

3Q FY2016

(Nine months ended Sep. 30, 2016)

Results and Full-Year Forecast

November 9, 2016

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Shiseido Company, Limited



SHISEIDO

FY2016 3Q Results: Executive Summary

- Growth momentum continued, and zero growth is behind us
- Prestige business, China, and Travel Retail drove overall growth
- Growth in all businesses and regions, excluding special factors
- Localized marketing embodying Think Global, Act Local began to yield results
- Matrix organization and “Center of Excellence” now fully operational
 - Maximizing the capabilities of our outstanding global people
 - Responding quickly and accurately to market and consumer change

Summary of 3Q FY2016 Results (Jul.-Sep. 2016)

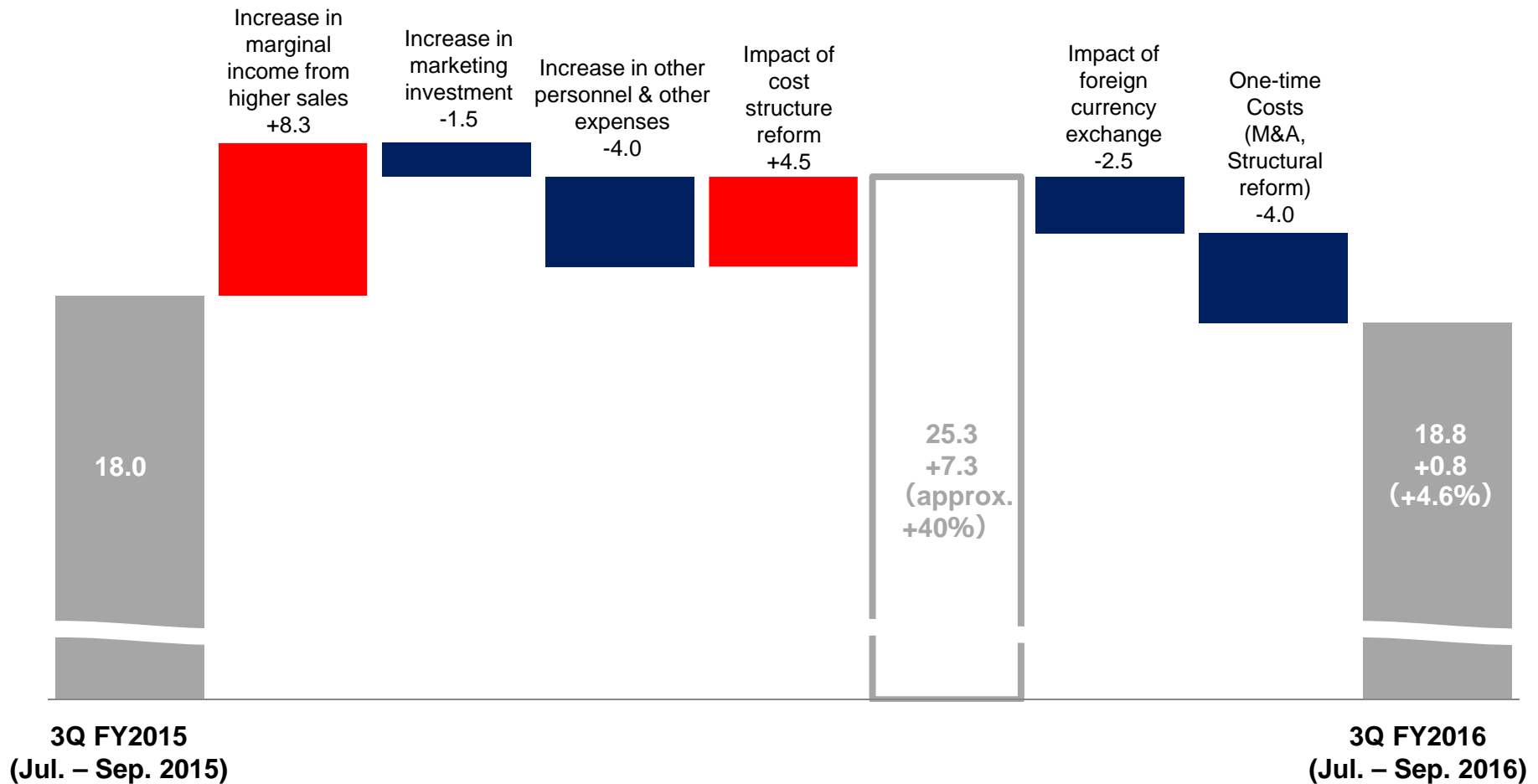
(Billion yen)	FY2016		FY2015 (Adjusted)		YoY Change*	YoY Change %	YoY Change in Local Currency
		% of Net Sales		% of Net Sales			
Net Sales	210.4	100%	220.4	100%	-10.0	-4.5%	+5.1%
Cost of Sales	52.0	24.7%	53.7	24.4%	-1.7	-3.1%	
SG&A	139.6	66.4%	148.7	67.4%	-9.1	-6.1%	
Operating Income	18.8	8.9%	18.0	8.2%	+0.8	+4.6%	
Ordinary Income	19.9	9.4%	16.9	7.7%	+3.0	+17.5%	
Extraordinary Income/Loss (Net)	-0.9	-0.4%	-0.0	-0.0%	-0.9	—	
Net Income Attributable to Owners of Parent	12.7	6.0%	10.4	4.7%	+2.3	+22.0%	

* Effective from FY2016, the “+” and “-” symbols are used to indicate increase and decrease in amount of change, respectively.

