FY2016 First Quarter Results and Outlook

May 13, 2016

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SHISEIDO

- I would like to review our business results for the first quarter of fiscal 2016 and explain our outlook for fiscal 2016.

Please note that the previous year's period for comparison has changed due to the change in fiscal year end.

Fiscal Year		
FY2016 (First Quarter)	Domestic: Jan.-Dec. 2016 (Jan.-Mar. 2016)	Overseas: Jan.-Dec. 2016 (Jan.-Mar. 2016)
FY2015 (Adjusted)[1] (First Quarter)	Domestic: Jan.-Dec. 2015 (Jan.-Mar. 2015)	Overseas: Jan.-Dec. 2015 (Jan.-Mar. 2015)
FY2015 (First Quarter)	Domestic[2]: Apr.-Dec. 2015 (Apr.-Jun. 2015)	Overseas: Jan.-Dec. 2015 (Jan.-Mar. 2015)

1. The above figures have not been audited by the auditing firm. They are provided as reference for comparison.
2. Excluding some subsidiaries

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.

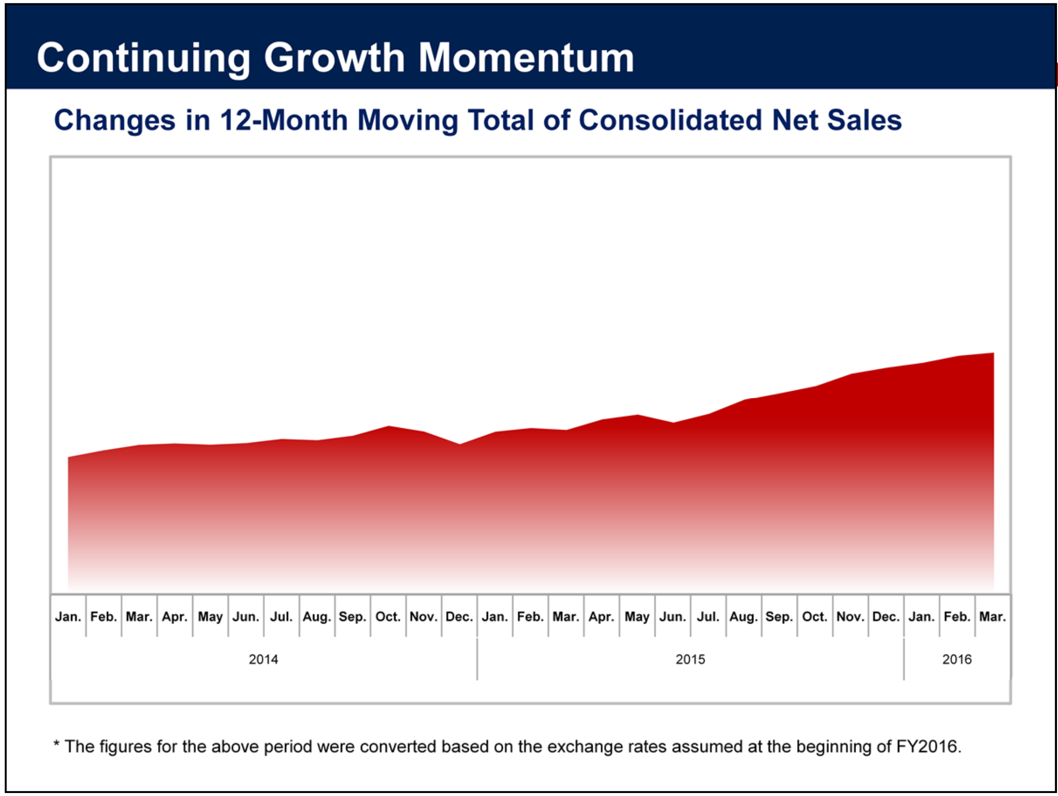
Summary of FY2016 Q1 Results

(Billion yen)	FY2016	% of Net Sales	FY2015 (Adjusted)	% of Net Sales	YoY Change[1]	YoY Change %	YoY Change in Local Currency
Net Sales	213.3	100%	210.3	100%	+2.9	+1.4%	+4.6%
Cost of Sales	51.0	23.9%	52.0	24.7%	-1.0	-2.0%	
SG&A	140.2	65.7%	145.8	69.3%	-5.6	-3.8%	
Operating Income	22.1	10.4%	12.6	6.0%	+9.5	+75.9%	+84.7%
Ordinary Income	22.0	10.3%	12.3	5.9%	+9.6	+77.9%	
Extraordinary Income/Loss (net)	17.4	8.2%	3.3	1.5%	+14.1	+429.1%	
Quarterly Net Income Attributable to Owners of Parent	27.3	12.8%	2.5	1.2%	+24.8	—	

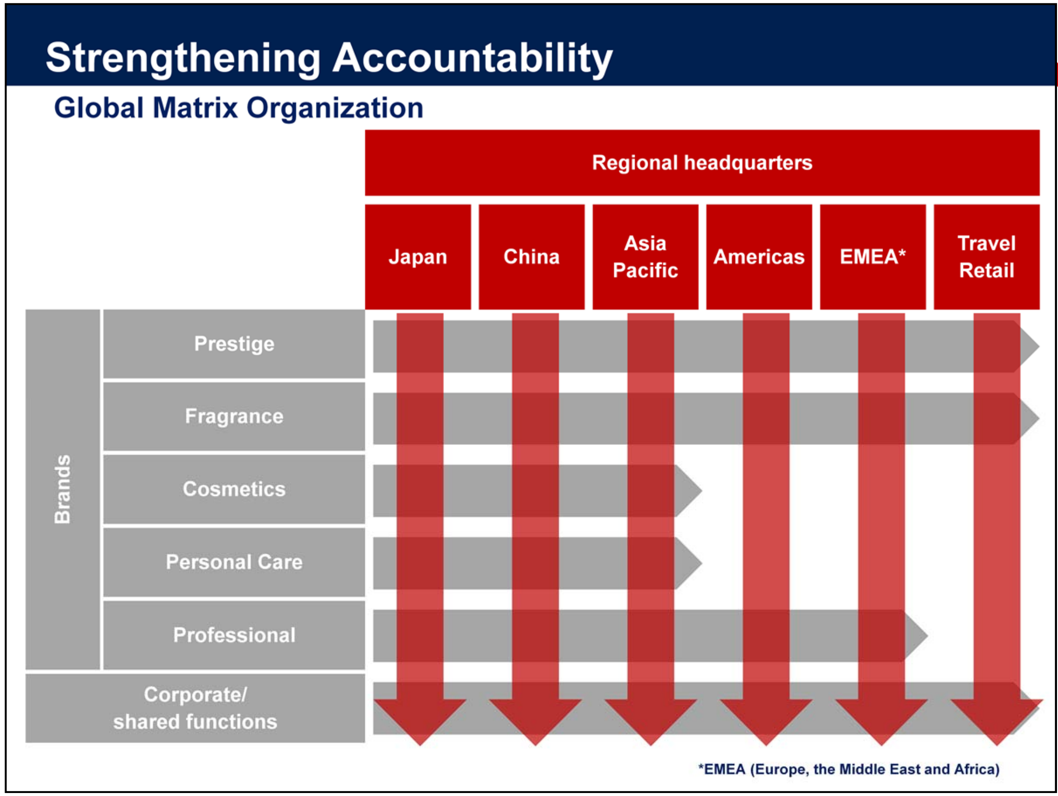
Exchange Rates USD 1 = JPY 115.5 (-3.1%), EUR 1 = JPY 127.2 (-5.2%), CNY 1 = JPY 17.6 (-7.7%)

1. Effective from FY2016, the "+" and "-" symbols are used to indicate increase and decrease in the amount, respectively.
2. Year-on-year change rate of quarterly net income attributable to owners of parent is indicated as "—" because it exceeds 1,000%.

