

FY2015 First Quarter Results and Outlook

July 31, 2015

Norio Tadakawa

Corporate Officer, CFO

Shiseido Co., Ltd.

SHISEIDO



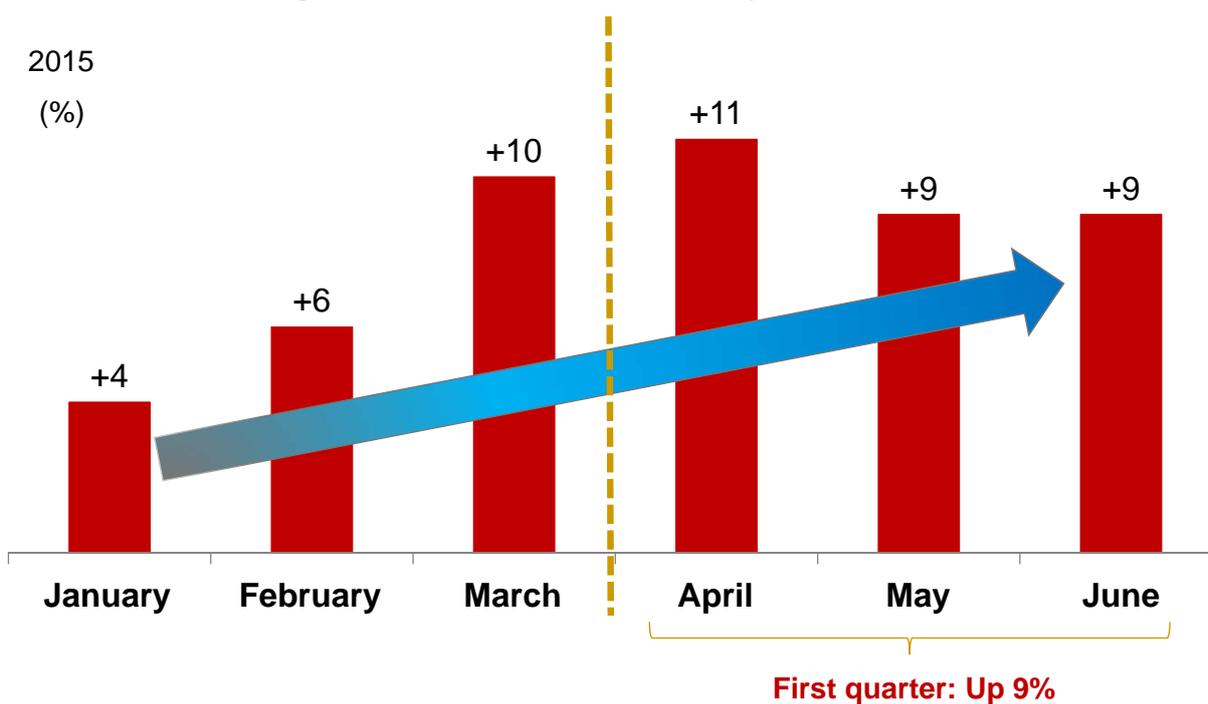
First Quarter Results (Ended June 2015)

(Billion yen)	15/12 Result		15/3 Result		YoY Amount	YoY Change %	Change in Local Currency
		% of Net Sales		% of Net Sales			
Net Sales	202.3	100%	168.4	100%	+33.9	+20.2%	+15.0%
Domestic	92.0	45.5%	79.5	47.2%	+12.5	+15.7%	+15.6%
Overseas	110.3	54.5%	88.8	52.8%	+21.4	+24.1%	+14.5%
Operating Income	13.0	6.4%	1.4	0.8%	+11.7	+857.6%	+844.8%
Ordinary Income	13.6	6.7%	1.4	0.9%	+12.1	+840.6%	
Income before Income Taxes	15.5	7.7%	2.1	1.3%	+13.4	+638.4%	
Net Income Attributable to Owners of Parent	3.7	1.8%	-1.8	-1.1%	+5.5	—	

Exchange Rates USD 1 = JPY 119.1 (+15.9%); EUR 1 = JPY 134.2 (-4.7%); CNY 1 = JPY 19.1 (+12.9%)

Growth Rate of Store Sales of Domestic Cosmetics

SHISEIDO: Changes in store sales from the year before last



| 2

Japan Business: Sales and Operating Income in the First Quarter

(Billion yen)	15/12 Result		15/3 Result		YoY Amount	YoY Change %
		% of Net Sales		% of Net Sales		
Prestige	25.4	12.5%	19.7	11.7%	+5.7	+29.1%
Cosmetics	43.0	21.2%	37.4	22.2%	+5.6	+15.0%
Personal Care	9.1	4.5%	9.8	5.8%	-0.7	-7.0%
Digital	1.8	0.9%	1.4	0.9%	+0.3	+22.3%
Healthcare & Others	3.4	1.7%	3.6	2.1%	-0.2	-5.1%
Japan Business	82.6	40.8%	71.9	42.7%	+10.8	+15.0%

(Billion yen)	15/12 Result	15/3 Result	YoY Amount	YoY Change %
Operating Income	9.1	4.0	+5.0	+124.8%
Operating Profitability	10.6%	5.4%	+5.2 pt.	

