

FY2017 First Half Results

August 9, 2017

**Norio Tadakawa
Corporate Officer, CFO
Shiseido Company, Limited**

The Shiseido logo is displayed in a dark red color. It features a stylized, flowing 'S' symbol on the left, followed by the word 'HISEIDO' in a bold, serif font. The 'H' and 'I' are connected to the 'S' symbol.

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.

FY2017 1H: Executive Summary

Record first half results for both net sales and operating income

Net sales: ¥472.1 billion YoY change in local currency: +15.0% YoY change in yen: +14.5%

- Growth momentum accelerated to the next level
 - The Prestige business grew remarkably on a global level
 - Sales increased dramatically in Japan business, China business, and Travel Retail (TR) business, due to the effect of cross-border marketing
 - Contribution from newly added brands, *Laura Mercier* and *Dolce&Gabbana*
 - Continued strength of the Cosmetics business and start of recovery in the Personal Care business in Japan

Operating income: ¥34.7 billion YoY change: +73.9%

- Increase in earning power of existing businesses
- Investment in the growth of new brands continued

Extraordinary income/ loss: -¥3.6 billion YoY change: -¥20.4 billion

- Impact of voluntary recalls: -¥2.5 billion
- Extraordinary gains at +¥16.7 billion yen were recorded in the previous fiscal year, including the gain on the transfer of intellectual property rights in connection with the *Jean Paul GAULTIER* and the gain on sale of land at the former Kamakura factory site

Quarterly net income attributable to owners of parent: ¥18.8 billion YoY change: -23.2%

Summary of FY2017 1H Results

(Billion yen)	FY2017		FY2016		YoY Change	YoY Change %	YoY Change in Local Currency %
		% of Net Sales		% of Net Sales			
Net Sales	472.1	100	412.3	100	+59.8	+14.5	+15.0
Cost of Sales	108.4	23.0	98.6	23.9	+9.8	+10.0	
SG&A	329.0	69.7	293.7	71.3	+35.3	+12.0	
Operating Income	34.7	7.3	19.9	4.8	+14.7	+73.9	
Ordinary Income	34.2	7.2	18.3	4.4	+15.9	+86.5	
Extraordinary Income/Loss (net)	-3.6	-0.7	16.7	4.1	-20.4	—	
Net Income Attributable to Owners of Parent	18.8	4.0	24.5	5.9	-5.7	-23.2	
EBITDA	52.9	11.2	54.5	13.2	-1.6	-2.9	

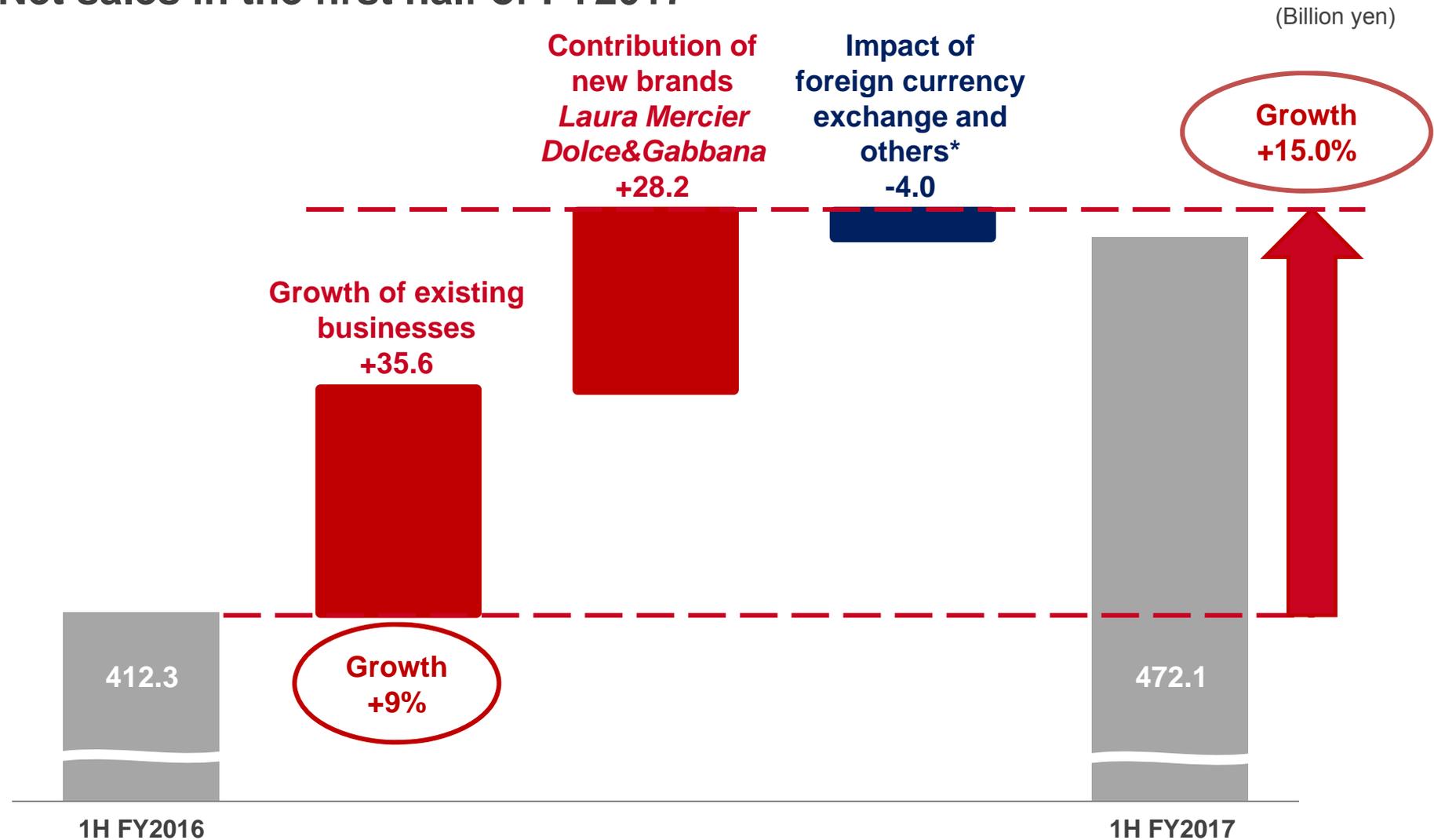
Exchange rates: USD 1 = JPY 112.4 (+0.5%), EUR 1 = JPY 121.6 (-2.4%), CNY 1 = JPY 16.4 (-4.0%)

*1. The “+” and “-” symbols in YoY Change are used to indicate increase and decrease in amount, respectively.

*2. Gain on transfer of intellectual property rights in connection with the *Jean Paul GAULTIER* and gain on sale of land at the former Kamakura Factory were included under extraordinary income for FY2016.

Growth Driven by Existing Businesses, with Contribution of New Brands

Net sales in the first half of FY2017

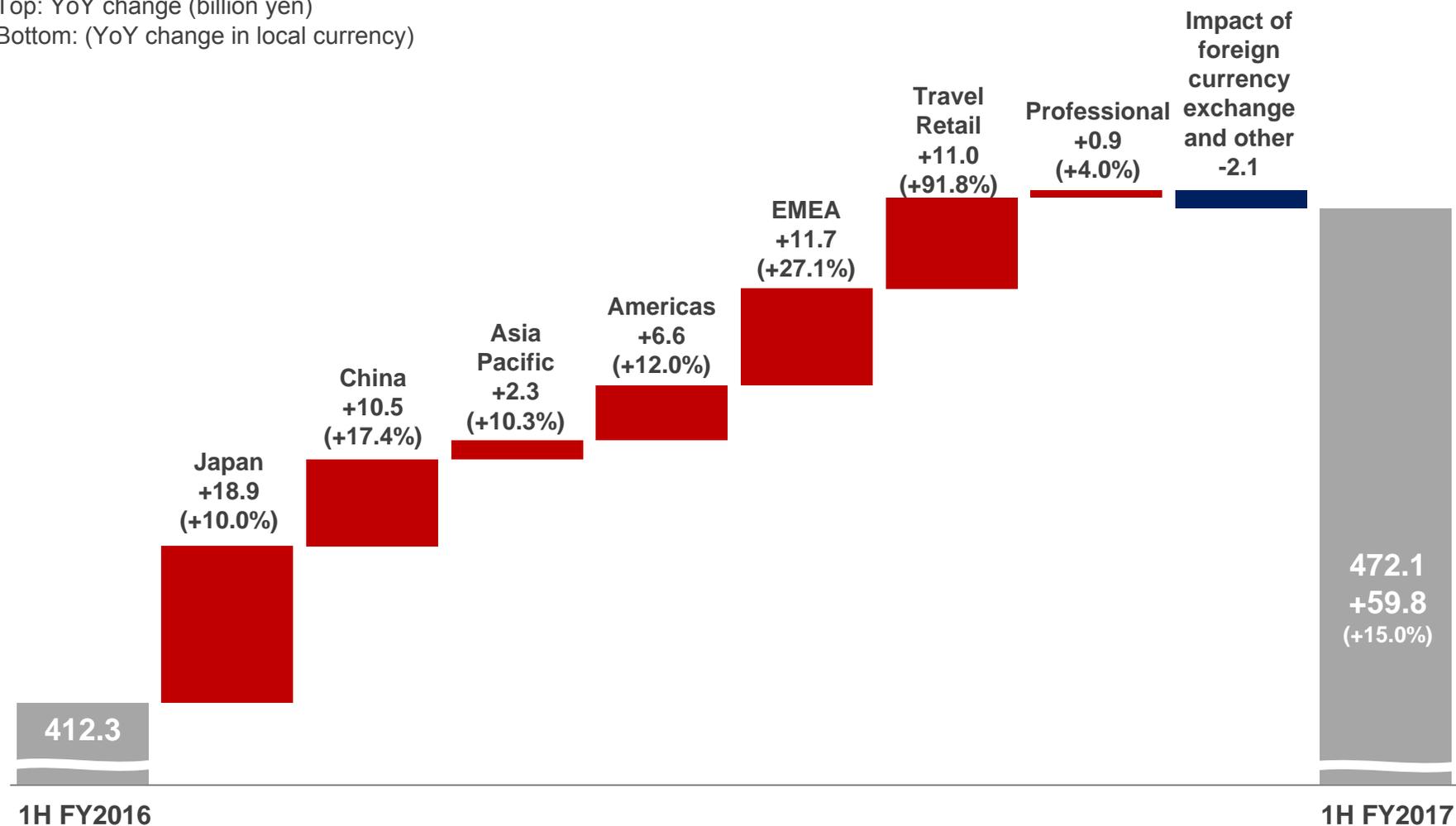


Net Sales Increased in All Regions

YoY breakdown of change in net sales by reportable segment

Top: YoY change (billion yen)