Summary of 3Q FY2016 Results (Jul.-Sep. 2016)

Change in operating income by reason

Top: YoY change (Billion yen)
Bottom: (YoY change in local currency)



Summary of Results through 3Q FY2016 (Jan. – Sep. 2016)

(Billion yen)	FY2016		FY2015 (Adjusted)		YoY Change*	YoY Change %	YoY Change in Local Currency
		% of Net Sales		% of Net Sales			
Net Sales	622.7	100%	631.0	100%	-8.3	-1.3%	+5.4%
Cost of Sales	150.6	24.2%	154.2	24.5%	-3.6	-2.3%	
SG&A	433.4	69.6%	443.7	70.3%	-10.4	-2.3%	
Operating Income	38.7	6.2%	33.1	5.2%	+5.7	+17.1%	
Ordinary Income	38.2	6.1%	32.4	5.1%	+5.8	+17.9%	
Extraordinary Income/Loss (Net)	15.9	2.6%	5.2	0.9%	+10.7	+206.8%	
Net Income Attributable to Owners of Parent	37.2	6.0%	15.8	2.5%	+21.4	+135.0%	

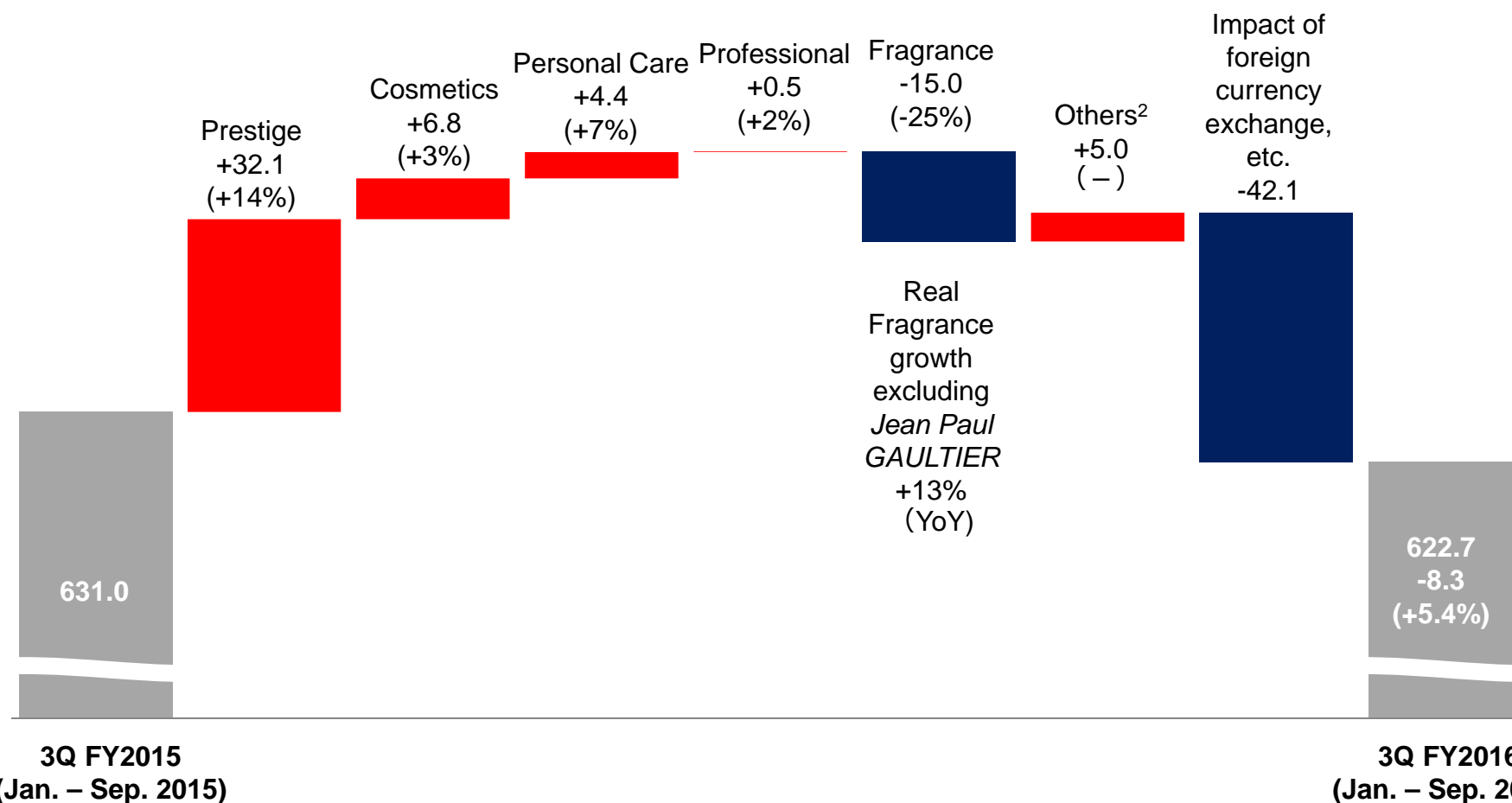
Exchange rates: USD 1 = JPY 108.7 (-10.1%), EUR 1 = JPY 121.2 (-10.1%), CNY 1 = JPY 16.5 (-14.6%)

* Effective from FY2016, the "+" and "-" symbols are used to indicate increase and decrease in amount of change, respectively.