Note: In line with organizational reforms, the former Domestic Cosmetics Business segment has been revised to the Japan Business segment, and reportable segment classifications have been changed accordingly. See Supplemental Data 1 for details.

| 3

Japan Business: Future Initiatives

Enhancing unique values to increase brand equity



SHISEIDO

ULTIMUNE Power Infusing Eye Concentrate
A serum for the area around the eyes
To be launched in September



TSUBAKI

Products for out-bath treatment
To be launched in September



BENEFIQUE

AC Line and IM Line
New lines
To be launched in September

ELIXIR

Enriched Serum
A serum/ To be launched in August
Enriched Cream
Cream/ To be launched in October



Inbound

An opportunity for us to meet with foreign customers continuously

Before they come to Japan

During their visit to Japan

After they leave Japan



Dividing consumer behaviors into the three phases of before they come to Japan, during their visit to Japan, and after they leave Japan, to establish a virtuous circle in which they purchase our products even after they leave Japan

Global Business: Sales and Operating Income in the First Quarter

(Billion yen)	15/12 Result		15/3 Result		YoY Amount	YoY Change %	Change in Local Currency
		% of Net Sales		% of Net Sales			
Cosmetics	104.6	51.7%	81.8	48.6%	+22.8	+27.8%	+18.2%
Professional	9.2	4.6%	10.8	6.4%	-1.5	-14.3%	-21.6%
Global Business	113.8	56.3%	92.6	55.0%	+21.2	+22.9%	+13.6%

(Billion yen)	15/12 Result	15/3 Result	YoY Amount	YoY Change %
Operating Income before Amortization of Goodwill, etc.	4.7	-1.1	+5.9	—
Operating Income	2.3	-3.5	+5.8	—
Operating Profitability	2.0%	-3.7%	+5.7 pt.	

Note: In line with organizational reforms, the former Global Business segment has been reorganized, and reportable segment classifications have been changed accordingly. See Supplemental Data 1 for details.

| 6

Overseas: Summary of Results for the First Quarter (Jan - Mar) and Second Quarter (Apr - Jun) of FY2015

Region	YoY % Change of Net Sales (Change in Local Currency)	Descriptions
China	[First quarter] +26.7% (+12.8%)	(+) Strong sales of prestige brands such as <i>clé de peau BEAUTÉ</i> and the global brand <i>SHISEIDO</i> (+) Favorable results of e-commerce
	[Second quarter] YoY decline	(-) Revision of the conditions of contracts with distributors (-) Reduction of inventories of cosmetics specialty stores and distributors

* The year-on-year changes in sales in the second quarter shown in this document are based on a simple aggregation of preliminary figures. Accordingly, they may differ from the actual year-on-year sales changes by region in local currency terms, which are disclosed in the consolidated settlement of accounts.



clé de peau BEAUTÉ counter



SHISEIDO ULTIMUNE

| 7

Overseas: Summary of Results for the First Quarter (Jan - Mar) and Second Quarter (Apr - Jun) of FY2015

Region	YoY % Change of Net Sales (Change in Local Currency)	Descriptions
Asia	[First quarter] +21.8% (+12.5%)	(+) Favorable results of travel retail business (+) Continued strength of <i>ULTIMUNE</i>
	[Second quarter] YoY increase	(+) Favorable results of travel retail business (+) Strong sales of new sunscreen under the global brand <i>SHISEIDO</i>

* The year-on-year changes in sales in the second quarter shown in this document are based on a simple aggregation of preliminary figures. Accordingly, they may differ from the actual year-on-year sales changes by region in local currency terms, which are disclosed in the consolidated settlement of accounts.