Bottom: (YoY change in local currency)



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

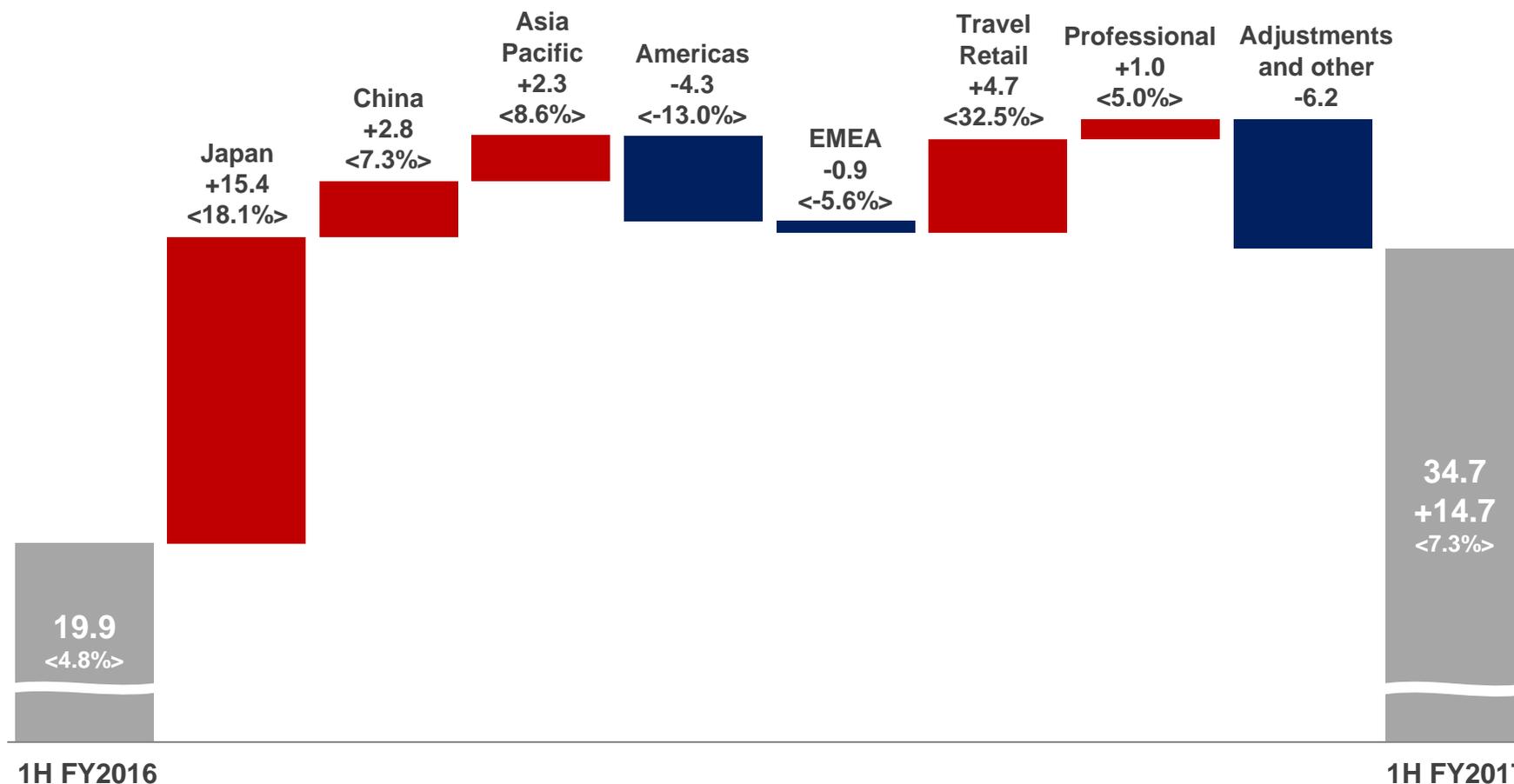
*2. See Supplemental Data 10 for details about segment classifications.

*3. "Impact of foreign currency exchange and other" includes results of "Other" as a reportable segment

Japan, China and Travel Retail Drove Profit Growth

YoY breakdown of change in operating income by reportable segment

Top: YoY change (billion yen)
Bottom: <Operating Profitability (%)>



*1. See Supplemental Data 10 for details about segment classifications.

*2. "Adjustments and other" includes results of "Other" as a reportable segment

Increase in Sales to Japanese Consumers, Significant Growth in Inbound Sales, Sales in China and TR

● Market in Japan

- Growth of the cosmetics market: +1 ~ 2% (Shiseido estimate)

● Shiseido

- YoY change in store sales: +8% (Q1: +4%; Q2: +12%)

- Improved market share across all the “three skin categories”:
skincare, base makeup and sun care

- Effects of cross-border marketing

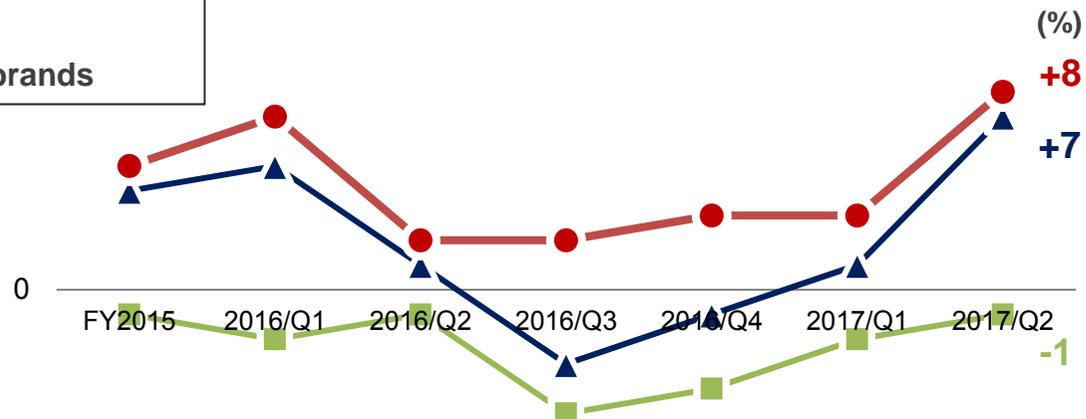
Sales to Chinese consumers: over +30%; % of net sales: approx. 25%

- Inbound sales: +42% year on year, to ¥27.0 billion
- Sales of Prestige business in China: +57% year on year
- TR sales in Asia: more than doubled year on year

Breakdown of growth rate in sales to Japanese consumers

Effects from innovations and non-focus brands

- Effects from innovations
- ▲- Growth of sales to Japanese consumers
- Non-focus brands



Japan: +10.0% Growth, with Increase in Sales in All Businesses and Improvement of Profitability

(Billion yen)	FY2017		FY2016		YoY Change	YoY Change %
	1H	% of Net Sales	1H	% of Net Sales		
Prestige	41.7	8.8	33.0	8.0	+8.7	+26.2
Cosmetics Specialty Stores	34.4	7.3	34.2	8.3	+0.1	+0.4
Cosmetics	96.0	20.4	88.4	21.4	+7.7	+8.7
Personal Care	26.6	5.6	25.0	6.1	+1.6	+6.4
Others*3	9.9	2.1	9.0	2.2	+0.9	+9.8
Japan	208.6	44.2	189.7	46.0	+18.9	+10.0

(Billion yen)	FY2017 1H	FY2016 1H	YoY Change	YoY Change %
Operating Income	40.6	25.2	+15.4	+61.1
Operating Profitability (%)	18.1	12.6	+5.5 pt	
Income Before Amortization of Goodwill, etc.	40.7	25.3	+15.4	+60.9
Operating Profitability (%)	18.1	12.7	+5.4 pt	

*1. In line with the management system of Japan, THE GINZA, etc. which were previously included in "Others" of Japan business, are classified as "Prestige" starting from FY2017.

In addition, Shiseido Amenity Goods Co., Ltd., which was included in "Personal Care," is now classified as "Others."

*2. See Supplemental Data 10 for details about changes in reportable segments.

*3. "Others" include Healthcare Business, Shiseido Amenity Goods Co., Ltd. and others.

*4. % of Net Sales indicates percentage to consolidated net sales.

*5. Operating profitability is calculated using net sales including intersegment transactions.

