

# 2021 First Quarter Results (January–March) and 2021 Outlook

**Takayuki Yokota**

Director, Executive Officer  
Chief Financial Officer  
Shiseido Company, Limited

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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.

# 2021 Q1 Key Headlines

- **Achieved consolidated sales growth with our global business portfolio, offsetting sales decline in Japan**  
(Net Sales YoY, FX-Neutral: +6%, Operating Profit: +68%)
- **Focused investments on growth categories:**
  - Strategic investment in skin beauty brands
  - Supply network enhancement with new factories
  - DX (JV with Accenture)
- **Proceeded with global transformation as planned:**
  - Transfer and JV of Personal Care business
  - Partial termination of license with DOLCE&GABBANA S.R.L.
- **Maintained outlook for existing businesses**

# 2021 Q1 (January–March): Executive Summary

	2020		2021 Existing businesses (A)			Transformation impacts (B)	2021 (A)+(B)			vs. 2019
	Results	% of Net Sales		YoY Change %	YoY Change FX-Neutral %		Results	% of Net Sales	YoY Change %	
Net Sales	226.9	100%	244.0	+7.5%	+6.0%	–	244.0	100%	+7.5%	–11%
Operating Profit	6.5	2.9%	10.9	+67.6%		–	10.9	4.5%	+67.6%	
Extraordinary Profit (Loss)	–0.4	–0.2%	–0.9	-		–15.3	–16.2	–6.7%	-	
Income Taxes	3.6	1.6%	–1.7	-		–	–1.7	–0.7%	-	
Net Profit*1	1.4	0.6%	13.8	+885.1%		–15.3	–1.5	–0.6%	-	
EBITDA*2	24.0	10.6%	31.5	+31.4%		–	31.5	12.9%	+31.4%	

## Net Sales:

- All regions except Japan returned to growth; China particularly strong at **+over 40%**
- Continued growth in e-commerce (EC), mainly in Prestige (Global EC **+over 40%**)
- Skin beauty brands drove growth; skincare sales grew double digits, ratio: **64%, +2.7 pts**

**Operating Profit:** Appropriate resource allocation in line with market changes

**Extraordinary Loss:** Impairment loss on trademark rights of *Dolce&Gabbana*: –¥15.3 bn

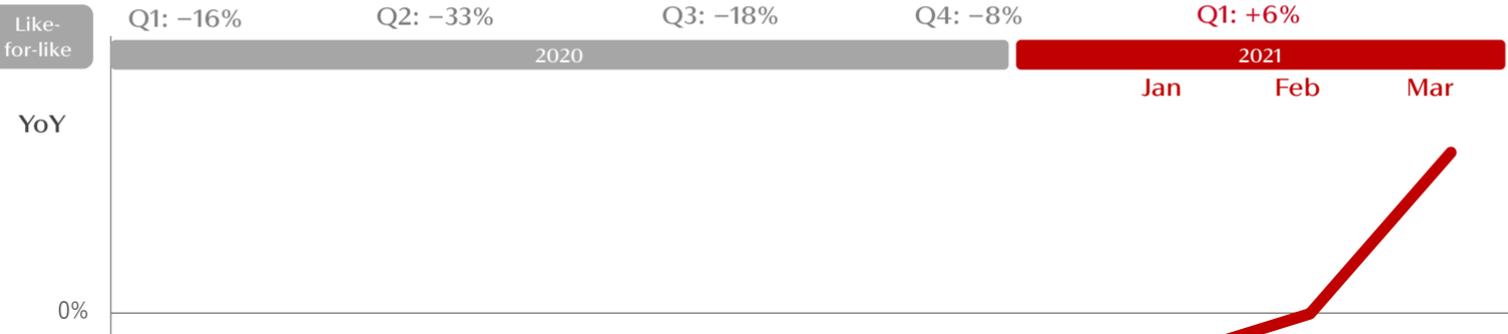
**Income Taxes:** Positive tax impact from elimination of unrealized profit on inventories

