Refills:
  available for over 1,000 SKUs





- Reuse of product packaging

AQUA LABEL
アクアレーベル

Evolution of Work Styles, Diversity & Inclusion

- Transformation of HR system in Japan: from seniority-based to job-grade-based
- "Shiseido Smart Work Style"
  - Improve productivity through remote work
    Adjust the environment and systems
  - 2021: full-fledged rollout
- Women Empowerment
  - Female ratio
    Board of Directors: 46%
    Leaders in Japan: 38%*1
  - First Japanese company
    to be awarded by WCD*2
- 30% Club Japan
  "TOPIX Presidents' Committee"





*1 January 2021 outlook
*2 Women Corporate Directors

Be a Global Winner with Our Heritage

WIN the Crisis through Transformation: Towards 2023




SHISEIDO

Supplemental Data 1
1H Sales by Reportable Segment

(Billion yen)	2019	% of Net Sales	2020	% of Net Sales	YoY Change	YoY Change %	YoY Change FX-Neutral %	Like-for-Like %
Japan	221.2	39.2%	150.5	36.0%	-70.7	-31.9%	-31.9%	-31.8%
China	107.7	19.1%	100.0	23.9%	-7.6	-7.1%	-2.9%	-2.9%
Asia Pacific	36.3	6.4%	26.2	6.3%	-10.1	-27.8%	-26.6%	-26.6%
Americas	63.4	11.2%	36.7	8.8%	-26.7	-42.1%	-40.9%	-45.2%
EMEA	48.2	8.5%	35.0	8.4%	-13.3	-27.5%	-24.4%	-24.4%
Travel Retail	63.8	11.3%	51.7	12.4%	-12.1	-19.0%	-17.5%	-17.5%
Professional	7.2	1.3%	5.6	1.3%	-1.6	-22.1%	-20.4%	-20.4%
Other	16.9	3.0%	12.1	2.9%	-4.8	-28.3%	-28.3%	-28.3%
Total	564.6	100%	417.8	100%	-146.8	-26.0%	-24.5%	-24.7%

*1. See Supplemental Data 11 for details about changes in reportable segments. The previous year's results are restated to reflect the new reportable segments.

Supplemental Data 2
1H Sales in Japan and China by Category

Japan

(Billion yen)

	2019	% of Net Sales	2020	% of Net Sales	YoY Change	YoY Change %
Prestige	57.3	25.9%	31.0	20.6%	-26.3	-45.9%
Premium	123.2	55.7%	83.0	55.1%	-40.2	-32.6%
Lifestyle	27.9	12.6%	24.9	16.5%	-3.0	-10.8%
Others	12.8	5.8%	11.7	7.8%	-1.2	-9.1%
Japan Sales	221.2	100%	150.5	100%	-70.7	-31.9%

YoY change excluding the impact of business withdrawal in 2019 was -31.8%.

China

(Billion yen)

	2019	% of Net Sales	2020	% of Net Sales	YoY Change	YoY Change FX-Neutral %
Prestige	50.1	46.5%	49.4	49.4%	-0.7	+3.0%
Cosmetics	39.4	36.6%	29.3	29.3%	-10.0	-21.7%
Personal Care	17.0	15.8%	20.3	20.3%	+3.3	+24.3%
Others	1.2	1.1%	1.0	1.0%	-0.2	-15.7%
China Sales	107.7	100%	100.0	100%	-7.6	-2.9%

*1. Sub-segments within the Japan Business have been reclassed in line with the management structure change from 2020, and 2019 figures are restated accordingly. "Lifestyle" and "Premium" are equivalent to what was previously referred to as "Personal Care" and "Cosmetics," respectively. Healthcare Business and *ettusais*, etc., previously included in "Others" are now included in "Lifestyle," and Future Business previously included in "Others" is now included in "Prestige."

*2. See Supplemental Data 11 for details about changes in reportable segments. The previous year's results are restated to reflect the new reportable segments.