Japan: Personal Care Improved Profitability Due to Selection and Concentration

Rejuvenation of brands + Three major reforms

1) Rejuvenation of brands

- Review of priority brands and categories

2) Contact-point reform

- Creation of new consumer contact points, strengthening e-commerce

3) Activity reform

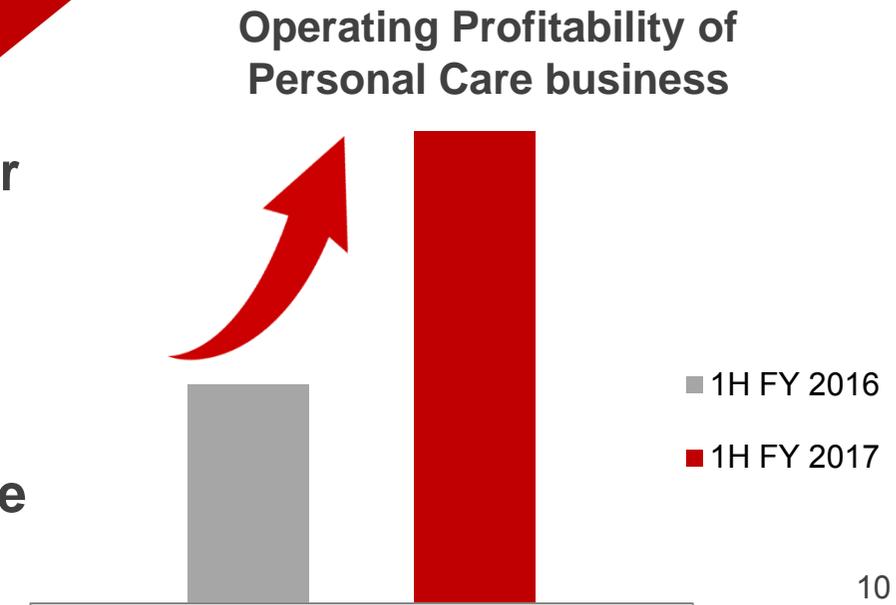
- Focus on store sales
Decrease market inventory through collaborating with wholesale distributors

4) Awareness reform

- Consistent consumer-oriented marketing



- ✓ Sales of all brands increased year on year
- ✓ Market shares increased in more than half of the categories
- ✓ Consumer-oriented virtuous cycle



China: +17.4% Increase of Net Sales, with Improved Profitability

(Billion yen)	FY2017		FY2016		YoY Change	YoY Change %	YoY Change in Local Currency %
	1H	% of Net Sales	1H	% of Net Sales			
China	68.7	14.5	60.4	14.7	+8.3	+13.7	+17.4

(Billion yen)	FY2017 1H	FY2016 1H	YoY Change	YoY Change %
Operating Income	5.0	2.2	+2.8	+125.7
Operating Profitability (%)	7.3	3.7	+3.6 pt	
Income Before Amortization of Goodwill, etc.	5.2	2.4	+2.8	+115.4
Operating Profitability (%)	7.6	4.0	+3.6 pt	

*1. See Supplemental Data 10 for details about changes in reportable segments.

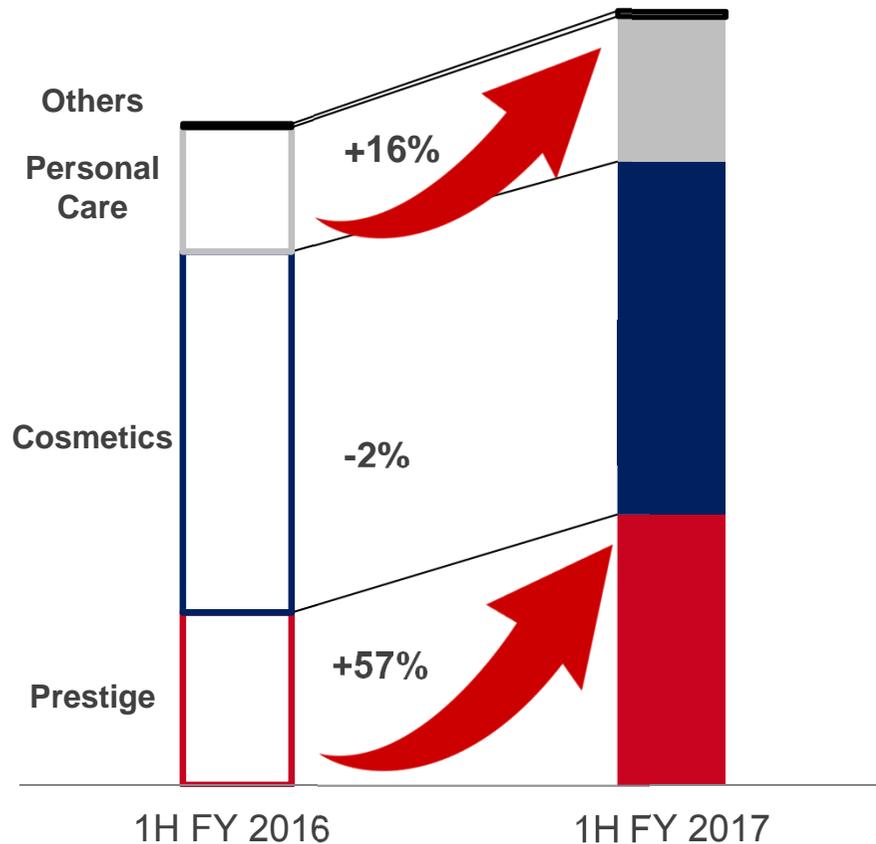
*2. % of Net Sales indicates percentage to consolidated net sales.

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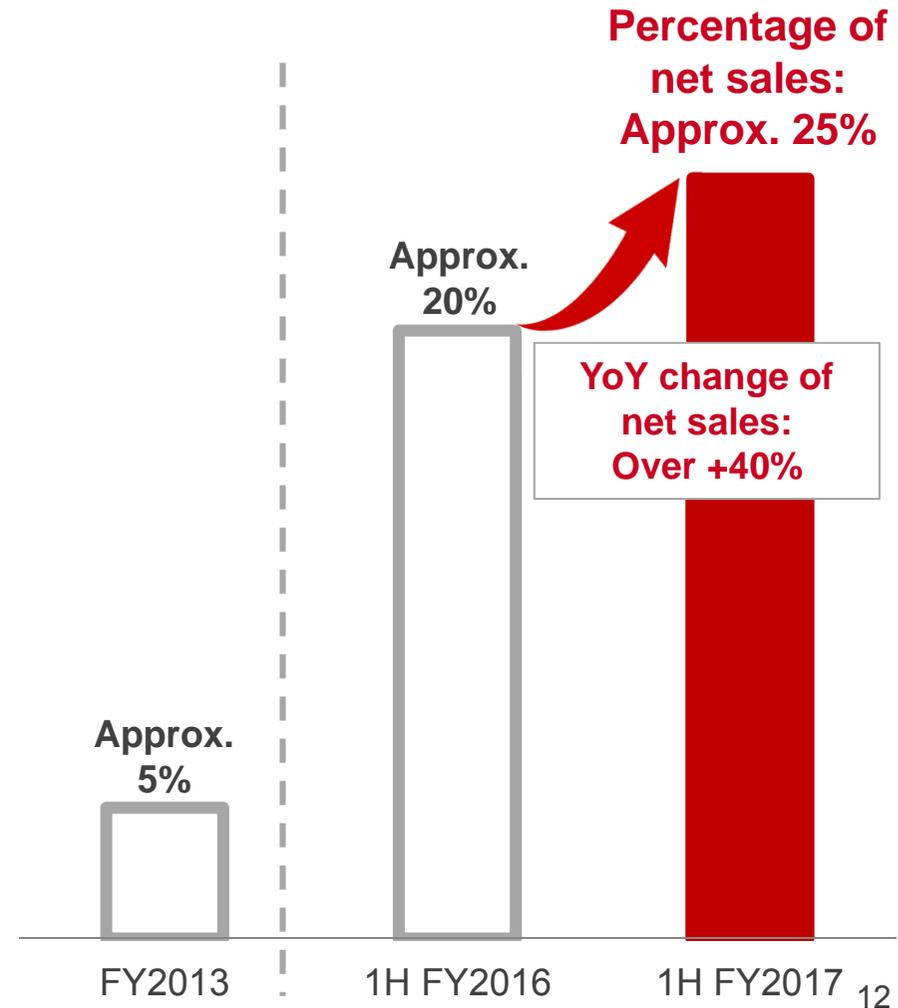
China: +57% Increase of Sales from Prestige, Over 40% Growth of E-commerce

Net sales by business In local currency terms

Growth of the department store market	→
Growth of Shiseido Group's sales at department stores	↗



Ratio of e-commerce to net sales* In local currency terms



* Hong Kong is excluded.

Asia Pacific: +10.3% Increase of Net Sales, with Improved Profitability

Distinctive market



(Billion yen)	FY2017		FY2016		YoY Change	YoY Change %	YoY Change in Local Currency %
	1H	% of Net Sales	1H	% of Net Sales			
Asia Pacific	25.8	5.5	22.4	5.4	+3.4	+15.2	+10.3

(Billion yen)	FY2017	FY2016	YoY Change	YoY Change %
Operating Income	2.3	0.0	+2.3	—
Operating Profitability (%)	8.6	0.1	+8.5 pt	
Income Before Amortization of Goodwill, etc.	2.3	0.0	+2.3	—
Operating Profitability (%)	8.7	0.2	+8.5 pt	

● Increased growth potential of Prestige business

- Opening of the first free-standing boutique of *clé de peau BEAUTÉ*
- Effects of digital campaign of *NARS*

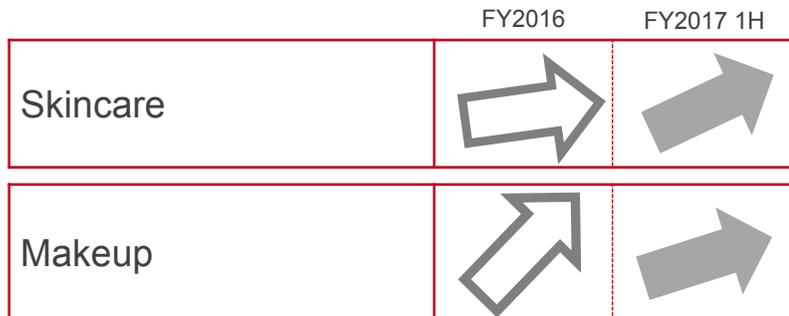
● Continued strength of *SENKA* and *Anessa*

- *1. See Supplemental Data 10 for details about changes in reportable segments.
- *2. Year-on-year percentage increase/(decrease) data for segment operating income in the Asia Pacific Business exceeds 1,000% and accordingly is not provided.
- *3. % of Net Sales indicates percentage to consolidated net sales.
- *4. Operating profitability is calculated using net sales including intersegment transactions.