**EBITDA:** Maintained double-digit EBITDA margin, improving +2.3 pts

\*1. Net Profit Attributable to Owners of Parent

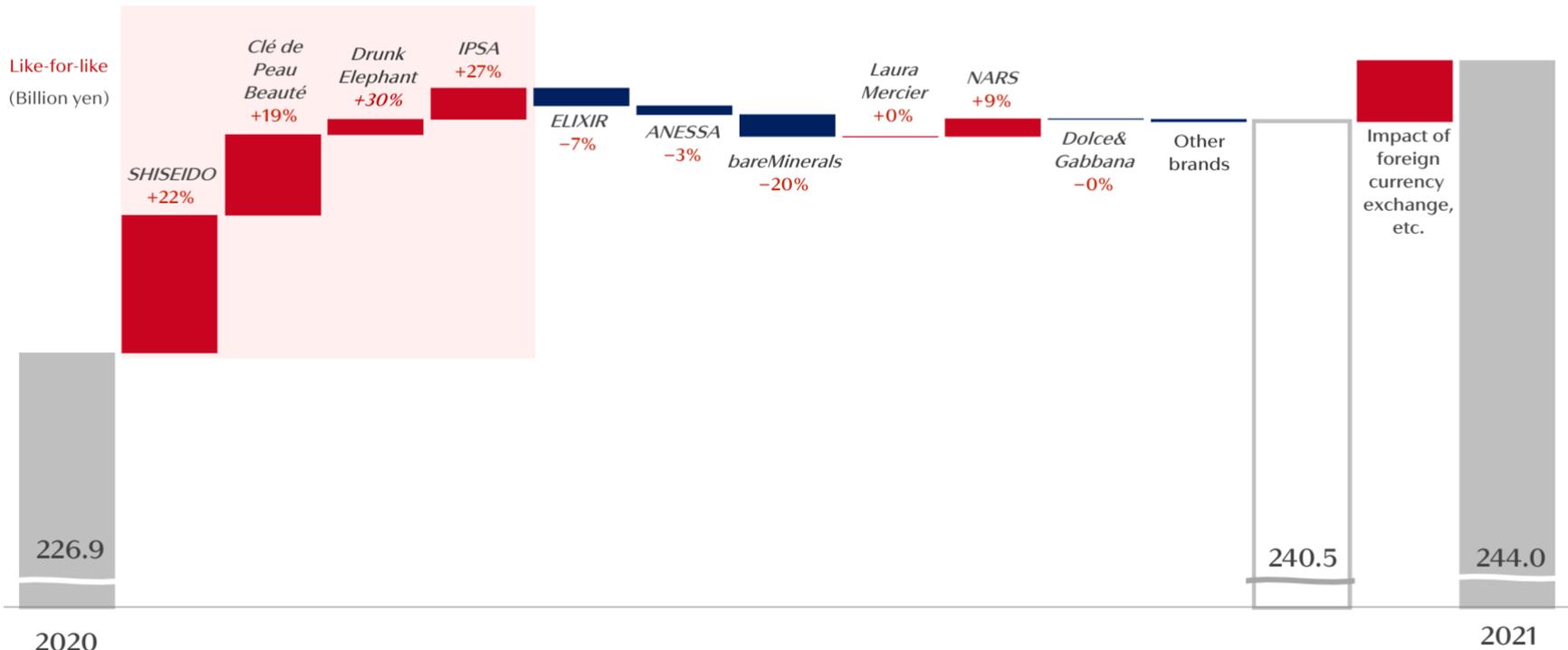
\*2. After adjustment: Net income (loss) before income taxes + Interest expense + Depreciation and amortization expense + Impairment loss on goodwill and other intangible assets

# Net Sales YoY: Returned to Growth Globally; China Particularly Strong; Japan Impacted by State of Emergency (January 8<sup>th</sup>–March 21<sup>st</sup>)



Like-for-like	2020				2021	
	Q1	Q2	Q3	Q4	vs. 2020 Q1	vs. 2019 Q1
Japan	-21%	-42%	-33%	-21%	-12%	-31%
China	-12%	+6%	+8%	+40%	+41%	+24%
Asia Pacific	-19%	-35%	-2%	-1%	+6%	-13%
Americas	-9%	-54%	-6%	-27%	+7%	-3%
EMEA	-15%	-35%	-12%	-22%	+12%	-3%
Travel Retail	-2%	-30%	-20%	-19%	+3%	-1%
<b>Total</b>	<b>-16%</b>	<b>-33%</b>	<b>-18%</b>	<b>-8%</b>	<b>+6%</b>	<b>-11%</b>

# Q1 Net Sales: Skin Beauty Brands Growing Double Digits



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

# Strategic Investments in Skin Beauty Brands

SHISEIDO  
GINZA TOKYO

## SHISEIDO MEN Reinvents Its Series



SHISEIDO MEN

- Launched worldwide from March
- Added makeup to the series alongside renewed skincare

clé de peau  
BEAUTÉ

## Revamps Its High- End Line SYNACTIF



New SYNACTIF

- Started launch from Japan and Asia Pacific in January, with other regions to follow

DRUNK ELEPHANT™

## Accelerates Global Rollout



HELLO DUBAI!

- Expanded presence in Mexico, Middle East, and Europe in Q1
- Plans further rollouts in 2021 in Asia Pacific, Travel Retail, Europe, etc.

# Strategic Investments in Skin Beauty Brands

## ELIXIR

Started  
Global Sustainability Campaign  
to Reduce Plastic Waste



- January: Launched refills for lotions / emulsions in China
- By 2025: Aims to cover 100% of key products with refills



## ANESSA

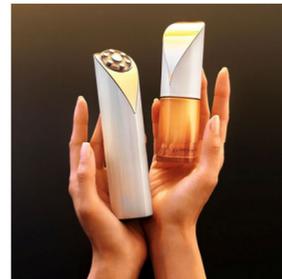
Launched  
Exclusive Products from March  
(Japan, China, and Travel Retail)



- Succeeded in cross-border marketing with region-exclusive products
- Attracted new consumers; contributed to sales and market share growth

## EFFECTIM

Debuted in Japan (March)  
and China (April)



- Focused on digital engagement in Japan and China with tailor-made contents
- Achieved high purchase rate thanks to Japan's first 3D skin diagnosis and beauty device personalization

# Japan: Slow Market Recovery Due to State of Emergency

## ● Market:

- Local consumers
  - Slow traffic recovery
  - Increased online penetration
  - Shrinking market in base and color makeup

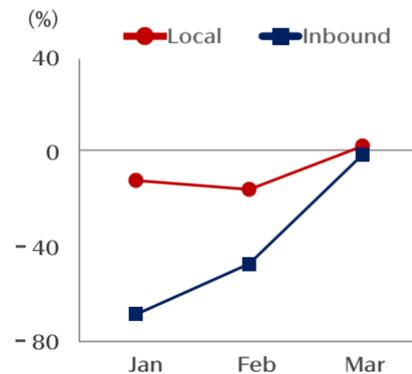


*Clé de Peau Beauté:*  
New personalized counseling  
leveraging AR technology

## ● Shiseido Consumer Purchases: **-mid-teen%**

- Local: **-high single digit%**
  - Encouraging momentum in March thanks to strategic promotions: “Beauty Day” held after lifting of state of emergency, *BENEFIQUE* renewal, etc.
  - Increased market share in skincare, base makeup, and sun care
  - EC: **+mid-teen%**;  
growth in retailer.com and owned.com (“watashi+”)
- Inbound: **-over 30%**