- First, to sum up first-quarter results, all figures for sales and income at every stage were the highest on record for the first quarter.
- Net sales increased 1.4% year on year, to 213.3 billion yen. In local currency terms, net sales rose 4.6%.
  Year-on-year sales growth in real terms, excluding the negative impact of the *Jean Paul GAULTIER* brand, was 6.9%.
- Operating income increased 75.9% or 9.5 billion yen from the previous year, reaching 22.1 billion yen.
  This increase can be attributed mainly to increased gross profit from increased sales, in addition to improved product mix and reduction of cost of goods implemented by the structural reform, as well as the timing difference of marketing investment.
- Net income attributable to owners of parent rose 24.8 billion yen from the year before, to 27.3 billion yen. This increase chiefly reflects the recording of extraordinary income such as a gain on the transfer of intellectual property rights relating to the *Jean Paul GAULTIER* brand fragrance and a gain on the sale of land at the Company's former Kamakura factory, in addition to higher operating income.



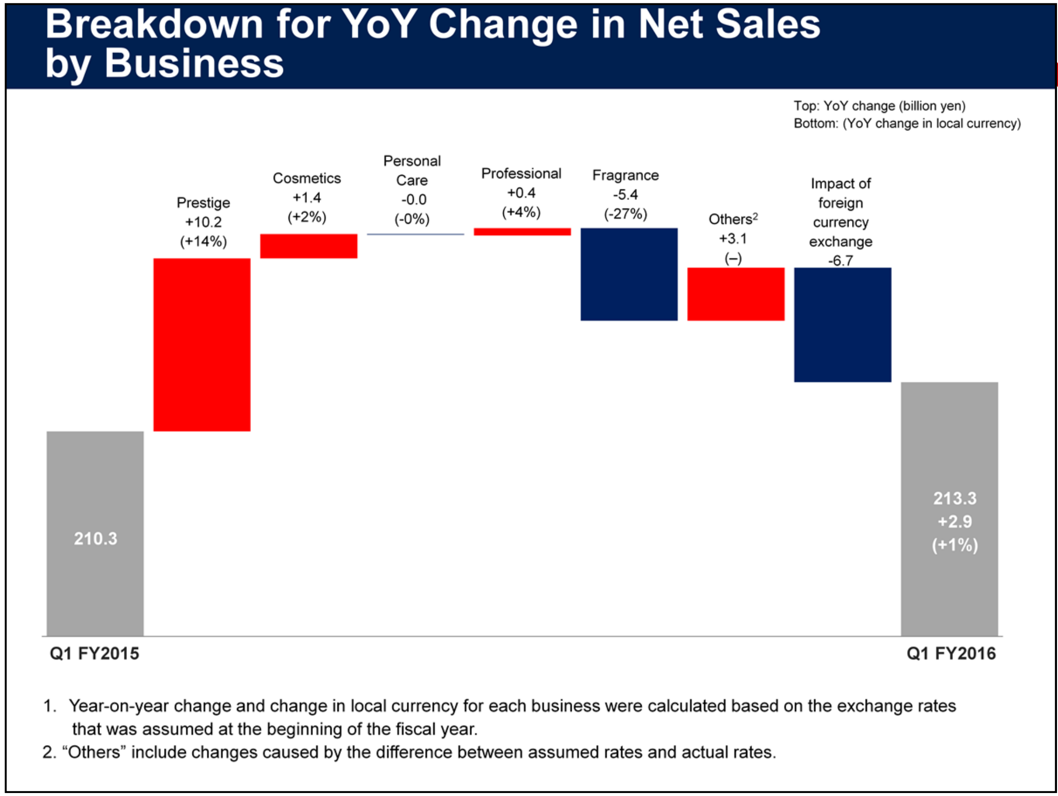
- This slide shows the 12-month moving total of consolidated net sales.
- The graph shows the sales trend from January 2014 and indicates that sales are definitely on the growth path.
- According to the graph, monthly sales fell three times during this time: December 2014, when we reduced market inventories to an appropriate level in China and Asia; March 2015, which reflects a fallback in demand from the previous year, when people rushed to buy ahead of the consumption tax hike; and June 2015, when we reduced market inventories to an appropriate level in China for a second time.
- Each of the declines is attributable to special factors, and overall, sales have definitely maintained their growth momentum.



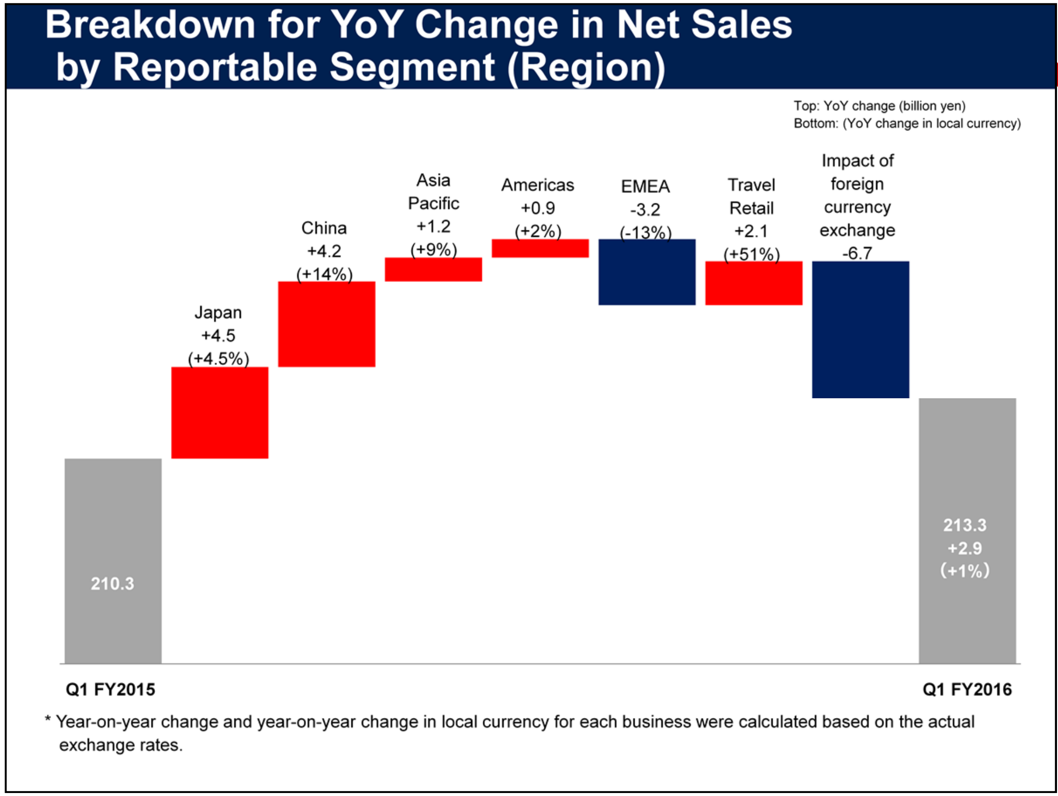
- As shown on page 5, starting from the current fiscal year, the global matrix organization with regional axes and brand axes is fully operational.