Prestige Business Drove Overall Growth

Change in Net Sales by Business

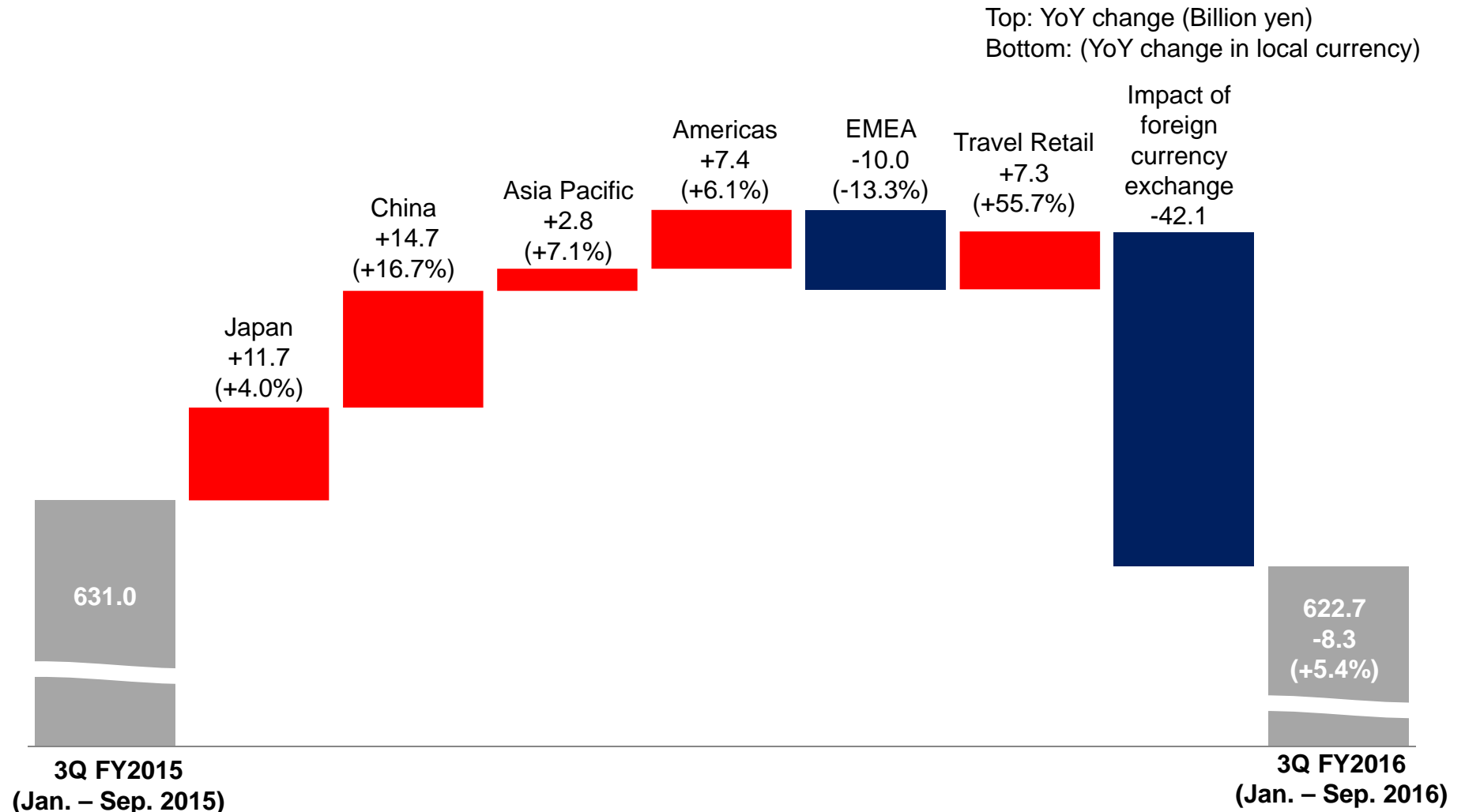
Top: YoY change (Billion yen)
Bottom: (YoY change in local currency)



1. Year-on-year change and year-on-year change in local currency for each business were calculated based on the exchange rates assumed at the beginning of the fiscal year.
2. "Others" include changes caused by the difference between assumed rates and actual rates.

Higher Sales in All Regions Except EMEA

Change in Net Sales by Reportable Segment (Region)