Supplemental Data 3
1H Operating Profit by Reportable Segment

(Billion yen)	2019			2020			YoY Change	YoY Change %
		OPM %	OPM % excl. amortization of goodwill etc.		OPM %	OPM % excl. amortization of goodwill etc.		
Japan	41.8	17.9%	17.9%	5.2	3.2%	3.3%	-36.6	-87.5%
China	18.0	16.7%	16.8%	7.7	7.6%	8.1%	-10.3	-57.4%
Asia Pacific	3.2	8.4%	8.5%	-0.6	-2.3%	-1.5%	-3.8	-
Americas	-3.2	-3.7%	-0.7%	-18.6	-39.6%	-33.6%	-15.4	-
EMEA	-5.0	-9.3%	-7.8%	-9.9	-25.0%	-22.1%	-4.9	-
Travel Retail	17.1	26.7%	26.7%	7.5	14.5%	15.2%	-9.6	-56.0%
Professional	0.2	3.0%	3.0%	0.0	0.3%	0.3%	-0.2	-93.1%
Other	-1.2	-1.3%	-1.3%	9.4	10.5%	10.7%	+10.6	-
Subtotal	70.9	10.4%	11.0%	0.7	0.1%	1.1%	-70.2	-99.0%
Adjustment	-1.9	-	-	-4.2	-	-	-2.2	-
Total	69.0	12.2%	12.9%	-3.4	-0.8%	0.4%	-72.4	-

*1. OPM is calculated using net sales including intersegment sales.
*2. See Supplemental Data 11 for details about changes in reportable segments. The previous year's results are restated to reflect the new reportable segments.

Supplemental Data 4
1H SG&A Details

(Billion yen)	2020	% of Net Sales	Change in % of Net Sales	YoY Change	YoY Change %	YoY Change FX-Neutral %
SG&A	320.4	76.7%	+9.4pt	-59.7	-15.7%	-14.2%
Marketing Investments *1	162.1	38.7%	+2.0pt	-45.3	-21.8%	-20.1%
Brand Development/ R&D Investments	18.6	4.5%	+0.7pt	-2.7	-12.8%	-11.6%
Personnel Expenses	58.5	14.0%	+2.6pt	-5.8	-9.1%	-7.6%
Other SG&A Expenses	81.3	19.5%	+4.1pt	-5.8	-6.7%	-5.6%

*1. Marketing Investments includes POS personnel expenses.
*2. From 2020, the Company reclassified costs, e.g. a part of media costs are reclassified from brand development investments to marketing investments. The results for the previous year have been restated accordingly.

Supplemental Data 5
1H Non-operating Income and Expenses, Extraordinary Income and Losses

Non-operating Income and Expenses

(Billion yen)	2019	2020
Interest Income	0.6	0.4
Interest Expense	-0.9	-1.2
Net Interest Income (Expense)	-0.3	-0.8
Subsidy Income	1.1	2.5
Foreign Exchange Gain (Loss)	-2.2	-2.5
Others	0.4	-2.1
Total	-1.0	-2.9

Extraordinary Income and Losses

(Billion yen)	2019	2020
COVID-19-related Extraordinary Income (Loss)	-	-14.8
Gain (Loss) on Sales of Investment in Securities	1.1	0.3
Structural Reform Expense	-1.2	-
Loss on Business Withdrawal	-	-0.9
Gain (Loss) on Disposal of Property, Plant and Equipment, etc.	-1.1	-0.7
Total	-1.3	-16.1

Supplemental Data 6: Consolidated Balance Sheets

(Billion yen)	As of Jun. 30, 2020	Change from Dec. 31, 2019
Total Current Assets	484.2	-48.4
Cash, Time Deposits	100.0	-10.3
Notes & Accounts Receivable	133.7	-39.2
Inventories	194.8	+13.7
Total Fixed Assets	687.7	+1.5
Property, Plant and Equipment	319.0	+4.3
Intangible Assets	249.3	+0.1
Investments and Other Assets	119.4	-2.8
Total Assets	1,171.9	-46.9

(Billion yen)	As of Jun. 30, 2020	Change from Dec. 31, 2019
Total Liabilities	692.1	-8.8
Notes & Accounts Payable and Other Payables	133.4	-52.6
Interest-Bearing Debt	324.1	+75.9
Accrued Bonuses	12.2	-12.9
Long-term payable	52.1	+3.0
Total Net Assets	479.8	-38.0
Shareholders Equity	470.8	-33.3
Accumulated Other Comprehensive Income	-10.3	-2.7
Non-Controlling Interests	18.0	-2.2
Total Liabilities and Net Assets	1,171.9	-46.9

Exchange rates:
Jun. 30, 2020: USD 1 = JPY 107.7 (-0.7%); EUR 1 = JPY 120.8 (-0.8%); CNY 1 = JPY 15.2 (-2.3%)
Dec. 31, 2019: USD 1 = JPY 108.5 ; EUR 1 = JPY 121.8 ; CNY 1 = JPY 15.6

* Main line items only

Supplemental Data 7
Capital Expenditures/Depreciation and Amortization

(Billion yen)	2019 1H	2020 1H	2020 Outlook
Capital Expenditures*1	64.1	42.6	92.0
Property, Plant and Equipment	50.6	25.0	66.0
Intangible Assets, etc.	13.5	17.6	26.0
Depreciation and Amortization	26.8	30.7	63.0
Property, Plant and Equipment	15.2	18.6	
Intangible Assets, etc.	11.6	12.1	
R&D Expenses	15.7	13.3	29.0