Travel retail



Perfect UV Protection N

Overseas: Summary of Results for the First Quarter (Jan - Mar) and Second Quarter (Apr - Jun) of FY2015

Region	YoY % Change of Net Sales (Change in Local Currency)	Descriptions
Americas	[First quarter] +35.6% (+19.0%)	(+) Strong sales of <i>NARS</i> and fragrance business (+) Launched the <i>Complexion Rescue</i> from <i>bareMinerals</i> (+) Rebound from the impact of the shipment problems at our distribution center in the United States in the previous year
	[Second quarter] YoY decline	(+) Favorable results of <i>NARS</i> (-) Reactionary fall from the launch of major new product from <i>bareMinerals</i> in the previous year

* The year-on-year changes in sales in the second quarter shown in this document are based on a simple aggregation of preliminary figures. Accordingly, they may differ from the actual year-on-year sales changes by region in local currency terms, which are disclosed in the consolidated settlement of accounts.



NARS counter



Complexion Rescue from *bareMinerals*

Overseas: Summary of Results for the First Quarter (Jan - Mar) and Second Quarter (Apr - Jun) of FY2015

Region	YoY % Change of Net Sales (Change in Local Currency)	Descriptions
Europe	[First quarter] +9.9% (+12.4%)	(+) Strong sales of the global brand <i>SHISEIDO</i> in Russia and Spain (+) Favorable results of fragrance business (-) Struggle in Germany and others
	[Second quarter] YoY unchanged	(+) Favorable results in Italy (+) Hit of new sunscreen under the global brand <i>SHISEIDO</i> (-) Struggle in Germany and Spain

* The year-on-year changes in sales in the second quarter shown in this document are based on a simple aggregation of preliminary figures. Accordingly, they may differ from the actual year-on-year sales changes by region in local currency terms, which are disclosed in the consolidated settlement of accounts.



ISSEY MIYAKE



narciso rodriguez

China: Initiatives for the Second Half (Jul - Dec) of FY2015

- First half of FY2015

Second half of FY2015

Reform of business structure

Detailed analyses

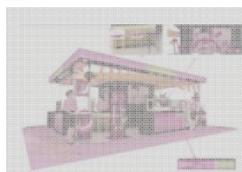
Reform of cosmetics sales activities

Developing action plan

- Reorganizing the functions of the regional headquarters of China
- Strengthening the functions of each area
- Realizing high value-added BC activities

- Brand segmentation project
- Measures for raising the motivation of BC*
- Reviewing the channel strategies

Brand reform



- ✓ Renewal of the *AUPRES TIME LOCK* Line
- ✓ Unifying the image colors

Rebranding

Strengthening the Digital business

- Strengthening the management structure
- Expanding the EC team

China: Initiatives for the Second Half (Jul - Dec) of FY2015

- First half of FY2015

Second half of FY2015

Reform of business structure

Detailed analyses

Reform of cosmetics sales activities

Suggesting action plan

- Reorganizing the functions of the regional headquarters of China
- Strengthening the functions of each area
- Realizing high value-added BC activities

- Brand segmentation project
- Measures for raising the motivation of BC*
- Reviewing the channel strategies

Brand reform



- ✓ Renewal of the AUPRES TIME LOCK Line
- ✓ Unifying the image colors

Rebranding

Strengthening the Digital business

- Strengthening the management structure
- Expanding the EC team

| 12

Consolidated Balance Sheets

(Billion yen)	As at June 30, 2015	Change from March 31, 2015	Excl. Foreign Currency Exchange	Foreign Currency Exchange
Total Current Assets	404.0	-11.1	-3.7	-7.4
Cash, Time Deposits and Short-term Investments in Securities	122.4	+0.5	+1.6	-1.1
Notes & Accounts Receivable	120.4	-11.5	-7.8	-3.7
Inventories	112.9	+6.2	+8.3	-2.1
Total Fixed Assets	398.6	-10.0	-8.0	-2.0
Property, Plant and Equipment	134.1	-2.9	-2.1	-0.8
Intangible Assets	164.4	-2.7	-2.4	-0.4
Investments and Other Assets	100.1	-4.3	-3.5	-0.8
Total Assets	802.6	-21.1	-11.7	-9.4

Exchange Rates

Jun. 30, 2015 (Mar. 31, 2015): USD 1 = JPY 120.3; EUR 1 = JPY 130.4; CNY 1 = JPY 19.4
Mar. 31, 2015 (Dec. 31, 2014): USD 1 = JPY 120.5; EUR 1 = JPY 146.5; CNY 1 = JPY 19.3