- With this organizational shift, we also intend to strengthen accountability and are changing our segments.

- I will, therefore, present our results for each of these segments from here on in.



- Let us start by looking at changes in net sales by brand business on page 6.
- Overall, the Prestige brand business, which we have been strengthening as our top priority, grew significantly.
- Especially *SHISEIDO*, *clé de peau BEAUTÉ*, *IPSA* and *NARS* each achieved double-digit growth, driving overall sales growth.
- These gains offset decline in sales for the *Jean Paul GAULTIER* brand and the negative impact of the yen's appreciation.



- The next slide shows our new reportable segments, sales by region.

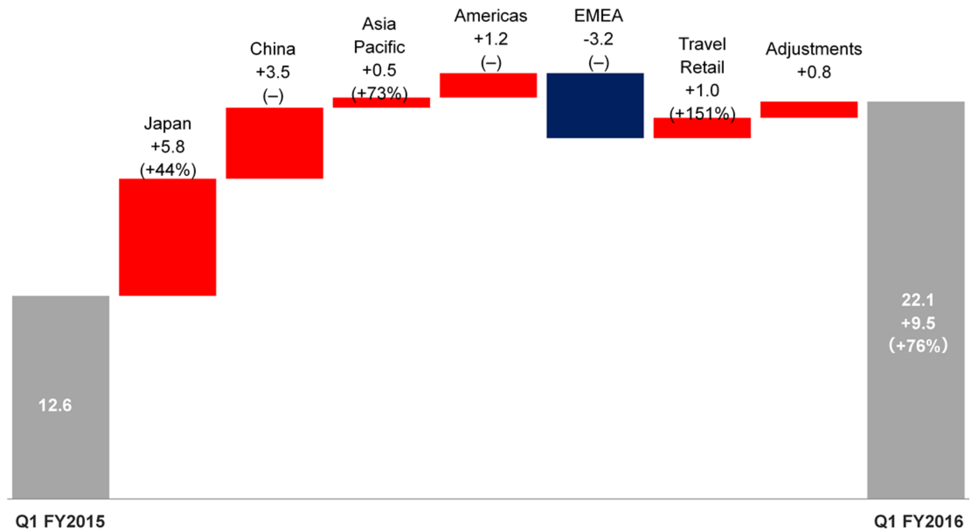
- As you can see, we achieved sales growth in all regions with the exception of Europe where there was a special factor.

- These segments that made a particularly large contribution to sales growth were as follows: Japan, now back on the growth track, saw 4.5% growth; China, where we are working to turn around our business, showed 14% growth; and the Travel Retail segment, where we have significantly stepped up investment, grew 51%. I will give further details about each segment later in the presentation.

- In Europe, year-on-year sales growth in real terms excluding the impact of expiry of the *Jean Paul GAULTIER* license was 7% in local currency terms.

Breakdown for YoY Change in Operating Income by Reportable Segment (Region)

Top: YoY change (billion yen)
Bottom: (YoY change)



1. Year-on-year change rate of operating income in China is indicated as "–" because it exceeds 1,000%.
2. Year-on-year change in operating income in the Americas and EMEA is indicated as "–" because an operating loss was posted in FY2016.

- Please turn to page 8.
  This slide shows operating income by region.

- As you can see, operating income increased in all regions with the exception of Europe, and, as with sales, increased income from the Japan, China and Travel Retail segments contributed to higher total income.

Japan

(Billion yen)	FY2016	% of Net Sales	FY2015 (Adjusted)	% of Net Sales	YoY Change	YoY Change %
Prestige[1]	13.2	6.2%	10.1	4.8%	+3.1	+30.8%
Cosmetic Specialty Stores	16.0	7.5%	14.5	6.9%	+1.5	+10.4%
Cosmetics[2]	45.2	21.2%	44.8	21.3%	+0.4	+1.0%
Personal Care[2]	15.7	7.4%	17.6	8.4%	-1.9	-10.6%
Others[4]	14.4	6.7%	13.1	6.2%	+1.3	+9.9%
Japan	104.6	49.0%	100.1	47.6%	+4.5	+4.5%

(Billion yen)	FY2016	FY2015 (Adjusted)	YoY Change	YoY Change %
Operating Income	18.8	13.1	+5.8	+44.2%
Operating Profitability	16.4%	11.7%	+4.7 pt	
Income before amortization of goodwill etc.	18.9	13.1	+5.8	+44.5%
Operating Profitability	16.5%	11.8%	+4.7 pt	

1. Prestige Business is divided into "Prestige" and "Cosmetic Specialty Stores" in line with the management system of Japan.
2. Three brands, *Ag+* (renamed "*Ag DEO24*" after the renewal), *uno*, and *MA CHÉRIE*, were transferred from Cosmetics to Personal Care in the first quarter under review. Results for the previous fiscal year were adjusted based on the classification after the transfer.
3. Results for "Digital" are combined with the results of each business in line with the internal management system. Year-on-year change rate of Digital is +25%.
4. "Others" include THE GINZA, Frontier Science Business, and Shiseido Parlour.
5. % of Net Sales indicates percentage to consolidated net sales.
6. Operating profitability is calculated using net sales including intersegment transactions.

- Moving on to results by segment.

- Net sales from Japan business were 104.6 billion yen. This represents year-on-year growth of 4.5%.
  Operating income rose 44.2% year on year, to 18.8 billion yen.
  This increase reflects higher gross profit from increased sales, reduction of cost of goods through improved product mix and structural reform, as well as the timing difference of marketing investment.