### Japan Business: Consumer Purchases YoY



# Japan: Strengthened Promotions Ahead of Traffic Recovery, Services Attuned to Consumer Changes under COVID-19

## BENEFIQUE



Brand renewal, new skincare line from March

Dedicated EC platform for specialty stores from March

Collaborations with partners, OMO initiatives



- Consumer purchases in March: +ca. 20%, contributing to overall recovery
- Active consumer engagement ahead of launch

- Ca. 500 members
- Personalized consumer solutions leveraging omnichannel experience

- March: A hybrid joint event by our six brands with the Isetan department store
- Online counseling reservations: over 1,000; virtual audience: ca. 200 k

# China: Continued Acceleration Both Online and Offline, Growing Over 20% vs. 2019

## ● Market:

- EC: continued expansion
- Low YoY hurdle due to store closures, etc. under COVID-19 last year
- Expanded promotions (Chinese New Year, International Women's Day)

## ● Shiseido Consumer Purchases: **Total: +over 50%**

- **Mainland China: +over 50%**
  - Prestige: **+over 70%**
  - EC: **+over 50%**
    - Prestige: **+over 80%**

### Omnichannel promotions for International Women's Day

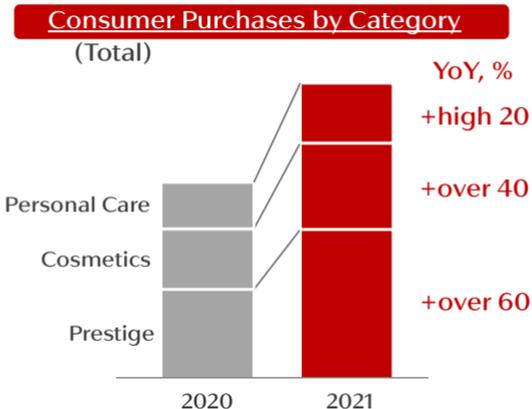
- **Improved rankings for major brands, mainly in Prestige**
- Increased new consumers with exclusive products and events at stores



Shiseido: 40 Years in China in 2021  
Drone light show



Promotion for International Women's Day (March 8<sup>th</sup>)



## Asia Pacific: Momentum Recovered with EC Sales Doubling

### ● Market:

- Shortened store hours and continued stay-at-home orders in some countries / regions
- Growing EC penetration

### ● Shiseido External Sales: +6%

- EC: +over 90%\*
  - Rollouts on major EC platforms
  - Active promotions (SHISEIDO Super Brand Day, etc.)
- Increased market share in Taiwan and Thailand, double-digit growth in Vietnam and Singapore



\* Prestige only

## Travel Retail: China Continued Strong, Driven by Hainan

### ● Market:

- Mainland China and Hainan: robust momentum continuing since Q2 2020
- Japan, EMEA, and Americas: limited traffic since Q2 2020

### ● Shiseido Consumer Purchases:

**Asia: +over 45% (Global: +high teen%)**

- Mainland China and Hainan continue to drive growth; Hainan: 11 new counters in Q1
- EC (Asia): +over 75%
- Focused investment on exclusive products and digital promotions such as livestreaming events



Clé de Peau Beauté  
Travel Retail exclusive set

## Americas: Turned Positive Thanks to Recovery in Skincare and Fragrance

- Market:

- COVID-19 disrupted offline channels; vaccine rollout driving optimism
- Challenges in makeup continued

- Shiseido External Sales: **+7%**

- EC: **+low teen%**  
NARS launched Virtual Global Flagship Store



- *Drunk Elephant*\*  
Consumer Purchases: **flat**  
EC: **+high 20%**

\* Global

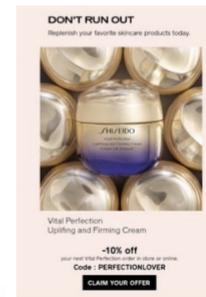
## EMEA: Expanded Market Share in Skincare, Accelerated DX

- Market:

- Shortened store hours and continued stay-at-home orders in some countries / regions
- Recovery in skincare and fragrance

- Shiseido External Sales: **+12%**

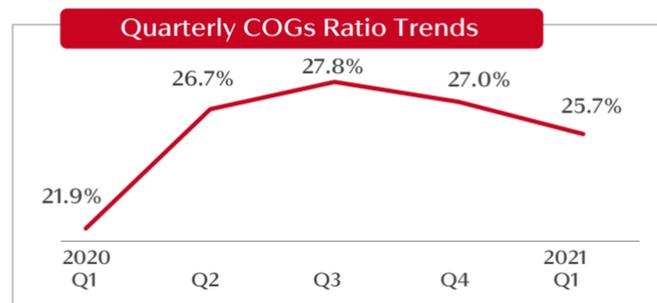
- EC: **+over 60%**  
- Expansion in owned.com and retailer.com
- Gained market share in UK, France, Italy, and Spain  
- *SHISEIDO*: Strengthened digital initiatives



# Cost Management in Q1: Enhanced Digital Investments

Billion yen  
(% of Net Sales)

	2020		2021		YoY change	YoY Change %
Net Sales	226.9		244.0		+17.1	+7.5%
COGs	49.8	(21.9%)	62.7	(25.7%)	+12.9	+25.8%
Gross Profit	177.1	(78.1%)	181.4	(74.3%)	+4.3	+2.4%