Americas: Steady Store Sales Amid Market Slowdown

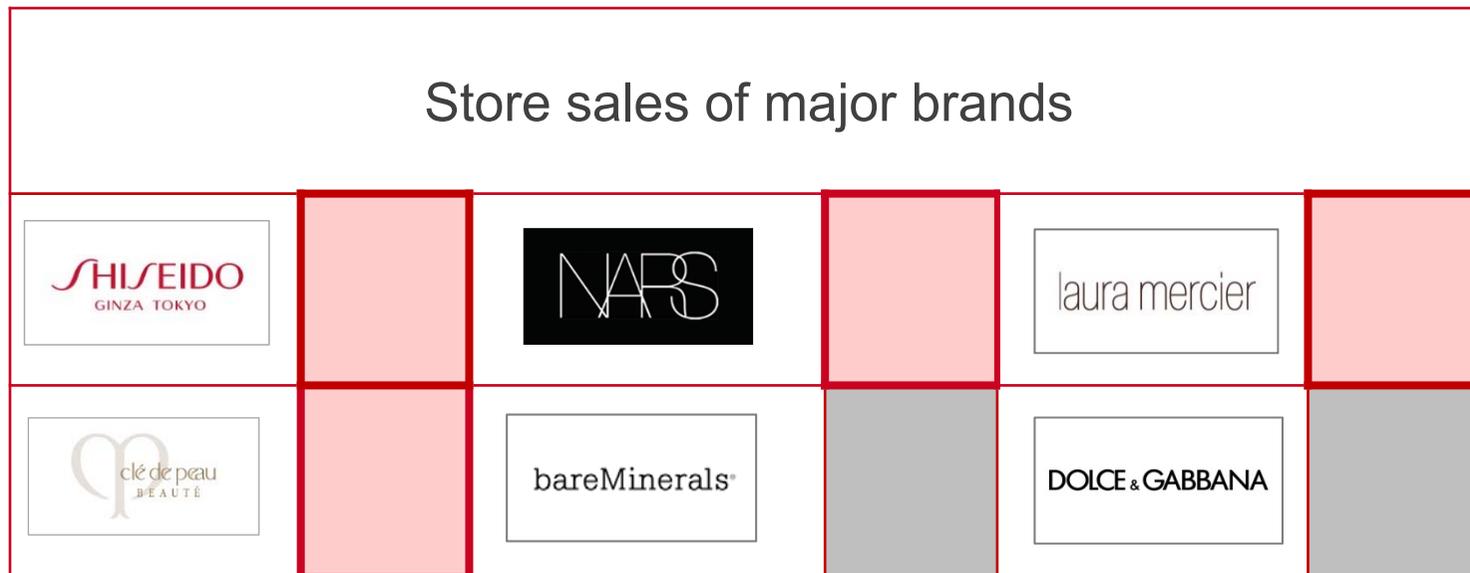
Changes in market growth by category



Momentum of makeup reduced from the previous year

Changes in channel structure

- From department stores and shopping malls to specialty stores
- Expansion of the e-commerce market through social media and influencers



-  Above the previous year
-  Below the previous year

Americas: Increase of Net Sales with Contribution of New Brands

(Billion yen)	FY2017		FY2016		YoY Change	YoY Change %	YoY Change in Local Currency %
	1H	% of Net Sales	1H	% of Net Sales			
Americas	62.1	13.2	55.2	13.4	+6.9	+12.4	+12.0

* The year-on-year change of existing businesses is -16% excluding the acquisition of *Laura Mercier*, and the licensing of *Dolce&Gabbana*.

(Billion yen)	FY2017 1H	FY2016 1H	YoY Change	YoY Change %
Operating Income	-9.0	-4.7	-4.3	—
Operating Profitability (%)	-13.0	-7.9	-5.1 pt	
Income Before Amortization of Goodwill, etc.	-4.4	-0.7	-3.6	—
Operating Profitability (%)	-6.3	-1.2	-5.1 pt	

*1. See Supplemental Data 10 for details about changes in reportable segment.

*2. % of Net Sales indicates percentage to consolidated net sales.

*3. Operating profitability is calculated using net sales including intersegment transaction.

*4. Effective from the fiscal year ending December 31, 2017, *bareMinerals*, *NARS* etc. in the U.K. included in the “Americas Business” under the Company’s previous segment classification structure have been included in the “EMEA Business.”

Effective from the fiscal year ending December 31, 2017, the Fragrance business in Latin America included in the “EMEA Business” under the Company’s previous segment classification structure has been included in the “Americas Business.”

EMEA: Steady Growth of Sales in Existing Businesses

Markets in major countries

Spain	
France and Italy	

Growth of Shiseido Group's store sales

The situation differs among countries.

(Billion yen)	FY2017		FY2016		YoY Change	YoY Change %	YoY Change in Local Currency %
	1H	% of Net Sales	1H	% of Net Sales			
EMEA	53.8	11.4	43.2	10.5	+10.6	+24.5	+27.1

* The year-on-year change of existing businesses is +3% excluding the licensing of *Dolce&Gabbana*.

(Billion yen)	FY2017 1H	FY2016 1H	YoY Change	YoY Change %
Operating Income	-3.2	-2.3	-0.9	—
Operating Profitability (%)	-5.6	-5.0	-0.6 pt	
Income Before Amortization of Goodwill, etc.	-2.4	-2.3	-0.1	—
Operating Profitability (%)	-4.1	-5.0	+0.9 pt	

*1. See Supplemental Data 10 for details about changes in reportable segment.

*2. % of Net Sales indicates percentage to consolidated net sales.

*3. Operating profitability is calculated using net sales including intersegment transaction.

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Effective from the fiscal year ending December 31, 2017, the Fragrance business in Latin America included in the "EMEA Business" under the Company's previous segment classification structure has been included in the "Americas Business."

*5. Method for calculating Income Before Amortization of Goodwill, etc. was revised from the first half of FY2017.

New Shiseido Group Brands from Americas/EMEA

● *Laura Mercier*

- Store sales in the first half of the year slightly above last year
- Launch of multiple new products in the second half
- Aim for double-digit annual growth
- Create synergy from the integration of sales departments
- Start operations by Shiseido in Japan and Canada



● *Dolce&Gabbana*

- Fell short of planned performance in the first half of the year
- Shortage of supply in Europe and Americas to be resolved by starting own production ahead of the schedule
- Good start of the new product, *Light Blue Eau Intense*



Travel Retail: Sales Almost Doubled, with Significant Improvement in Profitability

(Billion yen)	FY2017		FY2016		YoY Change	YoY Change %	YoY Change in Local Currency %
	1H	% of Net Sales	1H	% of Net Sales			
Travel Retail	23.1	4.9	12.0	2.9	+11.1	+92.4	+91.8

(Billion yen)	FY2017 1H	FY2016 1H	YoY Change	YoY Change %
Operating Income	7.5	2.9	+4.7	+164.3
Operating Profitability (%)	32.5	23.7	+8.8 pt	
Income Before Amortization of Goodwill, etc.	7.5	2.9	+4.7	+164.3
Operating Profitability (%)	32.5	23.7	+8.8 pt	

- Accelerated growth in the Asia region (China, South Korea, Thailand) through proactive investment
- Efficient operation achieved by strengthening relationships with, and concentrating on, major retailers



*1. % of Net Sales indicates percentage to consolidated net sales.

*2. Operating profitability is calculated using net sales including intersegment transaction.

Travel Retail – Developing Stores That Attract Consumers



Professional: +4.0% Increase in Sales, with Improved Profitability

(Billion yen)	FY2017		FY2016		YoY Change	YoY Change %	YoY Change in Local Currency %
	1H	% of Net Sales	1H	% of Net Sales			
Professional	23.2	4.9	22.2	5.4	+1.0	+4.4	+4.0

(Billion yen)	FY2017 1H	FY2016 1H	YoY Change	YoY Change %
Operating Income	1.2	0.1	+1.0	+697.0
Operating Profitability (%)	5.0	0.7	+4.3 pt	
Income Before Amortization of Goodwill, etc.	1.3	0.5	+0.9	+177.2
Operating Profitability (%)	5.7	2.1	+3.6 pt	

- **Strong results of Zotos, which operates mainly in the Americas**

*1. See Supplemental Data 10 for details on changes in reportable segments.

*2. % of Net Sales indicates percentage to consolidated net sales.

*3. Operating profitability is calculated using net sales including intersegment transactions.

1H Results of Other Income and Expenses and Extraordinary Income and Losses

Other Income and Expenses			Extraordinary Income and Losses		
(Billion yen)	FY2017	FY2016	(Billion yen)	FY2017	FY2016
Interest Income	0.4	0.4	Gain on Transfer of Business	—	9.1
Interest Expense	-0.4	-0.4	Gain/Loss on Sales or Disposal of Property, Plant and Equipment	-0.4	8.6
Net Interest Income and Expense	-0.0	0.0	Gain/Loss on Sales of Investments in Securities and Loss on Revaluation of Investments in Securities	0.3	-0.0
Foreign Exchange Gain/Loss	-0.7	-1.9	Structural Reform Expense, etc.	-1.0	-0.8
Other	0.3	0.2	Impairment Loss	—	-0.2
Total	-0.5	-1.6	Voluntary product recall-related expenses	-2.5	—
			Total	-3.6	16.7

*1. Gain on Transfer of Business: Transfer of intellectual property rights associated with the *Jean Paul GAULTIER* brand in 2016