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

Supplemental Data 8
Q2 Sales by Reportable Segment

(Billion yen)	2019	% of Net Sales	2020	% of Net Sales	YoY Change	YoY Change %	YoY Change FX-Neutral %	Like-for-Like %
Japan	112.5	38.6%	64.8	34.0%	-47.6	-42.4%	-42.4%	-42.2%
China	55.2	18.9%	55.5	29.1%	+0.3	+0.6%	+5.8%	+5.8%
Asia Pacific	17.3	5.9%	11.1	5.8%	-6.2	-36.1%	-34.8%	-34.8%
Americas	35.7	12.3%	13.4	7.0%	-22.3	-62.4%	-61.2%	-65.6%
EMEA	23.2	8.0%	14.5	7.6%	-8.7	-37.4%	-34.7%	-34.7%
Travel Retail	35.1	12.1%	23.9	12.5%	-11.2	-31.9%	-30.4%	-30.4%
Professional	3.7	1.3%	2.7	1.4%	-0.9	-25.4%	-23.5%	-23.5%
Other	8.3	2.9%	4.9	2.6%	-3.5	-41.4%	-41.4%	-41.4%
Total	291.0	100%	190.9	100%	-100.1	-34.4%	-32.8%	-32.6%

*1. See Supplemental Data 11 for details about changes in reportable segments. The previous year's results are restated to reflect the new reportable segments.

Supplemental Data 9
Q2 Operating Profit by Reportable Segment

(Billion yen)	2019			2020			YoY Change	YoY Change %
		OPM %	OPM % excl. amortization of goodwill etc.		OPM %	OPM % excl. amortization of goodwill etc.		
Japan	19.2	15.9%	16.0%	-2.8	-3.9%	-3.8%	-22.0	-
China	5.0	9.1%	9.2%	2.4	4.3%	4.7%	-2.6	-52.4%
Asia Pacific	0.8	4.4%	4.5%	-1.7	-14.6%	-13.7%	-2.5	-
Americas	1.3	2.6%	5.2%	-9.8	-57.8%	-51.8%	-11.0	-
EMEA	-3.2	-12.1%	-10.5%	-3.4	-20.7%	-17.3%	-0.2	-
Travel Retail	9.6	27.3%	27.3%	2.5	10.6%	11.3%	-7.0	-73.5%
Professional	0.2	4.5%	4.5%	-0.0	-1.5%	-1.5%	-0.2	-
Other	-2.6	-5.8%	-5.8%	5.2	11.5%	11.8%	+7.7	-
Subtotal	30.3	8.6%	9.1%	-7.6	-3.1%	-2.2%	-37.9	-
Adjustment	-0.3	-	-	-2.3	-	-	-2.0	-
Total	30.0	10.3%	11.0%	-9.9	-5.2%	-4.0%	-40.0	-

*1. OPM is calculated using net sales including intersegment sales.
*2. See Supplemental Data 11 for details about changes in reportable segments. The previous year's results are restated to reflect the new reportable segments.