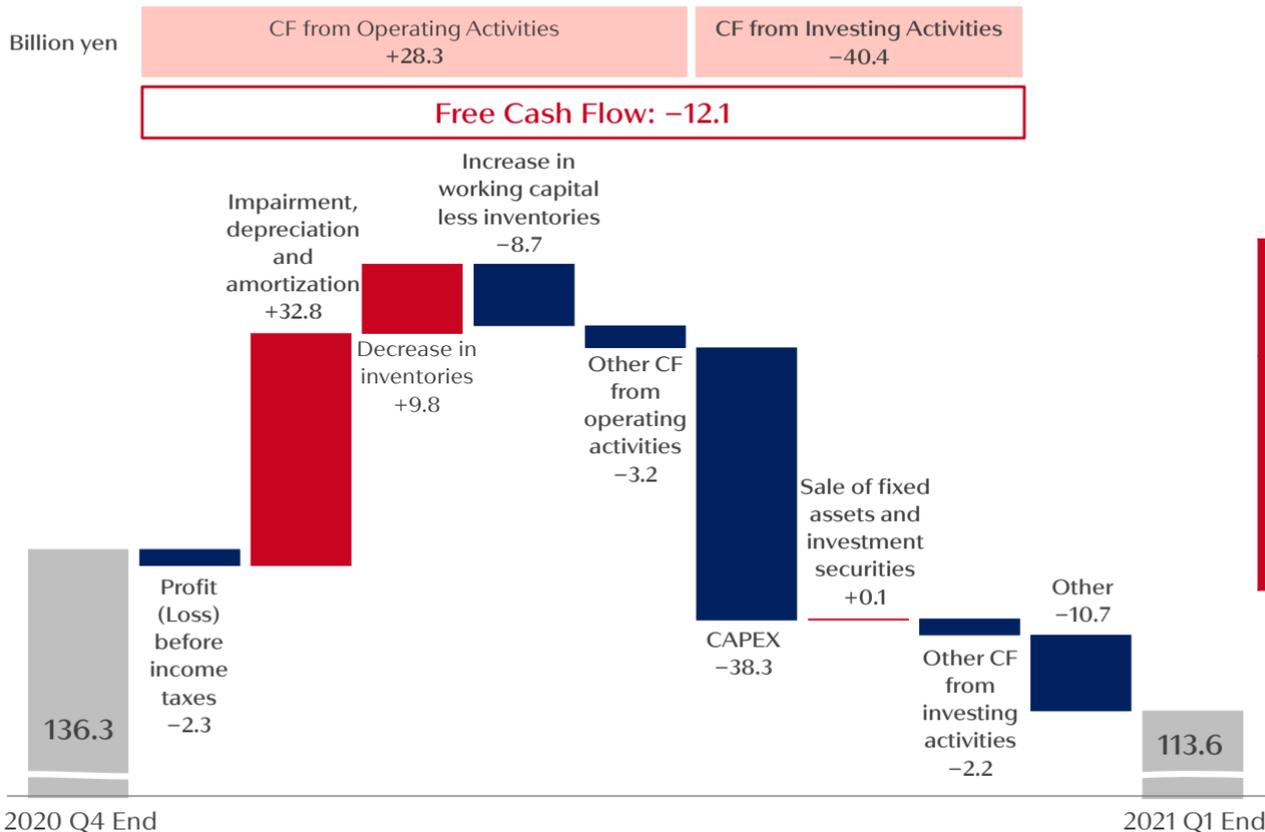


	2020		2021		YoY change	YoY Change %
SG&A	170.6 (75.2%)		170.5 (69.8%)		-0.1%	
Marketing investments	61.4	(27.1%)	65.5	(26.8%)	+6.8%	
Brand development/R&D	9.5		8.6		-9.8%	
Personnel expenses*	56.8	(25.0%)	54.9	(22.5%)	-3.3%	
Other SG&A	43.0	(18.9%)	41.5	(17.0%)	-3.4%	
Operating profit	6.5	(2.9%)	10.9	(4.5%)	+67.6%	

- COGs
  - On recovery track from 2020 Q3
  - Improvement in product mix due to growth of skin beauty brands
  - Negative FX-impact on elimination of unrealized profit due to yen depreciation
  - Increase in fixed costs related to the new Osaka Ibaraki factory
- Marketing investments
  - Focused investment on China, enhanced digital communication (global digital media ratio: 80%)
  - Appropriate resource allocation in line with market changes
- Personnel expenses
  - Mainly reduction in counters and structural reforms in EMEA and the Americas
- Other SG&A
  - Further revision of non-essential costs in addition to reduced travel expenses, etc.

\* Including POS personnel expenses

# Cash Flow Management: Investment into Growth (Factories, DX); Improved Cash Efficiency through Inventory Reduction



B/S KPIs	2020 Q1 End	2020 Q4 End	2021 Q1 End
Inventories (Billion yen)	191.2	170.0	167.2
DSI (Days)*	262	269	260
Net DER	0.40	0.36	0.41

\*Average for the past 12 months

# DX Acceleration

- **July: Establish JV with Accenture “Shiseido Interactive Beauty”**

- Respond agilely to changing consumers and market environments -

- Accelerate DX in the Japan business with speed and innovation which cannot be realized solely by Shiseido
- Strengthen digital marketing initiatives to offer unprecedented beauty experiences
- Improve productivity and efficiency through expansion of ICT functions
- Create a new culture unique to the new company, nurture and recruit outside talent to contribute to the enhancement of Shiseido’s overall digital capabilities