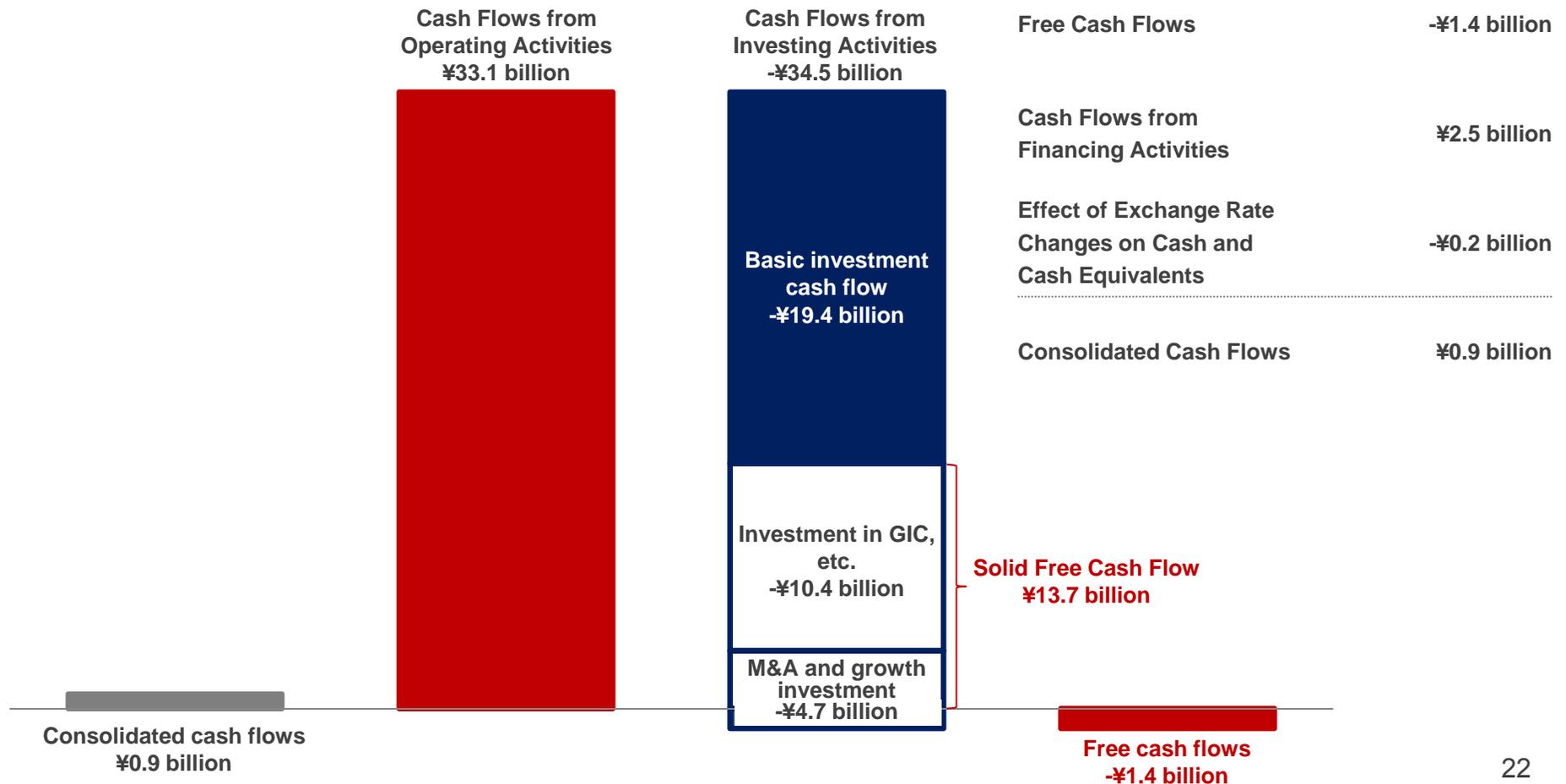
*2. Gain/Loss on Sales or Disposal of Property, Plant and Equipment: Sale of land at the former Kamakura factory

*3. Structural Reform Expenses, etc.: Early retirement bonus that were being pursued in all regions of the world, etc.

Positive Growth of Solid Free Cash Flow

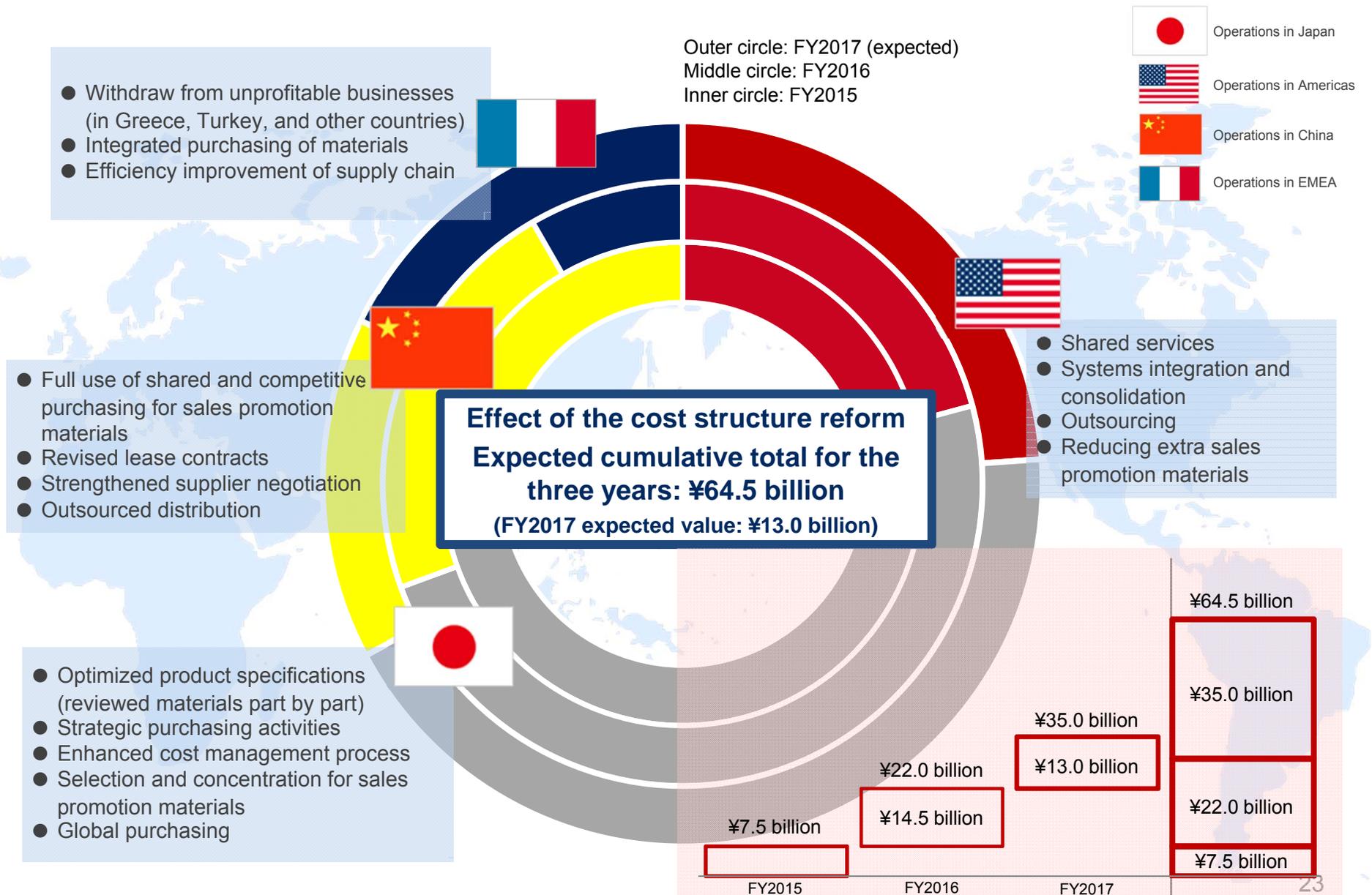
1H Results of Consolidated Statements of Cash Flows

Shiseido is pursuing growth-oriented investment including R&D, production sites and M&A to achieve its VISION 2020 medium-to-long-term strategy



Cost Structure Reform

Achieve Result Exceeding Initial Plan by Global Initiatives

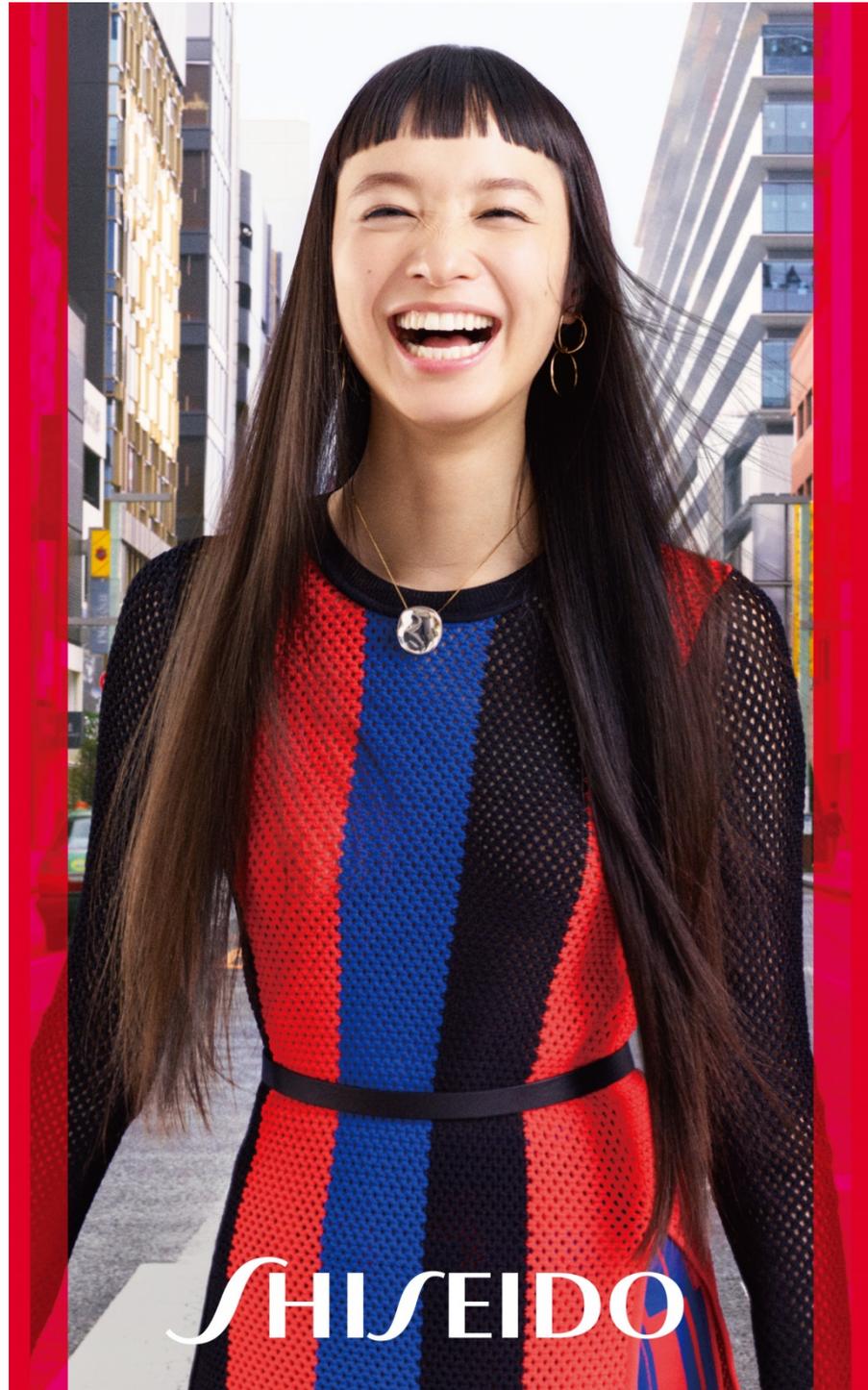


SHISEIDO

Accelerating Growth Momentum to Reach New Heights

August 9, 2017

Masahiko Uotani
Representative Director,
President and Group CEO
Shiseido Company, Limited