(Billion yen)	As at June 30, 2015	Change from March 31, 2015	Excl. Foreign Currency Exchange	Foreign Currency Exchange
Total Liabilities	394.6	-19.7	-15.8	-3.9
Notes & Accounts Payable and Other Payables	95.4	-0.4	+1.4	-1.9
Accrued Income Taxes	9.7	-6.5	-6.2	-0.3
Accrued Bonuses for Employees	9.9	-7.1	-6.9	-0.2
Interest-Bearing Debt	109.6	+2.7	+2.7	-0.1
Liabilities for Retirement Benefits	76.6	-1.1	-0.7	-0.4
Total Net Assets	408.0	-1.4	+4.2	-5.5
Shareholders' Equity	351.3	-0.0	—	—
Accumulated Other Comprehensive Income	33.4	-2.1	—	—
Total Liabilities and Net Assets	802.6	-21.1	-11.7	-9.4

Equity Ratio: 47.9%
Interest-Bearing Debt Ratio: 21.2%

Note: Major line items only

| 13

Outlook for the First Half Ending September 2015

(Billion yen)	Q1		Q2		1st half		Difference from the Forecast Announced in April
		YoY Change %		YoY Change %		YoY Change %	
Net Sales	202.3	+20%	209.7	+6%	412.0	+13%	+22.0
Domestic	92.0	+16%	103.0	+11%	195.0	+13%	+8.0
Overseas	110.3	+24%	106.7	+2%	217.0	+12%	+14.0
Operating Income	13.0	+858%	-3.0	(9.6)	10.0	-9%	+7.0
Ordinary Income	13.6	+841%	-2.6	(10.1)	11.0	-4%	+8.0
Extraordinary Income/Loss (net)	2.0	+199%	0.5	-97%	2.5	-88%	+3.5
Net Income Attributable to Owners of Parent	3.7	(-1.8)	-2.2	(26.4)	1.5	-94%	+5.0

Overseas Sales Ratio
Operating Profitability
Exchange rates

52.7%

2.4%

USD 1 = JPY 120.2 (+17%); EUR 1 = JPY 134.2 (-4%); CNY 1 = JPY 19.3 (+16%)

The figure in parentheses is the amount in the previous fiscal year.

| 14

Outlook for FY2015

(Billion yen)	15/12 Outlook		Difference from the Forecast Announced in April	2015/3 Results* (Adjusted)	YoY Change (%) (Adjusted)	Change (%) in Local Currency (Adjusted)
		% of Net Sales				
Net Sales	765.0	100%	+35.0	677.5	+13%	+8%
Domestic	293.0	38.3%	+8.0	265.9	+10%	+10%
Overseas	472.0	61.7%	+27.0	411.6	+15%	+6%
Operating Income	30.0	3.9%	+2.0	21.2	+41%	
Ordinary Income	30.5	4.0%	+2.5	22.8	+34%	
Extraordinary Income/Loss (net)	1.5	0.2%	+3.5	16.3	-91%	
Net Income Attributable to Owners of Parent	11.0	1.4%	+1.0	27.5	-60%	

ROE

2.8%

Exchange rates USD 1 = JPY 120 (+13%); EUR 1 = JPY 134 (-5%); CNY 1 = JPY 19.3 (+12%)

Dividends Interim: JPY 10; Year-end: JPY 10; Annual: JPY 20

* FY2015 is an irregular fiscal year. FY2014 has been adjusted accordingly (Japan: 9-month fiscal year, overseas: 12-month fiscal year).

| 15

Steps to Take Toward Achievement of the VISION 2020



Strengthening the brand portfolio



Investing resources generated through reform of the cost structure in marketing and innovations

SHISEIDO

Introducing six regional headquarters to achieve the goal of becoming a global marketing company

SHISEIDO

Supplemental Data 1 Sales and Operating Income in the First Quarter by Reportable Business Segment

(Billion yen)	15/12 Result	15/3 Result	YoY Amount	YoY Change %
Japan Business	82.6	71.9	+10.8	+15.0%
Global Business	113.8	92.6	+21.2	+22.9%
Others	5.9	3.9	+1.9	+49.0%
Sales	202.3	168.4	+33.9	+20.2%
Japan Business	9.1	4.0	+5.0	+124.8%
Global Business	2.3	-3.5	+5.8	—
Others	1.7	0.8	+0.9	+111.7%
Elimination/Corporate	0.0	-0.0	+0.0	—
Operating Income	13.0	1.4	+11.7	+857.6%

Notes: 1. Percentages of sales include intersegment transactions.