-  **Solid Progress in Global Deployment**

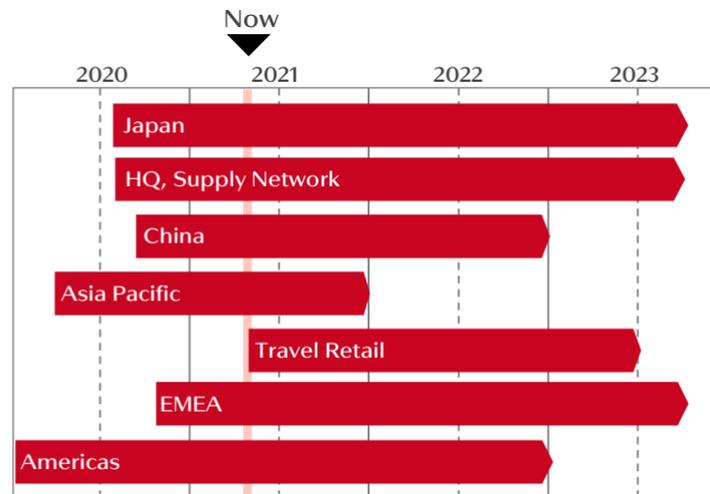
- **March: *Drunk Elephant* Go-Live**

- Full integration into Americas system

- **April: *Singapore* Go-Live**

- First go-live of FOCUS outside of the Americas

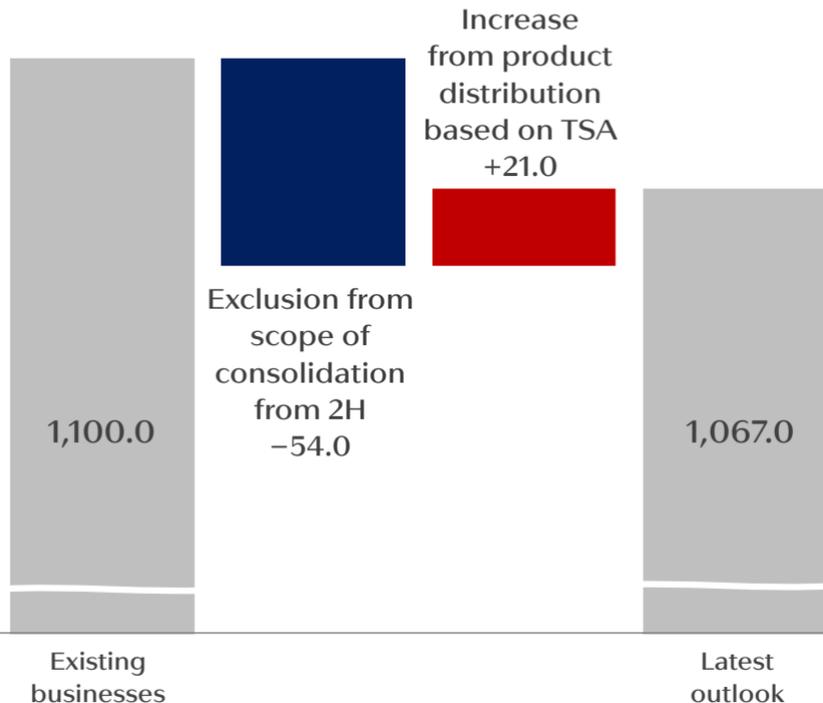
FOCUS deployment will continue at full pace this year, enabling cross-regional data sharing and business visualization



\*FOCUS: First One Connected and Unified Shiseido

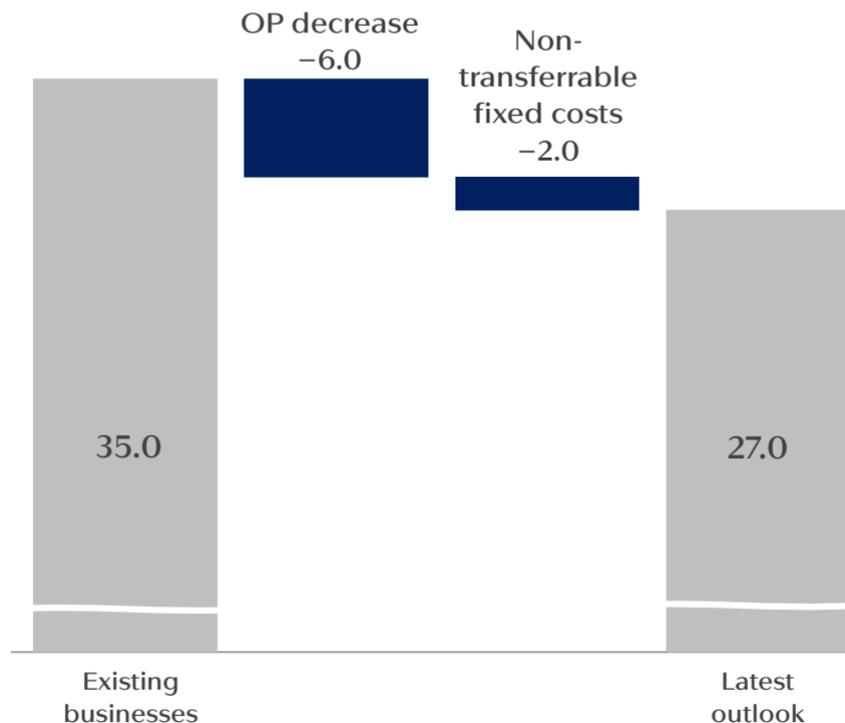
# FY 2021 Outlook: Impacts from Transfer and JV of Personal Care Business

## Net Sales



## Operating Profit

Billion yen



# Global Transformation: Rebuilding Business Portfolio

## ● Transfer and JV of Personal Care Business

### ➤ FY 2021 Extraordinary Profit (Outlook): ¥87.0 bn, to be recorded in Q3

- July 1, 2021: Completion of the new company's share transfer (Japan) and related business asset transfer (China) (planned)
- September 1, 2021: Asset transfers from fully-owned subsidiaries in Hong Kong and Asia Pacific (planned)