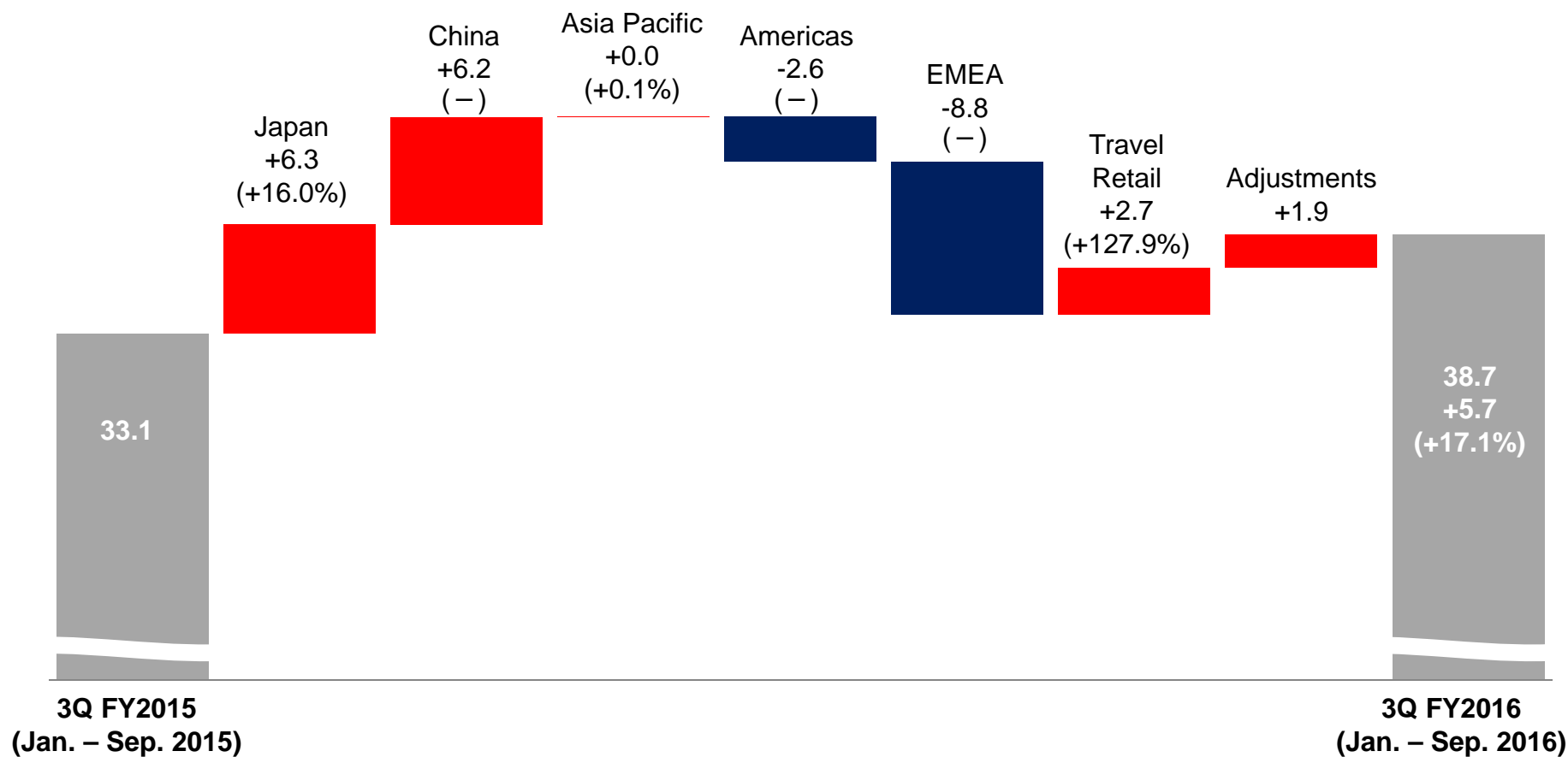


* Year-on-year change and year-on-year change in local currency for each business were calculated based on the actual exchange rates.

Japan, China & Travel Retail Drove Earnings Growth

Change in Operating Income by Reportable Segment (Region)

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



* YoY percentage change for operating income is not presented for China, Americas and EMEA because these regions have operating losses either for FY2015 or FY2016 or both.

Japan

	FY2016		FY2015 (Adjusted)		YoY Change	YoY Change %
	(Billion yen)	% of Net Sales		% of Net Sales		
Prestige ¹	39.1	6.3%	33.8	5.4%	+5.3	+15.5%
Cosmetics Specialty Stores	47.8	7.7%	43.4	6.9%	+4.4	+10.1%
Cosmetics ²	131.0	21.0%	128.2	20.3%	+2.8	+2.2%
Personal Care ²	46.2	7.4%	47.3	7.5%	-1.1	-2.4%
Others ⁴	41.4	6.7%	41.0	6.5%	+0.4	+0.9%
Japan	305.5	49.1%	293.8	46.6%	+11.7	+4.0%

	FY2016		FY2015 (Adjusted)		YoY Change	YoY Change %
	(Billion yen)					
Operating Income		45.9		39.6	+6.3	+16.0%
Operating Profitability		13.5%		12.1%	+1.4 pt.	
Income before amortization of goodwill, etc.		46.2		39.7	+6.5	+16.3%
Operating Profitability		13.6%		12.2%	+1.4 pt.	

1. Prestige business is divided into "Prestige" and "Cosmetics Specialty Stores" in line with the management system of Japan.

2. Three brands AG+ (renamed *AgDEO24* after the renewal), *uno* and *MA CHÉRIE*, were transferred from Cosmetics to Personal Care in 1Q 2016. Results for the previous fiscal year have been adjusted based on the post-transfer classification.

3. Results for "Digital" are combined with the results of each business in line with the internal management system. Year-on-year change for Digital is +22%.

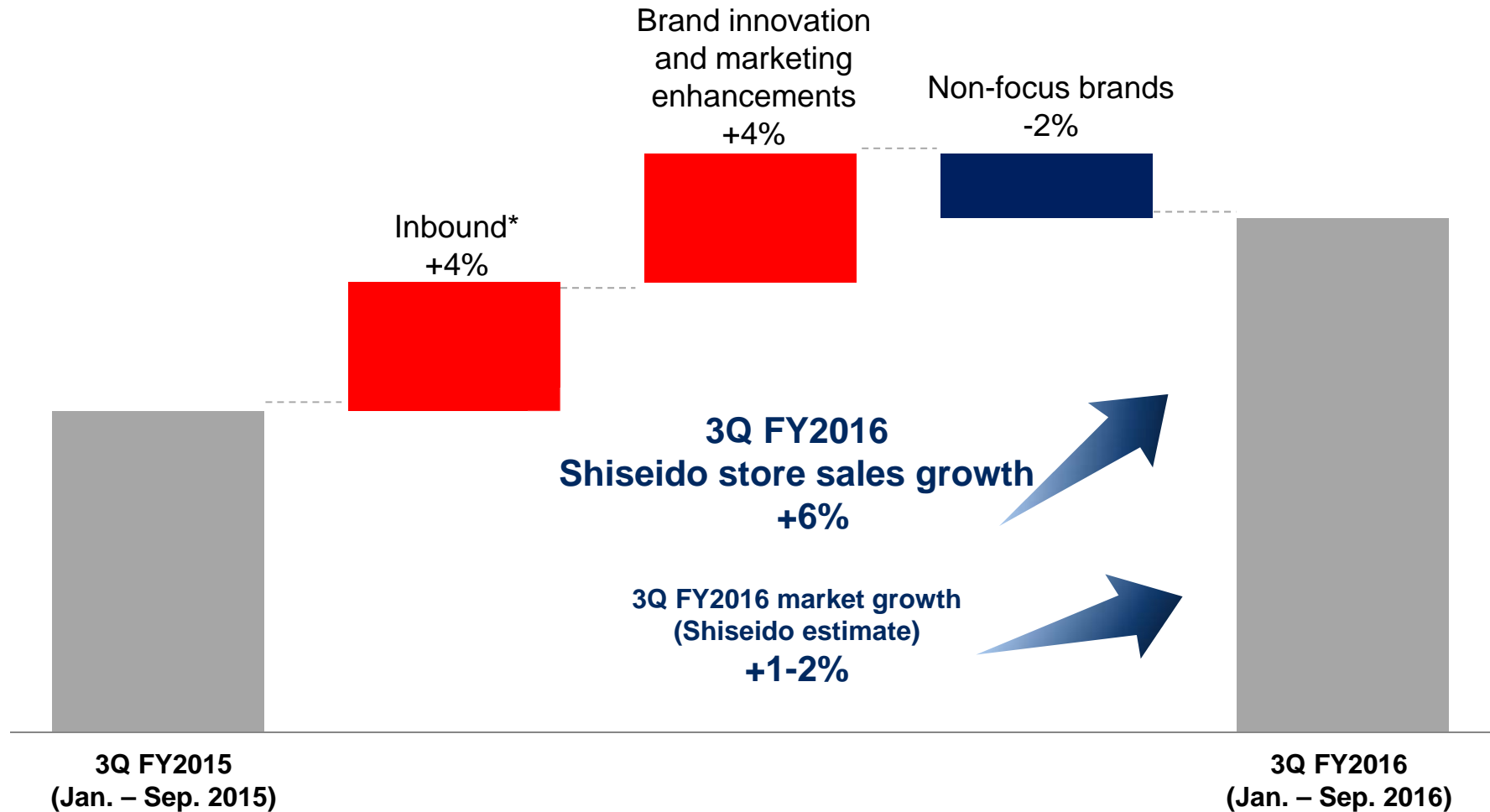
4. "Others" include THE GINZA, Frontier Science Business, and Shiseido Parlour, etc.