Full-Year Forecast for FY2017: Growth on All Fronts

(Billion yen)	FY2017		FY2016	YoY Change %	Change in Local Currency %	Announced Feb. 2017	
		% of Net Sales					Change from Feb. 2017
Net Sales	965.0	100	850.3	+13.5	+13	940.0	+25.0
Operating Income	56.0	5.8	36.8	+52.3		45.5	+10.5
Ordinary Income	55.0	5.7	37.2	+47.9		45.5	+9.5
Extraordinary Income/Loss	-4.0	-0.4	12.7	-		-2.5	-1.5
Net Income Attributable to Owners of Parent	32.5	3.4	32.1	+1.2		26.0	+6.5

Expected ROE: 8.0%

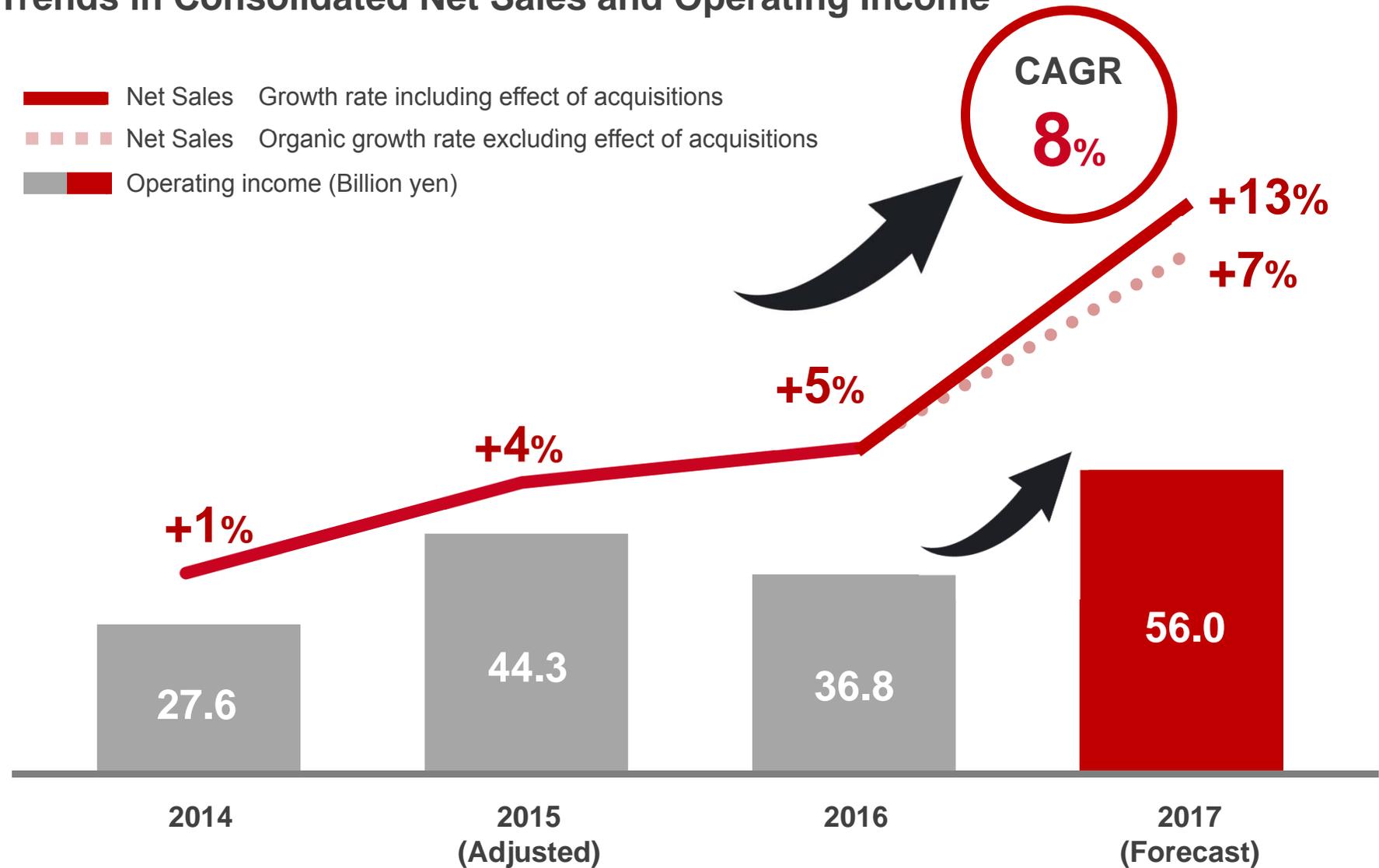
Exchange Rates: FY2017 USD 1 = JPY 111.2 (+2%), EUR 1 = JPY 119.8 (-0%), CNY 1 = JPY 16.2 (-1%)

Dividends: Interim ¥12.5, Year-end ¥12.5 (plan)

* Extraordinary income/loss (net) for FY2016 reflects the recording of extraordinary income such as a gain on the transfer of intellectual property rights in connection with the *Jean Paul GAULTIER* brand fragrance and a gain on the sale of land at the Company's former Kamakura factory.

Clear Growth Trajectory

Trends in Consolidated Net Sales and Operating Income



* The sales growth for 2014 excludes the impact of the rebound after the consumption tax hike, market inventory optimization in China and Asia, and distribution center problems in the Americas.

Raising Interim and Year-End Dividends

FY2017 Dividend per Share

Interim	12.5 yen (+2.5 yen)
Year-End (Forecast)	12.5 yen (+2.5 yen)
Annual (Forecast)	25 yen (+5 yen)

VISION 2020: 2017 as Milestone for Reform



VISION 2020

Achievements and Challenges

Achievements

- Performed strongly in Prestige business
- Conducted effective cross-border marketing
Achieved high growth in Travel Retail business
- Performed strongly in Japan business, increasing competitiveness and expanding market share
- Restructured the business/brand portfolio

Maintained high profitability
Invested in further growth

Challenges

- Improve profitability of the China Cosmetics business
- Reform the *bareMinerals* business structure and restore its growth potential
- Achieve stable supply and continue to invest in growth of the *Dolce&Gabbana* business

Take reforms a step further

Continue Investment in Prestige Brands to Maintain Growth

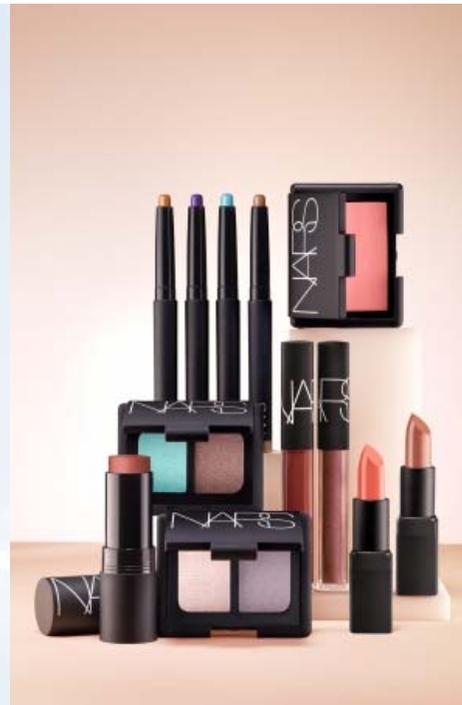
- 1H Results for FY2017 (YoY)
Net sales: **19% growth**, Operating income: over **40% growth**
- Full-Year Forecast for FY2017 (YoY)
Net sales: **15-20% growth**, Operating income: **60-70% growth**