(Reference) January 2022 onward: Asset transfers from JVs in Asia Pacific (planned)

## ● Partial Termination of License with DOLCE&GABBANA S.R.L.

### ➤ FY 2021 Extraordinary Loss (Outlook): -¥35.0 bn

- Q1: Impairment loss on trademark rights: -¥15.3 bn  
Date of partial termination of license\*: December 31, 2021, subject to closing conditions
- Within 2021:  
One-time expenses related to organizational reform and partial termination of license agreement: ca. -¥20.0 bn
- Subsequent production and worldwide distribution agreements are under discussion and would come into force on January 1, 2022, for a minimum period of 12 months

\*Global license agreement regarding the product development, manufacturing, distribution and marketing of D&G's beauty products.  
The license termination in France is under discussion to consider the option given by D&G and proper local information and consultation processes with employee representatives, in full alignment with French labor law.

## ● EMEA: Organizational reform

### ➤ FY 2021 Extraordinary Loss (Outlook): -¥4.0 bn, to be recorded within 2021

# FY 2021 Outlook: Maintained for Existing Businesses

Below figures reflect impacts from the Personal Care (PC) business transfer and JV (disclosed on February 3, 2021) and partial termination of a license with DOLCE&GABBANA S.R.L. (disclosed on April 28, 2021).

(Billion yen)	2020	2021 Existing businesses	Change
Net Sales	920.9	1,100.0	—
Operating Profit	15.0	35.0	—
Ordinary Profit	9.6	31.0	—
Extraordinary Profit (Loss)	-11.7	-1.0	—
Net Profit*	-11.7	11.5	—
EBITDA	71.4	110.0	—
Dividend (Yen/share)	40	50 Interim: 20; Year-end: 30	

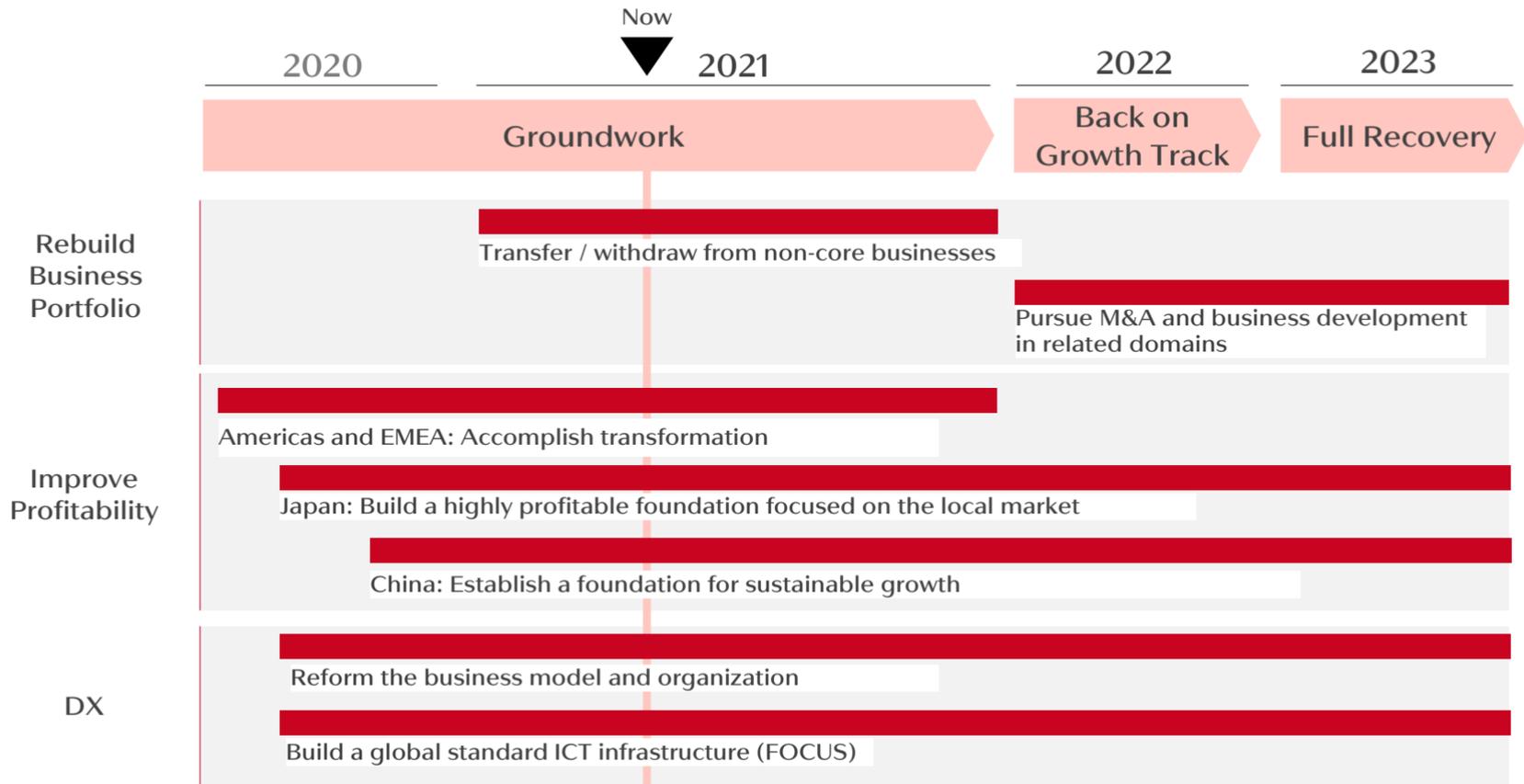
Transfer and JV of PC business	Other transformations, etc.
-33.0	
-8.0	
-8.0	+4.0
+87.0	-41.0