5. % of Net Sales indicates ratio to consolidated net sales.

6. Operating profitability is calculated using net sales including intersegment transactions.

Japan: Exceeded Market Growth throughout 3Q (Jan. – Sep. 2016)

Factors supporting growth in Shiseido store sales

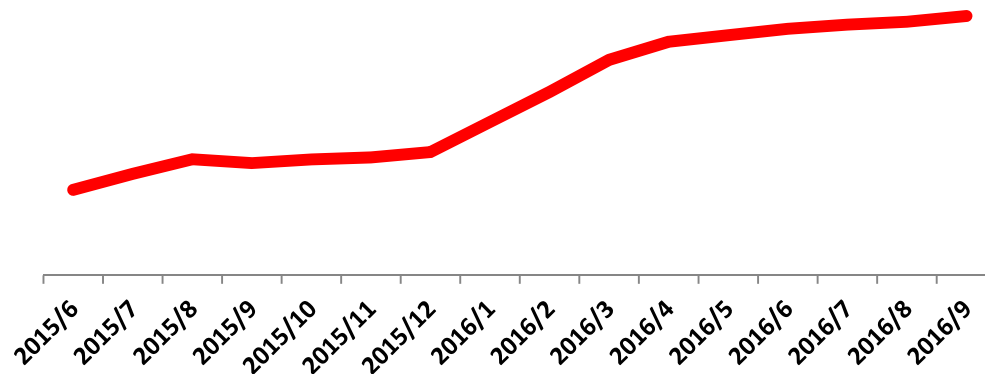


*Applicable businesses: Prestige, Cosmetics Specialty Stores, and Cosmetics in the Japan Business excluding *uno*, *MA CHÉRI* and *Ag DEO 24*, which were transferred to Personal Care.

Japan: Inbound Sales Growing As Expected

- Q3 inbound sales of about 8.0 billion yen (+14% YoY). Growth slowed compared with Q1 and Q2
- Sales at airport duty-free shops remains strong, department store sales continue to grow due to increased consumer visits. Drugstore sales down YoY.
- Rate of increase in consumers visiting Shiseido counters now exceeds the rate of increase in tourists
- Average sales per customer are declining, mainly due to the decreasing difference between prices in Japan and overseas
- Tourist visits trending away from urban centers to regional cities
- Souvenir purchases are declining, purchases for personal consumption, repeat purchases, and purchases to enjoy experiences are increasing

Shiseido's Inbound Sales Trend
(12-month moving average for sales amount)



Japan: Mid- and High-Priced Brands Are Performing Well, Low-Priced Brands Are Underperforming

- Prestige Business
 - *ULTIMUNE* within *SHISEIDO* continues to drive growth in its third year
 - *clé de peau BEAUTÉ* and *IPSA* continue to perform well
- Cosmetics Specialty Store Business
 - *BENEFIQUE*
 - Increase of regular users due to good results in activities that build close relationships with consumers
 - New beauty serum performing well
- Cosmetics Business
 - *ELIXIR* and *MAQUILLAGE* performing well
 - *PRIOR* new gel beauty serum well received
- Personal Care Business
 - *TSUBAKI* and other brands underperforming overall
 - Restructuring priorities and brand portfolio



China

(Billion yen)	FY2016		FY2015 (Adjusted)		YoY Change	YoY Change %	YoY Change in Local Currency
		% of Net Sales		% of Net Sales			
China	88.5	14.2%	88.0	13.9%	+0.5	+0.6%	+16.7%

(Billion yen)	FY2016		FY2015 (Adjusted)		YoY Change	YoY Change %
Operating Income	4.3		-2.0		+6.2	-
Operating Profitability	4.8%		-2.2%		+7.0 pt.	
Income before amortization of goodwill, etc.	4.6		-1.6		+6.2	-
Operating Profitability	5.1%		-1.8%		+6.9 pt.	

1. % of Net Sales indicates ratio to consolidated net sales.

2. Operating profitability is calculated using net sales including intersegment transactions.

China: Prestige and E-Commerce Doing Well

- Prestige continues to perform well
 - *SHISEIDO*, *clé de peau BEAUTÉ*, *NARS*, *IPSA* and others continued to be strong overall. Prestige grew more than 30% YoY in total
- Solid Personal Care results centered on e-commerce
 - *SUPER MiLD*, *SENKA* and others driving growth of more than 30% YoY
- E-commerce growth over 50%, significantly exceeding overall e-commerce market growth rate, which is in the high 20s
 - Started collaborative initiatives with Alibaba
- *AUPRES* and *PURE&MILD*
 - These brands underperformed overall, despite contributions from the launch of new counters.