Japan: Strong Showing of Prestige

- **Prestige business**
  ***clé de peau BEAUTÉ* and *IPSA* enjoyed an excellent performance**
- **Cosmetic Specialty Store business**
  ***clé de peau BEAUTÉ* performed well**
- **Cosmetics business**
  ***ELIXIR* and *ANESSA* recorded strong growth**
- **Personal Care business**
  Changed distribution routes of *Ag+*, *uno*, and *MA CHÉRIE*, and began to strengthen the marketing of these brands

***Ag+* was renamed "*Ag DEO24*" after the renewal.

- Prestige business grew 30.8% year on year, and the growth that began last year picked up pace.

- In particular, *clé de peau BEAUTÉ*, which launched its newly reformulated skincare line in February, enjoyed an excellent performance.
  IPSA also achieved dramatic growth, with sales up more than 50% year on year, reflecting continued brisk sales, mainly of the new generation *Metabolizer* launched last year, and enormous success at tapping into inbound demand.
  Cosmetic Specialty Store business also grew 10.4% mainly reflecting the strong showing of *clé de peau BEAUTÉ.*

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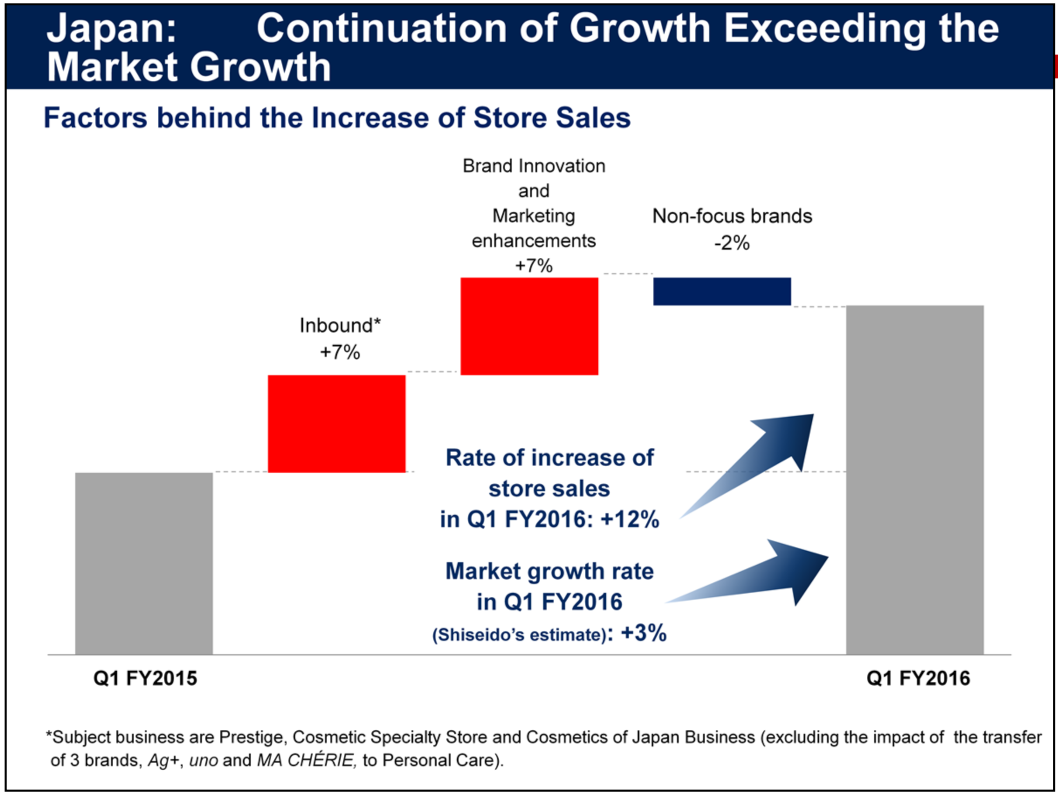
**Ag+* was renamed "*Ag DEO24*" after the renewal.

- Cosmetics business grew 1.0% year on year. *ANESSA*, sunscreen brand incorporating groundbreaking technology, that has recently been innovated, was hugely successful, far exceeding expectations.
- *ELIXIR*, which launched a newly renewed skin brightening line, and *HAKU* also continued to maintain growth momentum.

- Meanwhile, Personal Care business posted year-on-year decline of 10.6%.
  The mainstay *TSUBAKI* brand posted weak results, reflecting a fallback in shipment from March last year when we renewed the range to strengthen the product lineup.
  Looking at the three brands *Ag DEO24*, *uno* and *MA CHÉRIE,* for which we started to change distribution routes step by step from February, although we succeeded in expanding sales channels, we believe the positive impact this had on first-quarter results was limited partly because the replacement of old products with new products was slower than planned.
  Moving forward, we plan to develop and strengthen these brands as mainstay brands after the *TSUBAKI* and *SENKA* .



- The next slide is an analysis of the factors behind the increase in store sales.
- First-quarter store sales far exceeded the market growth rate of 3%, posting double-digit year-on-year growth of 12%.
- We believe that this 12% can be broken down as follows: approximately 7% is attributable to the effect of capturing inbound demand and 7% is attributable to the effect of brand innovation and marketing enhancements.

Japan: Inbound Sales Remaining on an Upward Trend

- **Market**
  - **Increase in the number of overseas tourists coming to Japan**
  - **Demand grows during the Chinese New Year and cherry blossom season**
- **Shiseido**
  - **Enhanced over-the-counter services at stores and aggressively opened counters at duty-free shops in town**

- In our view, the inbound market maintained an expansionary trend as a result of an increase in the number of overseas tourists coming to Japan, especially from China, reflecting the positive impact of the Chinese New Year and cherry blossom season.

- In light of these market trends, we continued actively working to capture demand, enhancing over-the-counter services at stores, actively opening counters at duty-free shops in town, and improving communication at contact points with tourists.

- We believe that, as a result of these efforts, our first-quarter inbound sales moved to the next level.

- Although, we expect the growth rate to slow down from the second quarter, because of the high sales growth from April last year, we do expect to maintain sales at the new higher level.

- Taking these into account, we think that our inbound sales will be higher than initially forecast.

China

(Billion yen)	FY2016	% of Net Sales	FY2015 (Adjusted)	% of Net Sales	YoY Change	YoY Change %	YoY Change in Local Currency
China	31.4	14.8%	29.6	14.1%	+1.8	+6.2%	+14.1%

(Billion yen)		FY2016	FY2015 (Adjusted)	YoY Change	YoY Change %
Operating Income		3.7	0.2	+3.5	—
	Operating Profitability	11.7%	0.8%	+10.9 pt	
Income before amortization of goodwill etc.		3.8	0.3	+3.5	—
	Operating Profitability	12.1%	1.1%	+11.0 pt	

1. Year-on-year change rates of operating income and income before amortization of goodwill etc. are indicated as "–" because they exceed 1,000%.
2. % of Net Sales indicates percentage to consolidated net sales.
3. Operating profitability is calculated using net sales including intersegment transactions.