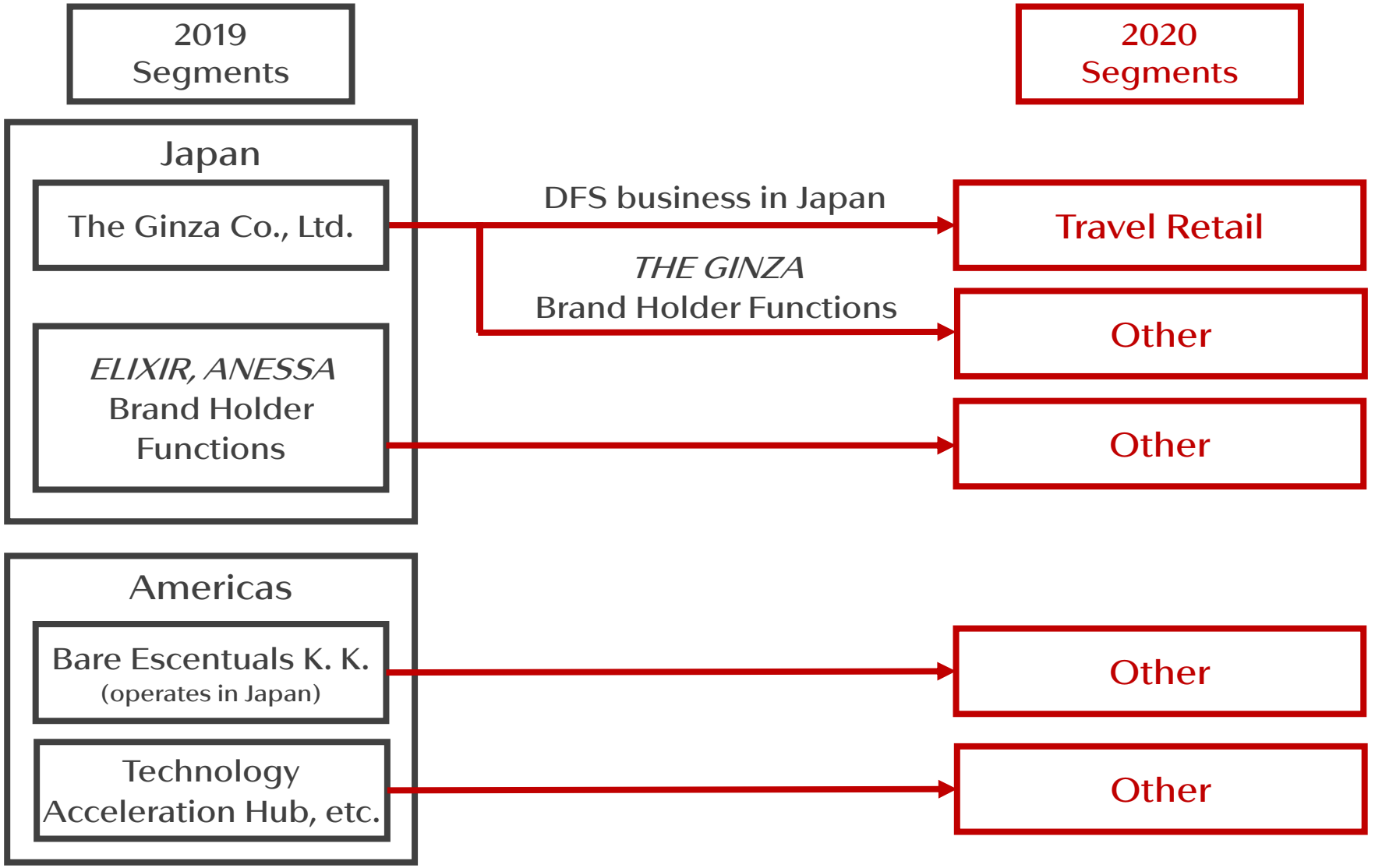
Supplemental Data 10
FY2020 Sales Forecast by Reportable Segment

(Billion yen)	2019 After Segment Changes	2020	YoY Change %		2019 Before Segment Changes
				YoY Change Fx-Neutral	Like-for-Like*2	
Total	1,131.5	953.0	-15.8%	-15%	-16%	1,131.5
Japan	430.9	325.5	-24.5%	-24%	-24%	451.6
China	216.2	238.0	+10.1%	+13%	+13%	216.2
Asia Pacific	69.8	59.5	-14.8%	-13%	-13%	69.8
Americas	123.0	94.0	-23.6%	-22%	-33%	124.3
EMEA	118.4	99.0	-16.4%	-15%	-15%	118.4
Travel Retail	122.8	96.0	-21.8%	-20%	-20%	102.2
Professional	14.7	12.5	-14.9%	-14%	-14%	14.7
Other	35.7	28.5	-20.2%	-20%	-20%	34.3

Average exchange rates for 2020: USD 1= JPY 108.0 (-1.0%), EUR 1= JPY 120.7 (-1.1%),CHY 1= JPY 15.3 (-3.2%)

*1. See Supplemental Data 11 for details about changes in reportable segments
*2. Excluding the impact of the acquisition of *Drunk Elephant*

Supplemental Data 11: Change in Reportable Segments



The Group has revised its reportable segment classifications from the fiscal year 2020. (1) The business results of the airport duty-free business in Japan of The Ginza Co., Ltd., which were previously included in the Japan Business, are now included in the Travel Retail Business, and the business results related to the brand holder functions of THE GINZA, the same subsidiary's brand, are now included in the Other segment. (2) The business results of Bare Escentuals K.K., which operates in Japan, and the business results and other costs associated with the Technology Acceleration Hub, previously included in the Americas Business, are now included in the Other segment. (3) Following the transfer of brand holder functions (global marketing strategy development, product development, communication and creative development, brand management functions, etc.) of the *ELIXIR* and *ANESSA* brands from Shiseido Japan Co., Ltd. to Shiseido Co., Ltd., the business results related to the brand holder functions of both brands, previously included in the Japan Business, are now included in the Other segment.