SHISEIDO



clé de peau BEAUTÉ



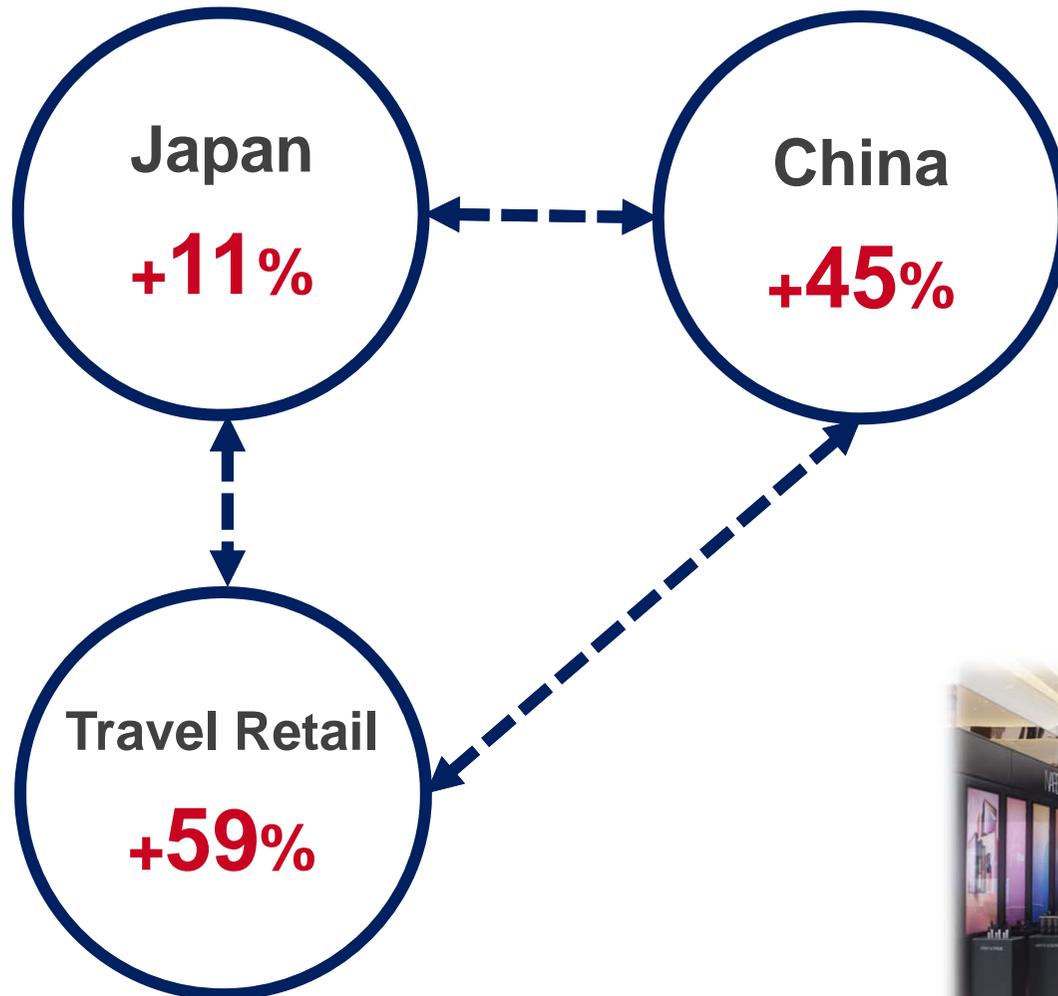
NARS



IPSA

Strengthen Investment in Cross-Border Marketing

Prestige Brands
Full-Year Net Sales Forecast for FY2017 (YoY)



Japan: Leverage Strengths to Accelerate Growth

Maintain stable growth in core businesses, while creating and expanding new growth domains

- Further reinforce key brands
ELIXIR, MAQuillAGE, ANESSA
- Boost performance in “three skin categories”
i.e. skincare, base makeup and sun care
Sales accounted for by 18 major brands in the first half: 69%
 - Pursue both growth potential and profitability
- Establish “wrinkle-improving” market
 - Plans to launch new products by other brands
- Reform the Personal Care business
 - Focus investment on priority brands and categories
 - Strengthen cost management, and improve profitability
- Further strengthen cross-border marketing
 - Inbound sales forecast: ¥44.5 billion
(Up ¥10 billion from initial plan, +29% YoY)



New Focus in Core Businesses

Getting Ready to Accelerate Growth

- **Generation**
 - Millennials
- **Regions**
 - China – Makeup market
 - Middle East
- **Channels**
 - E-commerce
 - Free-standing boutiques
- **Marketing**
 - Social networks
 - CRM
 - Personalization
 - Fast cosmetics
- **Brands and Products**
 - **WASO**
 - **ELIXIL REFLET**
 - New brand *recipist*



Strengthen Quality Control Structure

Ensure high quality standards from a consumer perspective

- **Conduct a comprehensive review of the quality control structure**
- **Review internal processes and corporate culture**
- **Scrutinize production capacity in Japan**



**Restructure the supply chain and
revamp corporate culture on a Group level**

China Cosmetics Business: Improve Profitability

Review business structure and launch initiatives to bolster profitability

- **AUPRES:**
 - Continue brand renewals
 - Rebuild management structure
- Review distribution strategy
 - **PURE&MILD, Za:**
Adopt measures to strengthen self-selection channel
 - Cosmetics specialty stores:
Change in terms of contract
 - Create next-generation retail store model
 - Digital – attract consumers and engage in marketing using digital tools
 - Virtual – extensive range of products on par with E-commerce
 - Real (experiential) – Counseling by beauty professionals



bareMinerals: Advance to the Next Step in Reform

Complete business structure reform and boost profitability

- Proactively launch new products
- Utilize social media
- Develop new business model through MATCHCo. technologies
- Streamline back office costs
- Launch the new management structure



Dolce&Gabbana: Continue to Invest in Growth

Prepare thoroughly for the period of peak demand

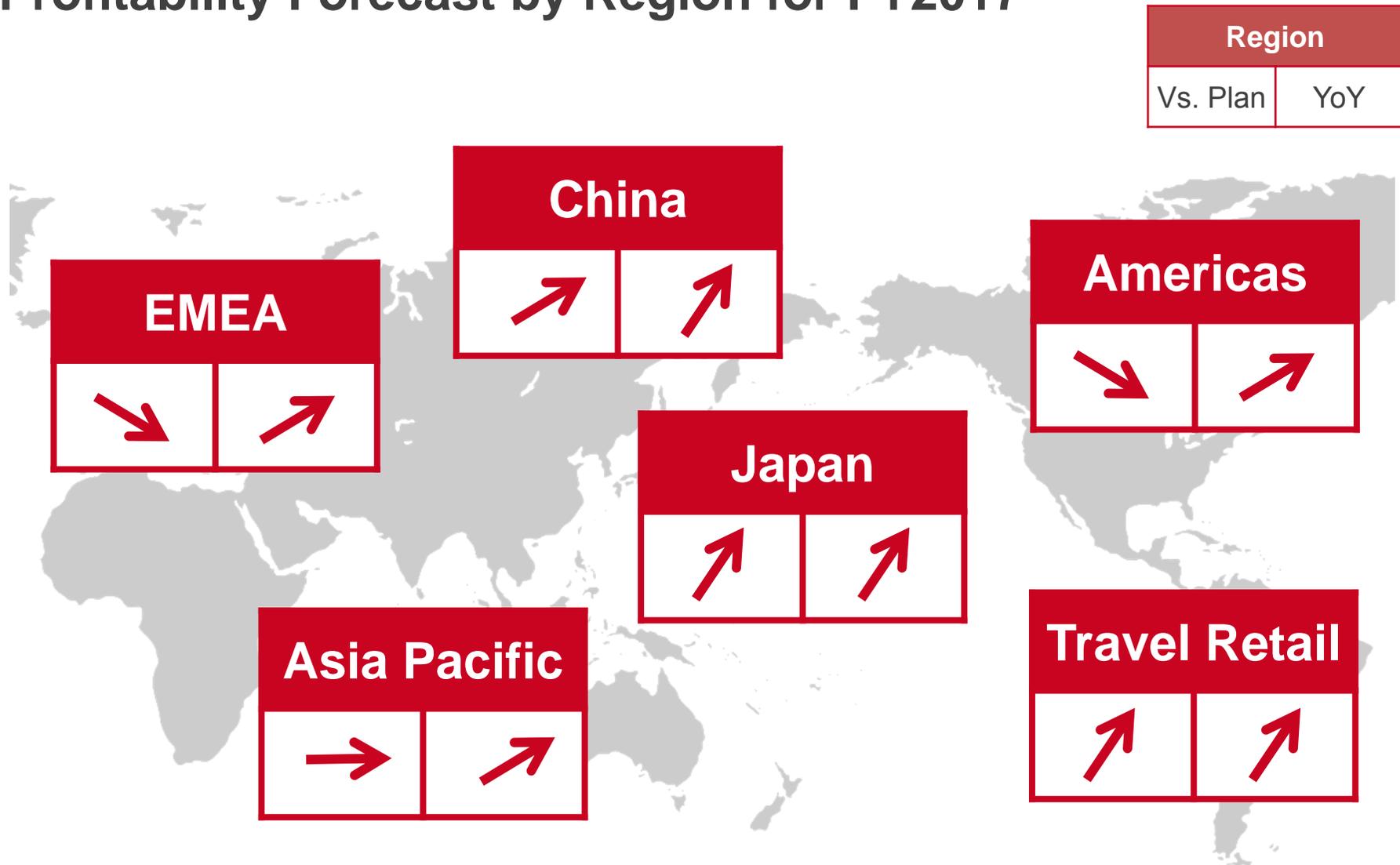
Create Group synergy

- Strengthen the production and supply structure in preparation for the holiday season.
- Reinforce brands
 - Continue bold investment in marketing
 - Further boost the strong sales of *Light Blue Eau Intense*
 - Launch new “*The One*” campaign



Aim at Even Higher Profits and Profitability

Profitability Forecast by Region for FY2017



A photograph of a person's legs and hands as they tie their shoelaces. The person is wearing black leggings and dark sneakers with white soles. The background is a bright, hazy sunrise or sunset over an open field or track, with a building and some structures visible in the distance. The overall tone is warm and motivational.

Looking Toward 2020

**Harness the growth momentum
for greater reforms!**

Our Future Direction with Multi-Stakeholder Approach

**Capital
Market**

Employee

Society



Create corporate value in the long-term perspective

Accomplish our mission



• **Innovation**

Acquire the latest technologies and create diverse values quickly and effectively through alliances and M&A



Supply Chain

Further expand procurement, production, and supply capabilities



Digital & IT

Develop a globally shared infrastructure
Enhance our digital capability

HR and Organization

Strengthen global management structure
and enhance diversity



A night view of Earth from space, showing the illuminated Eastern Hemisphere with city lights. The Earth's curvature is visible against the blackness of space, which is filled with numerous stars. The text "Be a Global Winner with Our Heritage" is overlaid in white, bold, sans-serif font.

**Be a Global Winner
with Our Heritage**

SHISEIDO

Supplemental Data 1: 1H Results of Sales by Reportable Segment

(Billion yen)	FY2017		FY2016		YoY Change	YoY Change %	YoY Change in Local Currency %
		% of Net Sales		% of Net Sales			
Japan	208.6	44.2	189.7	46.0	+18.9	+10.0	+10.0
China	68.7	14.5	60.4	14.7	+8.3	+13.7	+17.4
Asia Pacific	25.8	5.5	22.4	5.4	+3.4	+15.2	+10.3
Americas	62.1	13.2	55.2	13.4	+6.9	+12.4	+12.0 *1, 2
EMEA	53.8	11.4	43.2	10.5	+10.6	+24.5	+27.1 *1, 3
Travel Retail	23.1	4.9	12.0	2.9	+11.1	+92.4	+91.8
Professional	23.2	4.9	22.2	5.4	+1.0	+4.4	+4.0
Other	6.8	1.4	7.1	1.7	-0.3	-4.2	-4.2
Total	472.1	100	412.3	100	+59.8	+14.5	+15.0

*1. Effective from the fiscal year ending December 31, 2017, *bareMinerals*, *NARS* etc. in the U.K. included in the “Americas Business” under the Company’s previous segment classification structure have been included in the “EMEA Business.”