- Turning to China.
- Net sales were 31.4 billion yen, growing 14.1% on a local currency basis.
  Operating income rose 3.5 billion yen from a year ago, to 3.7 billion yen.

China: Prestige, E-commerce Growth

- ***SHISEIDO*, *clé de peau BEAUTÉ*, *NARS*, and *IPSA* continued to remain strong**
- **Rebranding of *AUPRES*, *URARA*, and *PURE&MILD* was started**
- **E-commerce**
  Brisk for all the Prestige, Cosmetics, and Personal Care businesses

- In the prestige business, we achieved double-digit growth in department store sales in China, while our competitors generally struggled.

- The brand *SHISEIDO*, which has been strong, posted double-digit growth, with the launch of the newly renewed White Lucent line making a large contribution.
  clé de peau BEAUTÉ also maintained growth exceeding 20%, driven by the face powder based on the brand concept.

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- *IPSA*, which successfully captured inbound demand in Japan, also grew rapidly on the Chinese domestic market and achieved substantial growth, with sales increasing four-fold, although still on a relatively small scale. We believe that the strategy of strengthening measures to gain new consumers proved successful and the number of consumers showing confidence and interest in the high quality of “Made In Japan” products increased, and this led to widespread word-of-mouth advertising and repeat purchases by consumers who came into contact with the worldview of the brand and the quality of the products. We plan to continue increasing investment in the brand to ensure that this trend continues.

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  Brisk for all the Prestige, Cosmetics, and Personal Care businesses

- In the cosmetics business, we made a start on rebuilding the *AUPRES*, *URARA* and *PURE&MILD* brands.
  AUPRES performed strongly, both in terms of the number of customers at stores and sales where counters were newly introduced.
  However, these efforts were not enough to push up total sales and sales of *AUPRES* combined, which were down year on year last year, somehow remained at the same level as the previous year.

- We will continue activities to properly convey the new brand value to consumers and also actively promote the opening of new counters, which are being well-received.

China: Prestige, E-commerce Growth

- ***SHISEIDO*, *clé de peau BEAUTÉ*, *NARS*, and *IPSA* continued to remain strong**
- **Rebranding of *AUPRES*, *URARA*, and *PURE&MILD* was started**
- **E-commerce**
  Brisk for all the Prestige, Cosmetics, and Personal Care businesses

- Sales of specialty store brands, which had been much lower than the year before since last summer, recovered to the year-ago level this quarter, as signs of restoration of trust between the Company, its distributors and specialty stores gradually began to emerge.

  Given favorable comments from distributors and specialty stores, the sales of renewed *PURE&MILD* started in April, and we expect to see the positive effect in the second quarter.

- Another area that has grown considerably is e-commerce.
- Last year, we began strengthening e-commerce with the support of digital professionals, and the effect of these efforts are clearly evident. Our e-commerce sales growth in China far outpaced market growth across-the-board in our prestige, cosmetics and personal care businesses.

Asia Pacific

(Billion yen)	FY2016	% of Net Sales	FY2015 (Adjusted)	% of Net Sales	YoY Change	YoY Change %	YoY Change in Local Currency
Asia Pacific	12.5	5.9%	12.7	6.0%	-0.2	-1.4%	+9.1%

(Billion yen)	FY2016	FY2015 (Adjusted)	YoY Change	YoY Change %
Operating Income	1.3	0.8	+0.5	+72.9%
Operating Profitability	10.4%	5.9%	+4.5 pt	
Income before amortization of goodwill etc.	1.3	0.8	+0.5	+71.0%
Operating Profitability	10.5%	6.1%	+4.4 pt	

- **Region: Strong growth in South Korea, Thailand, and Vietnam**
- **Prestige brands remained brisk**
  SHISEIDO*, *clé de peau BEAUTÉ*, and *NARS
- **Personal care and cosmetics brands**
  Strong sales of *SENKA*

●1. % of Net Sales indicates percentage to consolidated net sales.
●2. Operating profitability is calculated using net sales including intersegment transactions.

- Moving on to the Asia Pacific.
- Net sales were 12.5 billion yen, growing 9.1% in local currency terms.
  Operating income rose 72.9%, to 1.3 billion yen.
- In Asia, we performed strongly in all countries, especially South Korea, Thailand and Vietnam. In addition to continued growth of the prestige brands *SHISEIDO*, *clé de peau BEAUTÉ* and *NARS*, sales of the personal care brand *SENKA* also expanded.
- We are currently introducing new counters for *SHISEIDO* in all regions, at stores with new counters, both customer numbers and sales are growing dramatically and leading to encounters with new consumers, we intend to accelerate the introduction of new counters.

Americas

(Billion yen)	FY2016	% of Net Sales	FY2015 (Adjusted)	% of Net Sales	YoY Change	YoY Change %	YoY Change in Local Currency
Americas	37.8	17.7%	38.5	18.3%	-0.6	-1.7%	+2.3%

(Billion yen)	FY2016	FY2015 (Adjusted)	YoY Change	YoY Change %
Operating Income	-1.0	-2.2	+1.2	—
Operating Profitability	-2.5%	-5.3%	+2.8 pt	
Income before amortization of goodwill etc.	1.2	0.1	+1.1	—
Operating Profitability	3.0%	0.2%	+2.8 pt	

- **Prestige brands were strong**
  SHISEIDO*, *clé de peau BEAUTÉ*, and *NARS
- ***bareMinerals***
  New skincare line performed well while base makeup products struggled

1. Year-on-year change rates of income before amortization of goodwill etc. are indicated as "—" because it exceed 1,000%.
2. % of Net Sales indicates percentage to consolidated net sales.
3. Operating profitability is calculated using net sales including intersegment transactions.

- Turning next to the Americas.
- Net sales were 37.8 billion yen, growing 2.3% in local currency terms.
  The Americas segment made an operating loss of 1 billion yen.
- Before amortization of goodwill, the Americas segment turned a profit of 1.2 billion yen.
- The prestige business, including *SHISEIDO*, *clé de peau BEAUTÉ* and *NARS*, which accounts for around 50% of total sales in the Americas, continued to perform strongly. However, total sales for the *bareMinerals* brand were unchanged from a year ago, with a strong start by new skincare line offset by underperformance in core base makeup products, which could not maintain the strong sales achieved by the introduction of new products last year.

Transformation of Bare Escentuals Organization

We started a project to thoroughly streamline and strengthen internal organizations

75 initiatives have been started by clarifying issues that are specific to each of the 12 work streams across the company

Relocation of the Headquarters from San Francisco to New York in order to maximize the synergy within the Group (Completion scheduled in April 2017)

Implementing structural reforms to strengthen the brand

- I would like to touch upon the reforms of Bare Escentuals that I mentioned in the previous investor meeting.
- We have started a project in which we take substantial steps to streamline the organization of Bare Escentuals.
- We have identified 12 workstreams including retail, digital, and SCM, and have already started 75 initiatives such as optimization of stores, review of channel strategy, reduction of fixed cost, and so on.
- Furthermore, we will be streamlining the organization and turning it simple and efficient one. Also, we have decided to move the head office of BareEscentuals from San Francisco to New York to leverage the full range of company’s resources in the Americas.