2021 Outlook	% of Net Sales	YoY Change	YoY Change %	Change vs. Previous
1,067.0	100%	+146.1	+16% FX-Neutral +15%	-33.0
27.0	2.5%	+12.0	+80%	-8.0
27.0	2.5%	+17.4	+180%	-4.0
45.0	4.2%	+56.7	-	+46.0
35.5	3.3%	+47.2	-	+24.0
166.5	15.6%	+95.1	+133%	+56.5
50 Interim: 20; Year-end: 30				

Exchange rates for 2021: USD 1 = JPY 105 (YoY change -1.6%), EUR 1 = JPY 127 (+4.3%), CNY 1 = JPY 16 (+3.4%)

\* Net Profit Attributable to Owners of Parent

# Global Transformation: In Line with Plan



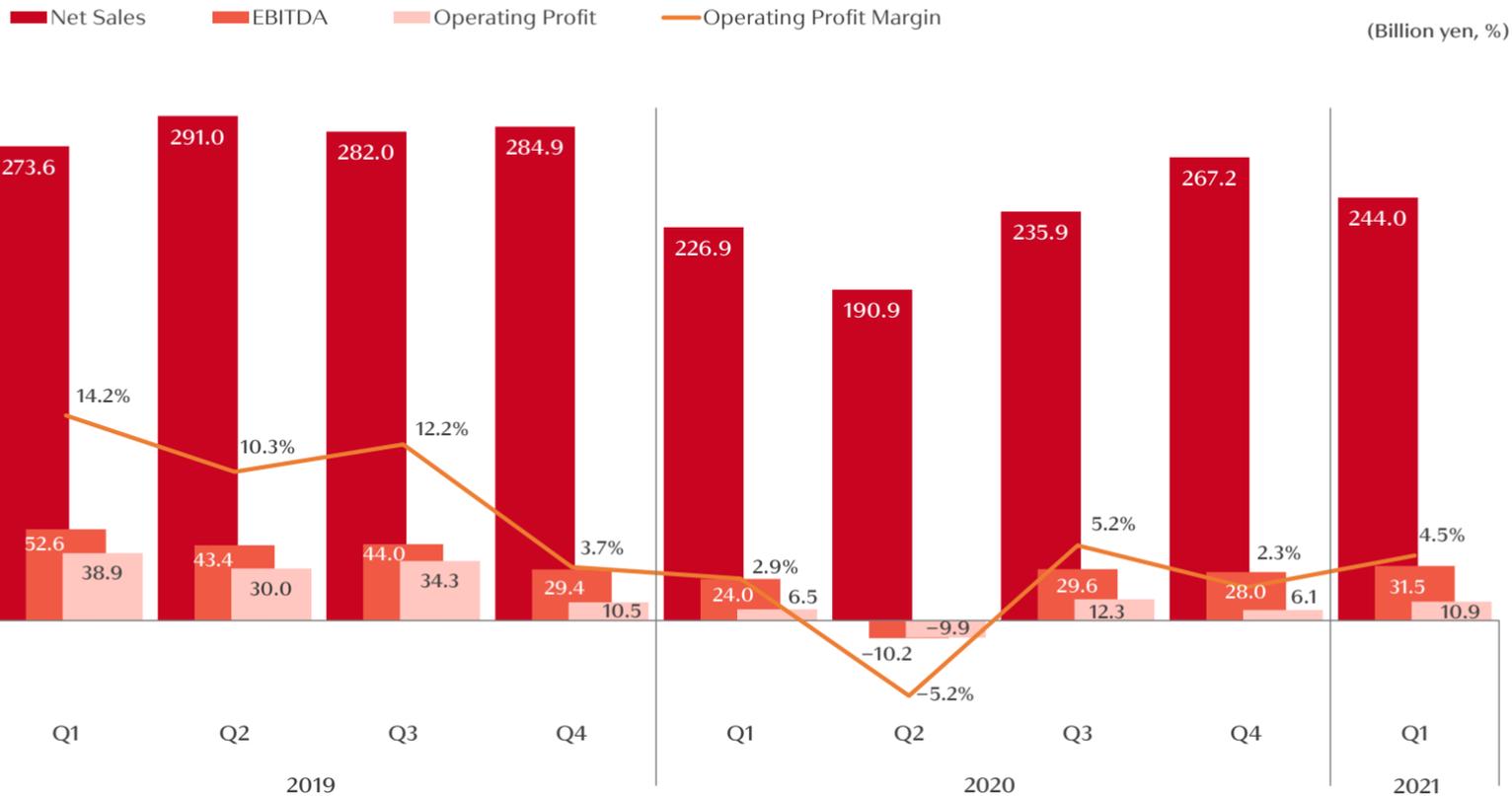


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Be a Global Winner  
with Our Heritage