China: Full-Scale Launch of *ELIXIR*

- Full-scale launch from March 2017
 - Launch of directly managed stores in shopping malls
 - Initiate e-commerce
- Link digital and brick-and-mortar stores
Create layouts that make consumers want to share their shopping experiences
- Create and invest in localized communications and advertising



Asia Pacific

(Billion yen)	FY2016		FY2015 (Adjusted)		YoY Change	YoY Change %	YoY Change in Local Currency
		% of Net Sales		% of Net Sales			
Asia Pacific	36.9	5.9%	39.7	6.3%	-2.8	-7.1%	+7.1%

(Billion yen)	FY2016	FY2015 (Adjusted)	YoY Change	YoY Change %
Operating Income	1.8	1.8	+0.0	+0.1%
Operating Profitability	4.9%	4.5%	+0.4 pt.	
Income before amortization of goodwill, etc.	1.8	1.8	-0.0	-0.3%
Operating Profitability	5.0%	4.6%	+0.4 pt.	

- **SENKA performing well after renewal**
 - Expanded through channel and store availability
 - Successfully localized advertising to fit the cosmetics behavior of Asian consumers



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

Americas

(Billion yen)	FY2016		FY2015 (Adjusted)		YoY Change	YoY Change %	YoY Change in Local Currency
		% of Net Sales		% of Net Sales			
Americas	115.3	18.5%	121.1	19.2%	-5.8	-4.8%	+6.1%

(Billion yen)	FY2016	FY2015 (Adjusted)	YoY Change	YoY Change %
Operating Income	-8.1	-5.4	-2.6	—
Operating Profitability	-6.6%	-4.2%	-2.4 pt.	
Income before amortization of goodwill, etc.	-1.5	+1.6	-3.2	—
Operating Profitability	-1.2%	1.3%	-2.5 pt.	

- One-time costs from M&A and structural reform
- Began selling *Laura Mercier* in July
- Organizational integration and enhancement proceeding simultaneously
- Sharing and using prestige brand marketing knowledge



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

Prestige Makeup Market Expanding in Americas

- U.S. Market

- Makeup accounts for the largest share of the market
- Prestige makeup market expected to grow by 13%* in 2016
- Small, unique brands with a prominent image are growing strongly, but major brands with large market share are underperforming

- Shiseido

- *bare Minerals* mainstay foundation did not perform well, but strong performance by new products contributed to overall sales
- *NARS* performing well centered on the base makeup category
- *Laura Mercier* store sales are up 15% YoY in the 9 months through September
- “Center of Excellence” launched for makeup and digital

*NPD data



EMEA (Europe, Middle East and Africa)

(Billion yen)	FY2016		FY2015 (Adjusted)		YoY Change	YoY Change %	YoY Change in Local Currency
		% of Net Sales		% of Net Sales			
EMEA	58.2	9.4%	75.3	11.9%	-17.1	-22.7%	-13.3%

*Actual year-on-year percentage change is +8% excluding the effect of the termination of the license agreement for *Jean Paul GAULTIER*.

(Billion yen)	FY2016	FY2015 (Adjusted)	YoY Change	YoY Change %
Operating Income	-2.8	6.0	-8.8	—
Operating Profitability	-4.6%	7.5%	-12.1 pt.	
Income before amortization of goodwill, etc.	-2.8	6.0	-8.8	—
Operating Profitability	-4.6%	7.5%	-12.1 pt.	

- One-time costs due to new licensing agreement and structural reforms
- Began selling *DOLCE&GABBANA* in October
- Enhanced end-of-year holiday season investment
- Shiseido Group EMEA moved to new office in Paris to start the new “One Shiseido” organization



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

Travel Retail

(Billion yen)	FY2016		FY2015 (Adjusted)		YoY Change	YoY Change %	YoY Change in Local Currency
		% of Net Sales		% of Net Sales			
Travel Retail	18.3	2.9%	13.1	2.1%	+5.2	+40.0%	+55.7%

(Billion yen)	FY2016		FY2015 (Adjusted)		YoY Change	YoY Change %
Operating Income	4.8		2.1		+2.7	+127.9%
Operating Profitability	26.0%		16.0%		+10.0 pt.	
Income before amortization of goodwill, etc.	4.8		2.1		+2.7	+127.9%
Operating Profitability	26.0%		16.0%		+10.0 pt.	

- Accelerated growth and enhanced investment in Asia
- Strengthened communication with retailers
- Executed and enhanced cross-border marketing focused on Chinese customers in Japan, China, Asia and Travel Retail

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



Balance Sheets

(Billion yen)	Sep. 30, 2016	Change from Dec. 31, 2015	Excl. Foreign Currency Exchange	Foreign Currency Exchange
Total Current Assets	424.5	+13.9	+61.6	-47.7
Cash, Time Deposits and Short-term Investments in Securities	130.8	+6.3	+22.3	-16.0
Notes & Accounts Receivable	128.1	+0.9	+15.7	-14.8
Inventories	110.6	+4.7	+16.7	-12.0
Total Fixed Assets	377.0	-20.9	+17.1	-38.0
Property, Plant and Equipment	136.7	+2.4	+11.0	-8.7
Intangible Assets	148.1	-13.3	+12.4	-25.7
Investments and Other Assets	92.2	-10.0	-6.4	-3.6
Total Assets	801.5	-7.0	+78.6	-85.7

(Billion yen)	Sep. 30, 2016	Change from Dec. 31, 2015	Excl. Foreign Currency Exchange	Foreign Currency Exchange
Total Liabilities	415.2	+20.0	+44.1	-24.1
Notes & Accounts Payable and Other Payables	101.5	+2.1	+8.1	-6.0
Interest-Bearing Debt	116.2	+29.5	+32.0	-2.5
Liability for Retirement Benefits	79.3	-4.4	-3.8	-0.6
Total Net Assets	386.3	-27.0	+34.5	-61.5
Shareholders' Equity	396.5	+29.5	-	-
Accumulated Other Comprehensive Income	-28.7	-53.3	-	-
Non-Controlling Interests	17.7	-3.2	-	-
Total Liabilities and Net Assets	801.5	-7.0	+78.6	-85.7

Exchange rates:

Sep. 30, 2016: USD 1 = JPY 101.1, EUR 1 = JPY 113.3, CNY 1 = JPY 15.2
 Dec. 31, 2015: USD 1 = JPY 120.5, EUR 1 = JPY 131.7, CNY 1 = JPY 18.3

Equity ratio: 45.9%

Interest-bearing debt ratio: 23.1%

*Main line items only

FY2016: Full-Year Forecast

(Billion yen)	FY2016			Forecast Announced August 2016	Difference from forecast	Initial Forecast	Difference from forecast
	YoY Change after Adjustment		Foreign Currency Exchange				
Net Sales	848.0	-1.8%	+6%	848.0	±0	872.0	-24.0
Operating Income	30.0	-32.3%		30.0	±0	38.0	-8.0
Ordinary Income	29.0	-34.5%		29.0	±0	38.0	-9.0
Extraordinary Income/Loss (net)	14.5	+64.1%		14.5	±0	6.0	+8.5
Net Income Attributable to Owners of Parent	30.0	+1.8%		30.0	±0	28.0	+2.0

Expected ROE: 7.5%

Exchange rates:

FY2016: USD 1 = JPY 106.9 (-12%), EUR 1 = JPY 118.8 (-12%), CNY 1 = JPY 16.1 (-16%)

2H FY2016: USD 1 = JPY 102 (-16%), EUR 1 = JPY 113 (-16%), CNY 1 = JPY 15.2 (-20%)

Year-end dividend per share: ¥10 (planned)

VISION 2020: Roadmap and Current Status

Rebuild Business Foundation

2014/2015

2016

2017

New Strategy to Accelerate Growth

2018

2019

2020

Address and Resolve Legacy Issues

- Reduce store inventory
- Integrate organization and raise efficiency
- Withdraw from unprofitable businesses
- Promote structural reforms in EMEA and the Americas

Create a Virtuous Cycle

- Implement strategies for brand selection, concentration and enhancement
- Invest in marketing and innovation
- Cost reforms
- Develop personnel and reform organization
- Acquire new brands through M&A, etc.
- Build a global management organization

**Become a Truly
Global Growth
Company**

VISION 2020

One Shiseido Think Global, Act Local Matrix Organization



We must now maximize the capabilities of our outstanding global people to respond quickly and resolutely to societal, consumer and market change.

A Global Winner with Our Heritage

SHISEIDO

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

Fiscal Year FY2016 (3Q)	Domestic : Jan.-Dec. 2016 (Jan.-Sep. 2016)	Overseas : Jan.-Dec. 2016 (Jan.-Sep. 2016)
FY2015 (Adjusted)¹ (3Q)	Domestic : Jan.-Dec. 2015 (Jan.-Sep. 2015)	Overseas : Jan.-Dec. 2015 (Jan.-Sep. 2015)
FY2015	Domestic² : Apr.-Dec. 2015	Overseas : Jan-Dec. 2015

- 1. The above figures have not been audited by an independent accounting auditor.
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.

Supplemental Data 1: 3Q Sales by Reportable Segment (Jan. – Sep.)

(Billion yen)	FY2016		FY2015 (Adjusted)		YoY Change	YoY Change %	YoY Change in Local Currency
		% of Net Sales		% of Net Sales			
Japan	305.5	49.1%	293.8	46.6%	+11.7	+4.0%	+4.0%
China	88.5	14.2%	88.0	13.9%	+0.5	+0.6%	+16.7%
Asia Pacific	36.9	5.9%	39.7	6.3%	-2.8	-7.1%	+7.1%
Americas	115.3	18.5%	121.1	19.2%	-5.8	-4.8%	+6.1%
EMEA	58.2	9.4%	75.3	11.9%	-17.1	-22.7%	-13.3% ¹
Travel Retail	18.3	2.9%	13.1	2.1%	+5.2	+40.0%	+55.7%
Total	622.7	100%	631.0	100%	-8.3	-1.3%	+5.4%

1. Actual year-on-year percentage change is +8.0% excluding the effect of the termination of the license agreement for *Jean Paul GAULTIER*.

2. See Supplemental Data 6 for details about changes in reportable segments.

Supplemental Data 2: 3Q Operating Income by Reportable Segment (Jan. – Sep.)

(Billion yen)	FY2016		FY2015 (Adjusted)		YoY Change	YoY Change %
		Operating Profitability		Operating Profitability		
Japan	45.9	13.5%	39.6	12.1%	+6.3	+16.0%
China	4.3	4.8%	-2.0	-2.2%	+6.2	—
Asia Pacific	1.8	4.9%	1.8	4.5%	+0.0	+0.1%
Americas	-8.1	-6.6%	-5.4	-4.2%	-2.6	—
EMEA	-2.8	-4.6%	6.0	7.5%	-8.8	—
Travel Retail	4.8	26.0%	2.1	16.0%	+2.7	+127.9%
All Regions	45.8	6.9%	42.1	6.2%	+3.8	+8.9%
Adjustments	-7.1	—	-9.0	—	+1.9	—
Total	38.7	6.2%	33.1	5.2%	+5.7	+17.1%

Supplemental Data 3: 3Q Sales by Reportable Segment (Jul. – Sep.)