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Implementing structural reforms to strengthen the brand

- We forecast that we will incur one time cost of around 5 billion yen related to the project associated with the relocation. However, I believe that such cost will be recovered by the improved efficiency of business after a year or so.

- Through this initiative, we are committed to strengthen our organizational capability, improve sales and profit growth, and turn *bareMinerals* into a real competitive brand.

EMEA (Europe, the Middle East and Africa)

(Billion yen)	FY2016	% of Net Sales	FY2015 (Adjusted)	% of Net Sales	YoY Change	YoY Change %	YoY Change in Local Currency
EMEA	20.8	9.7%	25.2	12.0%	-4.5	-17.8%	-12.7%

* Actual year-on-year change rate of net sales, excluding the effect of *Jean Paul GAULTIER*, is around +7% (from preliminary report).

(Billion yen)	FY2016	FY2015 (Adjusted)	YoY Change	YoY Change %
Operating Income	-0.1	3.2	-3.2	—
Operating Profitability	-0.3%	12.1%	-12.4 pt	
Income before amortization of goodwill etc.	-0.1	3.2	-3.2	—
Operating Profitability	-0.3%	12.1%	-12.4 pt	

Brisk results of the fragrance brand *narciso rodriguez*
Investments in fragrance brands to be boosted further

***SHISEIDO* continued to remain strong in Italy and Spain**

1. % of Net Sales indicates percentage to consolidated net sales.
2. Operating profitability is calculated using net sales including intersegment transactions.

- Moving on to Europe.
- Net sales were 20.8 billion yen, which represents a decline of 12.7% on a local currency basis.
  In real terms, excluding the negative impact of *Jean Paul GAULTIER* which was factored into the initial plan, sales grew 7%.
  EMEA segment posted an operating loss of 0.1 billion yen.
- In the fragrance business, sales of fragrance brand *narciso rodriguez* showed growth, driving overall sales growth. However, for the core brand *ISSEY MIYAKE*, the sales fell slightly short of expectations considering the level of investment.
- Regarding our strategy for the fragrance business in the future, we intend to take measures to enhance and strengthen our portfolio.
- Given that the *SHISEIDO* brand continued to perform strongly, especially in Italy and Spain, we will continue aiming for further expansion of the brand, with *Ultimune* and the new foundation as key items.

Travel Retail

(Billion yen)	FY2016	% of Net Sales	FY2015 (Adjusted)	% of Net Sales	YoY Change	YoY Change %	YoY Change in Local Currency
Travel Retail	6.2	2.9%	4.2	2.0%	+1.9	+45.7%	+50.6%

(Billion yen)	FY2016	FY2015 (Adjusted)	YoY Change	YoY Change %
Operating Income	1.7	0.7	+1.0	+151.2%
Operating Profitability	27.1%	15.7%	+11.4 pt	
Income before amortization of goodwill etc.	1.7	0.7	+1.0	+151.2%
Operating Profitability	27.1%	15.7%	+11.4 pt	

Growth continued in Asia

Growth of sales of Prestige brands and *ANESSA*

1. % of Net Sales indicates percentage to consolidated net sales.
2. Operating profitability is calculated using net sales including intersegment transactions.

- Finally, we come to the Travel Retail business, which we positon as a strategic channel in VISION 2020.

- Net sales were 6.2 billion yen, growing 50.6% on a local currency basis.
  Operating income rose 1 billion yen, to 1.7 billion yen.

- The Asia area continued to show substantial growth, especially in China, South Korea and Thailand.

- Prestige brands such as *SHISEIDO*, *clé de peau BEAUTÉ*, *NARS* and *ANESSA* drove total sales growth, and *NARS* in particular achieved dramatic growth, especially in South Korea.

- We will continue to achieve sales growth far outpacing market growth by expanding our lineup of dedicated products for Travel Retail, as well as actively investing in marketing, including opening new counters, increasing advertising, and strengthening counter personnel. At the same time, we will pursue good ripple effects on other markets.

Consolidated Balance Sheets

(Billion yen)	Mar. 31, 2016	Change from Dec. 31, 2015	Excl. Foreign Currency Exchange	Foreign Currency Exchange
Total Current Assets	420.3	+9.7	+22.8	-13.2
Cash, Time Deposits and Short-term Investments in Securities	127.6	+3.2	+7.1	-3.9
Notes & Accounts Receivable	130.5	+3.3	+7.3	-3.9
Inventories	110.0	+4.1	+8.0	-3.9
Total Fixed Assets	381.4	-16.4	-3.3	-13.1
Property, Plant and Equipment	136.0	+1.7	+4.5	-2.7
Intangible Assets	149.5	-11.9	-2.7	-9.3
Investments and Other Assets	95.9	-6.2	-5.1	-1.1
Total Assets	801.8	-6.8	+19.5	-26.3

(Billion yen)	Mar. 31, 2016	Change from Dec. 31, 2015	Excl. Foreign Currency Exchange	Foreign Currency Exchange
Total Liabilities	385.1	-10.1	-2.9	-7.2
Notes & Accounts Payable and Other Payables	93.8	-5.6	-4.3	-1.3
Interest-Bearing Debt	87.7	+1.1	+1.8	-0.8
Liability for Retirement Benefits	81.4	-2.3	-2.1	-0.1
Total Net Assets	416.7	+3.3	+22.5	-19.1
Shareholders' Equity	390.4	+23.4	—	—
Accumulated Other Comprehensive Income	4.7	-20.0	—	—
Non-Controlling Interests	20.7	-0.1	—	—
Total Liabilities and Net Assets	801.8	-6.8	+19.5	-26.3

Note: Main line items only

Exchange Rates
Mar. 31, 2016: USD 1 = JPY 112.7, EUR 1 = JPY 127.6, CNY 1 = JPY 17.4
Dec. 31, 2015: USD 1 = JPY 120.5, EUR 1 = JPY 131.7, CNY 1 = JPY 18.3

Equity Ratio: 49.3%
Interest-Bearing Debt Ratio: 17.4%

- I will now explain the balance sheet.
- Total assets as of March 31, 2016 were 801.8 billion yen, a decrease of 6.8 billion yen from December 31, 2015.
- This decrease includes a 26.3 billion yen decline due to unfavorable foreign exchange rates and, in real terms, total assets increased by 19.5 billion yen. This increase mainly reflects an increase in cash and deposits as a result of higher income, a rise in trade receivables and inventories caused by seasonal factor, and acquisition of the site for the global innovation center we are starting to build.
- The interest-bearing debt ratio was 17.4%, with no major fluctuations.