# Supplemental Data 1

## KPI Trends



# Supplemental Data 2

## Q1 Net Sales and Operating Profit by Reportable Segment

Top: Net Sales Bottom: OP  (Billion yen)	2020			2021			YoY Change	YoY Change %	YoY Change FX-Neutral %
		% of Net Sales OPM %	OPM % excl. amortization of goodwill, etc.		% of Net Sales OPM %	OPM % excl. amortization of goodwill, etc.			
Japan	85.7 7.8	37.8% 8.4%	- 8.5%	75.3 4.9	30.8% 5.8%	- 5.9%	-10.4 -2.9	-12.1% -37.0%	-12.1% -
China	44.5 5.3	19.6% 11.8%	- 12.3%	65.3 2.0	26.8% 3.0%	- 3.3%	+20.8 -3.3	+46.8% -62.7%	+41.1% -
Asia Pacific	15.1 1.1	6.6% 6.8%	- 7.5%	16.5 1.4	6.8% 8.4%	- 9.1%	+1.4 +0.4	+9.6% +35.8%	+6.4% -
Americas	23.3 -9.1	10.3% -30.7%	- -24.6%	24.4 -6.1	10.0% -19.3%	- -15.8%	+1.1 +3.0	+4.6% -	+6.8% -
EMEA	20.4 -6.5	9.0% -27.9%	- -25.5%	24.4 -0.9	10.0% -3.4%	- -1.2%	+4.0 +5.6	+19.6% -	+12.3% -
Travel Retail	27.8 5.0	12.2% 17.9%	- 18.5%	28.0 4.7	11.5% 16.8%	- 17.4%	+0.2 -0.3	+0.7% -5.1%	+2.5% -
Professional	2.9 0.1	1.3% 2.0%	- 2.0%	3.6 0.4	1.5% 11.8%	- 11.8%	+0.7 +0.4	+25.4% +639.7%	+23.0% -
Other	7.2 4.7	3.2% 10.2%	- 10.5%	6.4 8.6	2.6% 16.9%	- 17.2%	-0.8 +3.9	-10.7% +84.2%	-10.7% -
Subtotal	226.9 8.4	100% 3.0%	- 4.0%	244.0 15.1	100% 4.9%	- 5.7%	+17.1 +6.8	+7.5% +81.0%	+6.0% -
Adjustment	- -1.9	- -	- -	- -4.2	- -	- -	- -2.4	- -	- -
Total	226.9 6.5	100% 2.9%	- 4.2%	244.0 10.9	100% 4.5%	- 5.4%	+17.1 +4.4	+7.5% +67.6%	+6.0% -

Exchange rates: USD 1 = JPY 106.6 (YoY change: -2.1%), EUR 1 = JPY 127.9 (+6.5%), CNY 1 = JPY 16.4 (+5.1%)

\* OPM is calculated using net sales including intersegment sales, or sales including internal transfers between accounts.

# Supplemental Data 3

## Q1 Net Sales in Japan, China, and Asia Pacific by Category

Japan	(Billion yen)	2020		2021		YoY Change	YoY Change % / YoY Change FX-Neutral %*
			% of Net Sales		% of Net Sales		
	Prestige	18.4	21.4%	17.3	22.9%	-1.1	-6.0%
	Premium	48.3	56.3%	40.1	53.3%	-8.1	-16.9%
	Lifestyle	12.8	14.9%	11.4	15.1%	-1.4	-11.0%
	Others	6.3	7.4%	6.6	8.7%	+0.3	+4.1%
	Total Japan Sales	85.7	100%	75.3	100%	-10.4	-12.1%

### China

	Prestige	20.4	45.8%	34.7	53.2%	+14.4	+64.2%
	Cosmetics	13.6	30.7%	18.9	28.9%	+5.3	+32.2%
	Personal Care	10.0	22.5%	11.1	16.9%	+1.0	+6.5%
	Others	0.5	1.0%	0.6	1.0%	+0.2	+37.9%
	Total China Sales	44.5	100%	65.3	100%	+20.8	+41.1%

### Asia Pacific

	Prestige	7.4	49.2%	8.3	50.4%	+0.9	+9.4%
	Cosmetics	3.4	22.5%	3.5	21.0%	+0.1	-1.3%
	Personal Care	3.1	20.4%	3.4	20.3%	+0.3	+6.2%
	Others	1.2	7.9%	1.4	8.3%	+0.2	+9.5%
	Total Asia Pacific Sales	15.1	100%	16.5	100%	+1.4	+6.4%

\* YoY Change for Japan, and YoY Change FX-Neutral for China and Asia Pacific

# Supplemental Data 4

## Q1 SG&A

	(Billion yen)	2021		YoY Change	YoY Change %	YoY Change FX-Neutral %
		% of Net Sales	Change in % of Net Sales			
SG&A	170.5	69.8%	-5.4 pts	-0.1	-0.1%	-1.6%
Marketing Investments *	89.8	36.7%	-1.3 pts	+3.7	+4.3%	+2.1%
Brand Development/ R&D Investments	8.6	3.5%	-0.7 pts	-0.9	-9.8%	-11.4%
Personnel Expenses	30.7	12.6%	-1.5 pts	-1.4	-4.4%	-5.3%
Other SG&A Expenses	41.5	17.0%	-1.9 pts	-1.5	-3.4%	-3.9%

\* Marketing Investments includes POS personnel expenses.

# Supplemental Data 5

## FY 2021 Net Sales Outlook by Reportable Segment

(Billion yen)	2020	2021 Latest	YoY Change %	YoY Change FX-Neutral %	2021 Previous	
						Change
Total	920.9	1,067.0	+16%	+15%	1,100.0	-33.0
Japan	303.0	325.0	+7%	+7%	346.0	-21.0
China	235.8	282.5	+20%	+17%	313.5	-31.0
Asia Pacific	59.2	64.5	+9%	+11%	66.5	-2.0
Americas	91.4	116.5	+27%	+29%	116.5	-
EMEA	94.3	106.0	+12%	+8%	106.0	-
Travel Retail	98.5	106.5	+8%	+10%	106.5	-
Professional	12.8	14.5	+14%	+14%	14.5	-
Other	25.9	51.5	+99%	+99%	30.5	+21.0

Exchange rates for 2021: USD 1 = JPY 105 (-1.6%), EUR 1 = JPY 127 (+4.3%), CNY 1 = JPY 16 (+3.4%)

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