2. Effective from the fiscal year ending December 2015, the Company has partially reorganized its business segment classification method, ahead of a new organizational system to start in the fiscal year ending December 2016. Under the revision of reportable segments, the "Domestic Cosmetics Business" and "Global Business" segments became the "Japan Business" and "Global Business" segments. Some subsidiaries, previously classified under the "Domestic Cosmetics Business" segment, are reclassified under the "Global Business" or "Others" segment. Also, the method of allocating certain expenses has been revised in order to more accurately ascertain the operating performance of individual segments. Results for the first three months of the preceding fiscal year have been adjusted to the post-revision classification and allocation methods.

| 18

Supplemental Data 2 Sales in the First Quarter by Region

(Billion yen)	15/12 Result		15/3 Result		YoY Amount	YoY Change %	Change in Local Currency
		% of Net Sales		% of Net Sales			
Domestic	92.0	45.5%	79.5	47.2%	+12.5	+15.7%	+15.6%
China	31.3	15.5%	24.7	14.7%	+6.6	+26.7%	+12.8%
Asia*	16.4	8.1%	13.5	8.0%	+2.9	+21.8%	+12.5%
Americas	36.3	18.0%	26.8	15.9%	+9.5	+35.6%	+19.0%
Europe	26.2	12.9%	23.9	14.2%	+2.4	+9.9%	+12.4%
Overseas	110.3	54.5%	88.8	52.8%	+21.4	+24.1%	+14.5%
Total	202.3	100%	168.4	100%	+33.9	+20.2%	+15.0%

*Excl. China

| 19

Supplemental Data 3 Cost of Sales / SG&A in the First Quarter

(Billion yen)	15/12 Result		YoY Change +: cost cuts	YoY Change %	Impact of Foreign Currency Exchange	YoY Change Excl. Impact of Foreign Currency Exchange +: cost cuts
	% of Net Sales	% Pt. Change +: decrease				
Cost of Sales	48.5	24.0%	-0.6%	-9.0	+22.9%	-6.3
SG&A	140.8	69.6%	+6.2%	-13.2	+10.4%	-7.5
(Domestic)	67.7	73.5%	+7.3%	-3.7	+5.7%	-3.7
(Overseas)	73.1	66.3%	+5.0%	-9.5	+15.0%	-3.8
Marketing Costs	46.2	22.8%	+0.6%	-6.9	+17.7%	-5.3
Personnel Expenses	55.4	27.4%	+3.7%	-3.0	+5.7%	-0.8
Other Expenses	36.7	18.2%	+1.7%	-3.2	+9.5%	-1.7
M&A-Related Amortization Expenses	2.5	1.2%	+0.2%	-0.1	+4.4%	+0.2

* Sales counter amortization expenses, which used to be classified as Other Expenses, moved to Marketing Costs. In addition, cost of BCs hired by distributors and retailers moved from Other Expenses to Personnel Expenses. The same reclassifications are also reflected in the previous first quarter results.

| 20

Supplemental Data 4 SG&A (Domestic and Overseas Breakdown) in the First Quarter

(Billion yen)	15/12 Result	15/3 Result	YoY Change +:cost cuts	YoY Change %	Impact of Foreign Currency Exchange	YoY Change Excl. Impact of Foreign Currency Exchange +cost cuts
Domestic	20.4	17.3	-3.0	+17.5%	—	-3.0
Overseas	25.8	21.9	-3.9	+17.8%	-1.7	-2.2
Marketing Costs	46.2	39.3	-6.9	+17.7%	-1.7	-5.3
Domestic	27.0	27.6	+0.6	-2.2%	—	+0.6
Overseas	28.4	24.8	-3.6	+14.5%	-2.2	-1.4
Personnel Expenses	55.4	52.4	-3.0	+5.7%	-2.2	-0.8
Domestic	20.4	19.1	-1.2	+6.4%	—	-1.2
Overseas	16.4	14.4	-1.9	+13.5%	-1.5	-0.4
Other Expenses	36.7	33.6	-3.2	+9.5%	-1.5	-1.7
Domestic	0.0	0.0	+0.0	-0.0%	—	+0.0
Overseas	2.4	2.3	-0.1	+4.5%	-0.3	+0.2
M&A-related Amortization Expenses	2.5	2.4	-0.1	+4.4%	-0.3	+0.2
Domestic	67.7	64.1	-3.7	+5.7%	—	-3.7
Overseas	73.1	63.5	-9.5	+15.0%	-5.7	-3.8
Total	140.8	127.6	-13.2	+10.4%	-5.7	-7.5

* Sales counter amortization expenses, which used to be classified as Other Expenses, moved to Marketing Costs. In addition, cost of BCs hired by distributors and retailers moved from Other Expenses to Personnel Expenses. The same reclassifications are also reflected in the previous first quarter results.

| 21



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.