Outlook for the First Half of FY2016

(Billion yen)1	FY2016	YoY Change % after Adjustment		February Announcement	Difference from the Previous Outlook	
			Local Currency	YoY Change in Local Currency after Adjustment	Yen	Excl. Impact of Foreign Currency Exchange
Net Sales	420.0	+2.3%	+6%	+3%	+3.0	+10.5
Operating Income	16.0	+6.0%			+5.0	
Ordinary Income	16.0	+3.3%			+5.0	
Extraordinary Income	17.5	+236.8%			+9.0	
Net Income Attributable to Owners of Parent	23.5	+333.4%			+10.5	

Exchange Rates USD 1 = JPY 115.5 (-4%), EUR 1 = JPY 127.2 (-5%), CNY 1 = JPY 17.6 (-9%)

- Next, we come to the outlook for the first half.
- Net sales are expected to increase 10.5 billion yen from the forecast announced in February in local currency terms excluding the negative impact of the yen's appreciation; and if we subtract 7.5 billion yen from this increase, which is the negative impact of conversion into yen calculated by applying the actual average exchange rates in the first quarter to the forecast for the second quarter, net sales are predicted to rise 3 billion yen to 420 billion yen.
- We upwardly revised our forecasts, mainly for Japan, where we are benefitting from brand innovation and successfully capturing inbound demand, China, where we are seeking to turn our business around, and the Travel Retail business, which is achieving substantial growth.
- We forecast that operating income will increase 5 billion yen to 16 billion yen, taking into consideration gross profit from increased sales of 10.5 billion yen, excluding foreign exchange effects, and the negative impact of the yen's appreciation in terms of higher costs.

Outlook for the First Half of FY2016

(Billion yen)	FY2016	YoY Change % after Adjustment	Local Currency	February Announcement: YoY Change in Local Currency after Adjustment	Difference from the Previous Outlook: Yen	Difference from the Previous Outlook: Excl. Impact of Foreign Currency Exchange
Net Sales	420.0	+2.3%	+6%	+3%	+3.0	+10.5
Operating Income	16.0	+6.0%			+5.0	
Ordinary Income	16.0	+3.3%			+5.0	
Extraordinary Income	17.5	+236.8%			+9.0	
Net Income Attributable to Owners of Parent	23.5	+333.4%			+10.5	

Exchange Rates USD 1 = JPY 115.5 (-4%), EUR 1 = JPY 127.2 (-5%), CNY 1 = JPY 17.6 (-9%)

- Regarding the 5.5 billion yen in expenditure for additional contingency measures, as we explained in February, we intend to invest in strengthening the low-price range in Japan business and strengthening the prestige domain in the Global Business. More specifically, we will strengthen the three brands *SHISEIDO*, *clé de peau BEAUTÉ* and *IPSA* as well as the Travel Retail business, aiming for further expansion in growth potential.

- Extraordinary income is expected to be 17.5 billion yen, an increase of 9 billion yen from the initial forecast.
  This takes into account the effect of reaching an agreement on the sale of land at the Company's former Kamakura factory.
  Net income attributable to owners of parent will be 23.5 billion yen, up 10.5 billion yen due to the increase in operating income and the increase in extraordinary income.

Outlook for the FY2016

(Billion yen)	FY2016	YoY Change % after Adjustment	Local Currency	February Announcement: YoY Change in Local Currency after Adjustment	Difference from the Previous Outlook: Yen	Difference from the Previous Outlook: Excl. Impact of Foreign Currency Exchange
Net Sales	872.0	+1.0%	+4%	+3%	±0.0	+16.0
Operating Income	38.0	-14.3%			±0.0	
Ordinary Income	38.0	-14.1%			±0.0	
Extraordinary Income	15.5	+75.4%			+9.5	
Net Income Attributable to Owners of Parent	34.5	+17.1%			+6.5	

Expected ROE: 8.5%

Exchange Rates: USD 1 = JPY 115.5 (-5%), EUR 1 = JPY 127.2 (-5%), CNY 1 = JPY 17.6 (-8%)

- I will now explain about the full-year outlook.
- We forecast that net sales will increase by 16 billion yen, excluding the negative impact of the yen's appreciation;
  and if we subtract 16 billion yen from this increase, which is the negative impact of conversion into yen calculated by applying the actual average exchange rates in the first quarter to the full-year forecast in the same way as we did for the first-half outlook, net sales are predicted to be 872 billion yen as forecast in the February announcement.
- As with the first half, this forecast factors in the upward revisions for Japan, China and the Travel Retail segment.

Outlook for the FY2016

(Billion yen)	FY2016	YoY Change % after Adjustment	Local Currency	February Announcement: YoY Change in Local Currency after Adjustment	Difference from the Previous Outlook: Yen	Difference from the Previous Outlook: Excl. Impact of Foreign Currency Exchange
Net Sales	872.0	+1.0%	+4%	+3%	±0.0	+16.0
Operating Income	38.0	-14.3%			±0.0	
Ordinary Income	38.0	-14.1%			±0.0	
Extraordinary Income	15.5	+75.4%			+9.5	
Net Income Attributable to Owners of Parent	34.5	+17.1%			+6.5	

Expected ROE: 8.5%

Exchange Rates: USD 1 = JPY 115.5 (-5%), EUR 1 = JPY 127.2 (-5%), CNY 1 = JPY 17.6 (-8%)

- We thought it would be possible to increase operating income to a level exceeding 45 billion yen, reflecting increased gross profit from higher sales excluding the negative impact of foreign exchange rates. However, we predict operating income of 38 billion yen as initially forecast, taking into account, as in the first half, the negative impact of the yen's appreciation in terms of higher costs, etc. as in the first half, increased overseas investment, focused on China, in the second half as a result of higher sales, and one-time cost of 5 billion yen associated with the organizational reform of *BareEscentuals*.

- Extraordinary income will be 15.5 billion yen, up 9.5 billion yen from the initial forecast. We forecast net income attributable to owners of parent of 34.5 billion yen, an increase of 6.5 billion yen.

Future Opportunities and Risks

Opportunities	● Higher marginal income resulting from increase of net sales ● Increased effects of the structural reforms ● Reduction of one-time costs accompanying the reform of organizational structures in EMEA and the Americas
Risks	● Impact of foreign currency exchange attributed to further appreciation of the yen ● Increase of one-time costs accompanying the reform of organizational structures in EMEA and the Americas

- Finally, I would like to talk about future opportunities and risks that we currently believe could affect our performance.

- Looking at opportunities first, broadly speaking, we have identified three opportunities.

- The first is further growth in net sales and gross profit in the Japan, China and the Travel Retail segments, which are currently performing strongly.
  The second is that the effects of cost reductions achieved through the structual reforms currently being implemented may be created earlier and on a larger scale than initially planned.
  The third is that the one-time costs associated with organizational reforms in the Americas and EMEA currently being implemented will be less than currently anticipated.
  These factors may contribute to increased sales and income.