(Billion yen)	FY2016		FY2015 (Adjusted)		YoY Change	YoY Change %	YoY Change in Local Currency
		% of Net Sales		% of Net Sales			
Japan	102.6	48.8%	101.5	46.1%	+1.1	+1.1%	+1.1%
China	27.0	12.8%	28.3	12.8%	-1.3	-4.7%	+19.0%
Asia Pacific	12.4	5.9%	14.1	6.4%	-1.7	-11.9%	+3.5%
Americas	43.0	20.4%	44.3	20.1%	-1.3	-3.0%	+13.7%
EMEA	19.2	9.1%	27.6	12.5%	-8.4	-30.5%	-17.3% ¹
Travel Retail	6.3	3.0%	4.6	2.1%	+1.7	+37.1%	+62.2%
Total	210.4	100%	220.4	100%	-10.0	-4.5%	+5.1%

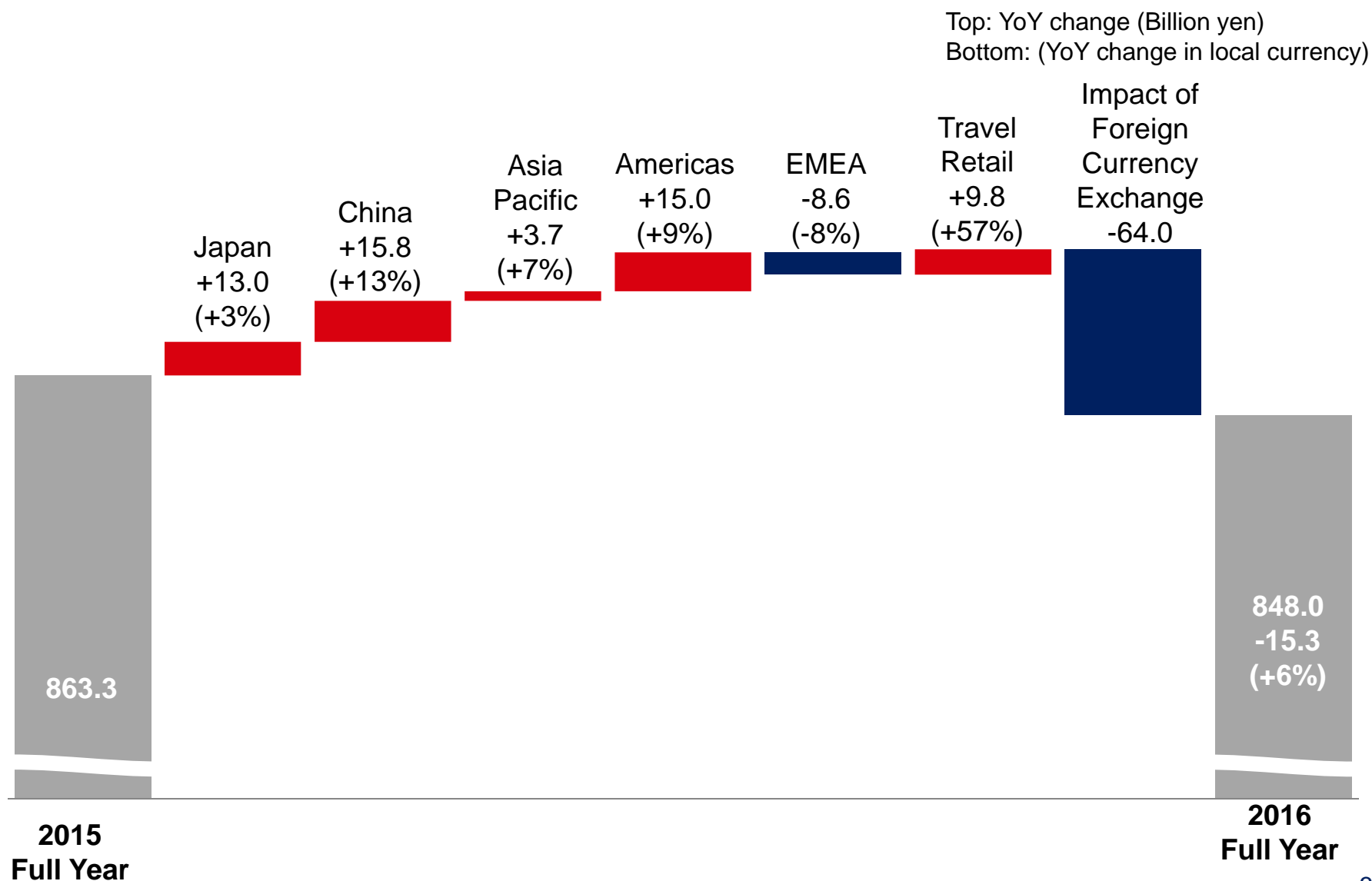
1. Actual year-on-year percentage change is +11.6% excluding the effect of the termination of the license agreement for *Jean Paul GAULTIER*.
2. See Supplemental Data 6 for details about changes in reportable segments.

Supplemental Data 4: 3Q SG&A Expenses (Jan. – Sep.)

(Billion yen)	FY2016		YoY Change %	YoY Change	Change Excluding Impact of Foreign Currency Exchange	
		% of Net Sales				Change in % of Net Sales + : % decrease
SG&A	433.4	69.6%	-0.7%	-2.3%	-10.4	+17.3
Marketing Costs	218.7	35.1%	-1.2%	-4.4%	-10.2	+5.3
Brand Development Cost and R&D Expenses	26.0	4.2%	-0.1%	-3.7%	-1.0	-0.5
Personnel Expenses	83.3	13.4%	+0.1%	-1.1%	-0.9	+4.3
Other Expenses	105.3	16.9%	+0.5%	+1.7%	+1.7	+8.1

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 amount, respectively.

Supplemental Data 5: FY2016 Full-Year Forecast for Net Sales Change in Net Sales by Reportable Segment (Region)



* Year-on-year change and year-on-year change in local currency for each business were calculated based on the actual exchange rates.

Supplemental Data 6: Main Constituents of Former and New Segments

2015 Segments		Major Businesses
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
Other		THE GINZA, Frontier Science, Shiseido Parlour, etc.



2016 Segments	Major Businesses
Japan	Overall business in Japan, TR ² in Japan (Excluding BE and LM ²)
China	Overall business in China (Excluding BE, LM and TR ²)
Asia Pacific	Overall business in Asia and Oceania excluding Japan and China (Excluding BE, LM and TR ²)
Americas	Overall business in the Americas, BE, LM ² and ZOTOS (Excluding TR ²)
EMEA	Overall business in EMEA ³ and BPI ² (Excluding BE, LM and TR ²)
Travel Retail	Overall business at duty-free shops worldwide outside Japan (Excluding BPI ²)

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