Future Opportunities and Risks

Opportunities	● Higher marginal income resulting from increase of net sales ● Increased effects of the structural reforms ● Reduction of one-time costs accompanying the reform of organizational structures in EMEA and the Americas
Risks	● Impact of foreign currency exchange attributed to further appreciation of the yen ● Increase of one-time costs accompanying the reform of organizational structures in EMEA and the Americas

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- On the other hand, there are two risks.
- Firstly, the current yen appreciation may persist and if the yen becomes even stronger, the negative impact of foreign exchange rates will increase. In particular, the negative impact on cost of goods, may increase. The second risk is that the one-time costs associated with organizational reforms in EMEA and the Americas may be higher than currently anticipated.

- We will manage these opportunities and risks by carefully assessing conditions and will review our full-year forecast at the time of the interim financial results announcement in August to further increase its accuracy.

- The economic outlook remains uncertain. However, we intend to adapt swiftly to market changes, accelerate organizational reforms to increase the certainty of growth from next year, and reliably fulfill our commitments under the management plan.
- This brings me to the end of my presentation.

SHISEIDO

Supplemental Data 1　Q1 Sales by Reportable Segment

(Billion yen)	FY2016		FY2015 (Adjusted)		YoY Change	YoY Change %	YoY Change in Local Currency
		% of Net Sales		% of Net Sales			
Japan	104.6	49.0%	100.1	47.6%	+4.5	+4.5%	+4.5%
China	31.4	14.8%	29.6	14.1%	+1.8	+6.2%	+14.1%
Asia Pacific	12.5	5.9%	12.7	6.0%	-0.2	-1.4%	+9.1%
Americas	37.8	17.7%	38.5	18.3%	-0.6	-1.7%	+2.3%
EMEA	20.8	9.7%	25.2	12.0%	-4.5	-17.8%	-12.7%[1]
Travel Retail	6.2	2.9%	4.2	2.0%	+1.9	+45.7%	+50.6%
Total	213.3	100%	210.3	100%	+2.9	+1.4%	+4.6%

1. The actual year-on-year change rate of net sales is +7% excluding the effect of the expiration of the license agreement for *Jean Paul GAULTIER*.
2. See Supplemental Data 6 for details of changes in segments.

Supplemental Data 2
Q1 Results of Operating Income by Reportable Segment

(Billion yen)	FY2016		FY2015 (Adjusted)		YoY Change	YoY Change %
		Operating Profitability		Operating Profitability		
Japan	18.8	16.4%	13.1	11.7%	+5.8	+44.2%
China	3.7	11.7%	0.2	0.8%	+3.5	—
Asia Pacific	1.3	10.4%	0.8	5.9%	+0.5	+72.9%
Americas	-1.0	-2.5%	-2.2	-5.3%	+1.2	—
EMEA*	-0.1	-0.3%	3.2	12.1%	-3.2	—
Travel Retail	1.7	27.1%	0.7	15.7%	+1.0	+151.2%
All Regions	24.4	10.8%	15.7	6.9%	+8.7	+55.7%
Adjustments	-2.3	—	-3.1	—	+0.8	—
Total	22.1	10.4%	12.6	6.0%	+9.5	+75.9%

* Year-on-year change rate in China are indicated as "－" because they exceed 1,000%.

Supplemental Data 3 Q1 Results of SG&A

(Billion yen)	FY2016	% of Net Sales	Change in %	YoY Change %	YoY Change	YoY Change Excl. the Impact of Foreign Currency Exchange
SG&A	140.2	65.7%	-3.6%	-3.8%	-5.6	-2.0
Marketing Costs	70.5	33.0%	-2.7%	-6.1%	-4.5	-2.5
Brand Development Cost R&D Expenses	7.8	3.6%	-0.8%	-15.5%	-1.4	-1.4
Personnel Expenses	28.0	13.2%	-0.0%	+0.5%	+0.1	+0.9
Other Expenses	33.9	15.9%	-0.1%	+0.8%	+0.3	+1.1

1. In FY2016, the personnel expenses for BCs were reclassified from Personnel Expenses to Marketing Costs.
2. The “+” and “-”symbols are used to indicate increase and decrease in the amount, respectively.

Supplemental Data 4　Outlook for the First Half of FY2016

(Billion yen)	FY2016	YoY Change % after Adjustment	Local Currency
Net Sales	420.0	+2.3%	+6%
Japan	205.5	+6.9%	+7%
China	63.0	+5.6%	+13%
Asia Pacific	25.0	-2.4%	+7%
Americas	76.0	-1.0%	+4%
EMEA	40.0	-16.2%	-11%
Travel Retail	10.5	+23.7%	+30%

Exchange Rates　USD 1 = JPY 115.5 (-4%), EUR 1 = JPY 127.2 (-5%), CNY 1 = JPY 17.6 (-9%)

Supplemental Data 5　Outlook for the FY2016

(Billion yen)	FY2016	YoY Change % after Adjustment	Local Currency	February Announcement: YoY Change in Local Currency after Adjustment
Net Sales	872.0	+1.0%	+4%	+3%
Japan	416.0	+5.1%	+5%	+3%
China	129.0	+2.6%	+11%	+10%
Asia Pacific	51.5	-2.4%	+7%	+5%
Americas	166.5	-0.6%	+4%	+6%
EMEA	86.0	-17.4%	-13%	-14%
Travel Retail	23.0	+33.8%	+41%	+10%

Exchange Rates　USD 1 = JPY 115.5 (-5%), EUR 1 = JPY 127.2 (-5%), CNY 1 = JPY 17.6 (-8%)

Supplemental Data 6
Main Constituents of Old and New Segments

2015 Segments		Major Business Domains
Japan		Prestige, Cosmetics, Personal Care, Digital, Healthcare, etc.
Global	Cosmetics	China, Asia Pacific, Americas, EMEA[3] (TR[2] included in all regions)
	Professional[1]	Japan, Global
Others		THE GINZA, Frontier Science, Shiseido Parlour, etc.

2016 Segments	Major Business Domains
Japan	Overall business in Japan, TR[2] in Japan (Excluding BE) [2]
China	Overall business in China (Excluding BE, BPI, and TR) [2]
Asia Pacific	Overall business in Asia and Oceania excluding Japan and China (Excluding BE, BPI, and TR) [2]
Americas	Overall business in the Americas, *NARS*, Bare Escentuals, and ZOTOS (Excluding BPI and TR) [2]
EMEA[3]	Overall business in EMEA [3] and fragrances (Excluding BE and TR) [2]
Travel Retail	Overall business at duty-free shops all over the world outside Japan (Excluding BPI) [2]

1. Starting from FY2016, the Professional Business, which was included in the Global Business in FY2015, is included in all the regions excluding Travel Retail.
2. BE: Bare Escentuals
   BPI: Beauté Prestige International
   TR: Travel Retail Business
3. EMEA (Europe, the Middle East and Africa)