Effective from the fiscal year ending December 31, 2017, the Fragrance business in Latin America included in the “EMEA Business” under the Company’s previous segment classification structure has been included in the “Americas Business.”

*2. Year-on-year percentage change of sales of existing business is -16% excluding the acquisition of *Laura Mercier*, and the licensing of *Dolce&Gabbana*.

*3. Year-on-year percentage change of sales of existing business is +3% excluding the licensing of *Dolce&Gabbana*.

*4. See Supplemental Data 10 for details about changes in reportable segment.

Supplemental Data 2: 1H Results of Operating Income by Reportable Segment

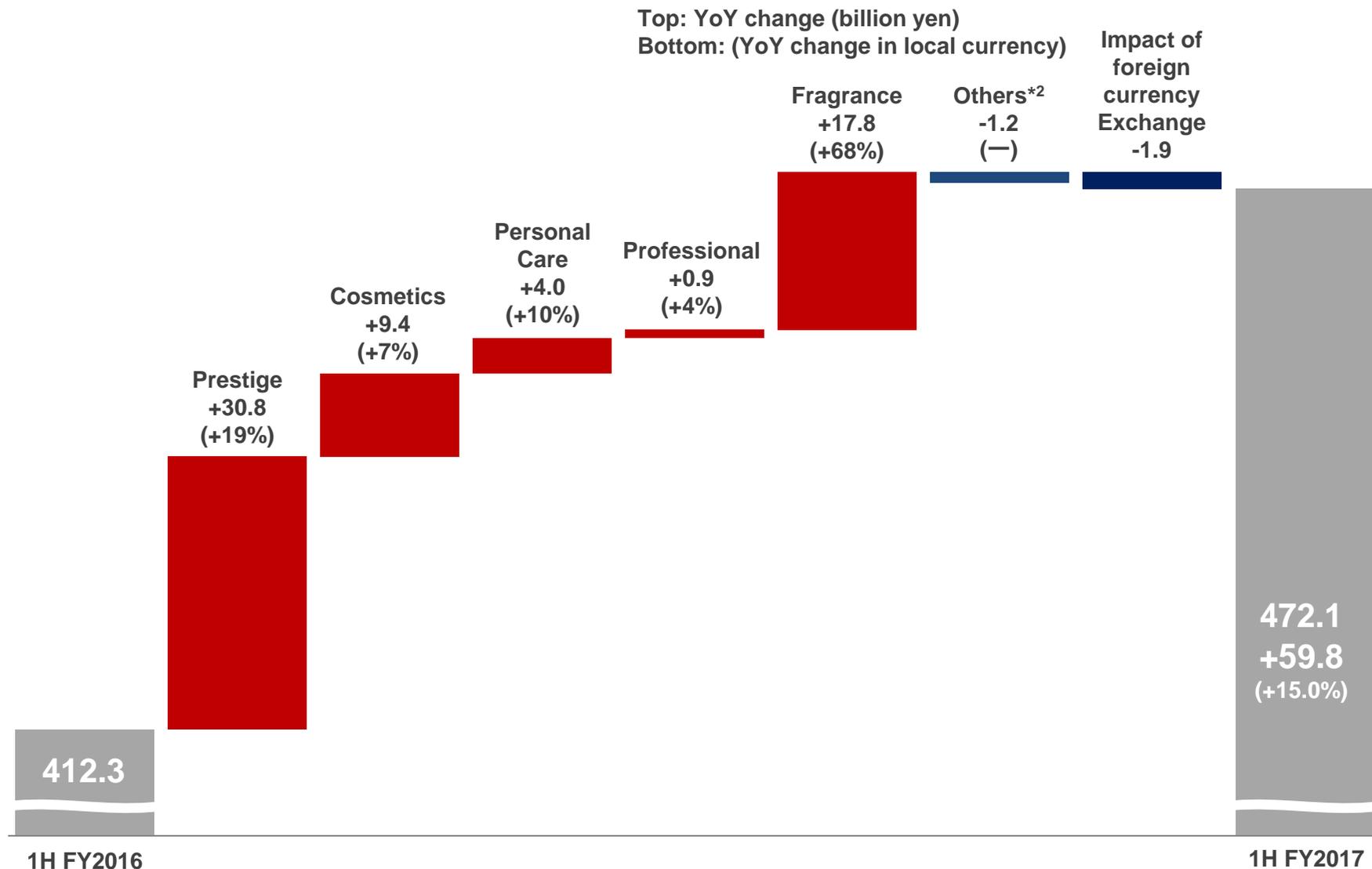
(Billion yen)	FY2017		FY2016		YoY Change	YoY Change %
		Operating Profitability %		Operating Profitability %		
Japan	40.6	18.1	25.2	12.6	+15.4	+61.1
China	5.0	7.3	2.2	3.7	+2.8	+125.7
Asia Pacific	2.3	8.6	0.0	0.1	+2.3	—
Americas	-9.0	-13.0	-4.7	-7.9	-4.3	—
EMEA	-3.2	-5.6	-2.3	-5.0	-0.9	—
Travel Retail	7.5	32.5	2.9	23.7	+4.7	+164.3
Professional	1.2	5.0	0.1	0.7	+1.0	+697.0
Other	-5.2	-11.7	-4.6	-16.8	-0.7	—
Subtotal	39.2	7.3	18.9	4.2	+20.3	+107.4
Adjustments	-4.5	—	1.0	—	-5.6	—
Total	34.7	7.3	19.9	4.8	+14.7	+73.9

*1. Operating profitability is calculated using net sales including intersegment transactions.

*2. Year-on-year percentage increase/(decrease) data for segment operating income in the Asia Pacific Business exceeds 1,000% and accordingly is not stated here.

*3. See Supplemental Data 10 for information about segment changes.

Supplemental Data 3: 1H Results of Sales by Business



*1. The YoY change, and YoY change in local currency terms for each business were calculated based on the exchange rate that was estimated at the beginning of the fiscal year.

*2. The figure for "Others" includes the difference between the estimated rate and the actual rate.

Supplemental Data 4: Japan: Store Sales of Major Brands

	Major brands					
Prestige *1						
						
Cosmetics						
						
Personal Care *2						

*1. Including sales at specialty stores
*2. Shipment from wholesalers to retailers

 Above the previous year
 Below the previous year

Supplemental Data 5: 1H Results of SG&A

	FY2017 1H		YoY Change %	YoY Change	Change Excluding Impact of Foreign Currency Exchange	
	(Billion yen)	% of Net Sales				Change in % of Net Sales
SG&A	329.0	69.7	-1.6	+12.0	+35.3	+36.9
Marketing Costs	169.5	35.9	-0.8	+12.2	+18.4	+19.6
Brand Development Cost and R&D Expenses	23.1	4.9	+0.7	+33.1	+5.8	+5.9
Personnel Expenses	61.0	12.9	-0.7	+8.8	+5.0	+5.1
Other Expenses	75.3	16.0	-0.8	+8.9	+6.1	+6.3

* The “+” and “-” symbols in YoY Change are used to indicate increase and decrease in amount and as a percentage of net sales, respectively.

Supplemental Data 6: 1H Results of Net Income Attributable to Owners of Parent and Comprehensive Income

(Billion yen)		FY2017 1H	FY2016 1H
Net Income before Income Taxes		30.6	35.1
Income Taxes (Tax Rate)		10.7 (35.0)	9.7 (27.7)
Net Income Attributable to Non-Controlling Interests		1.1	0.9
Net Income Attributable to Owners of Parent		18.8	24.5
		FY2017	FY2016
Comprehensive Income		18.4	-27.3

Supplemental Data 7: Consolidated Balance Sheets

(Billion yen)	Jun. 30, 2017	Change from Dec. 31, 2016	Excl. Impact of Foreign Currency Exchange	Impact of Foreign Currency Exchange
Total Current Assets	453.9	+22.0	+22.9	-1.0
Cash, Time Deposits and Short-Term Investments in Securities	130.9	+2.9	+3.1	-0.2
Notes & Accounts Receivable	141.2	+4.5	+4.2	+0.2
Inventories	130.8	+15.1	+16.0	-0.9
Total Fixed Assets	502.8	+0.1	+2.2	-2.1
Property, Plant and Equipment	159.8	+3.6	+4.4	-0.8
Intangible Assets	241.8	-4.6	-2.1	-2.4
Investments and Other Assets	101.2	+1.0	-0.1	+1.2
Total Assets	956.6	+22.0	+25.1	-3.1

(Billion yen)	Jun. 30, 2017	Change from Dec. 31, 2016	Excl. Impact of Foreign Currency Exchange	Impact of Foreign Currency Exchange
Total Liabilities	529.6	+8.9	+7.6	+1.3
Notes & Accounts Payable and Other Payables	128.6	+1.8	+1.1	+0.6
Interest-Bearing Debt	129.7	+9.1	+9.4	-0.3
Long-term payables	58.0	+4.8	+2.6	+2.2
Liability for Retirement Benefits	93.4	-1.0	-1.2	+0.2
Total Net Assets	427.0	+13.2	+17.5	-4.3
Shareholders' Equity	407.2	+15.1	—	—
Accumulated Other Comprehensive Income	-0.5	-1.4	—	—
Non-Controlling Interests	19.6	-0.5	—	—
Total Liabilities and Net Assets	956.6	+22.0	+25.1	-3.1

Exchange Rates:

Dec. 31, 2016: USD 1 = JPY 116.5; EUR 1 = JPY 122.7; CNY 1 = JPY 16.8
Jun. 30, 2017: USD 1 = JPY 112.0; EUR 1 = JPY 128.0; CNY 1 = JPY 16.5

Equity Ratio: 42.5%

Interest-Bearing Debt Ratio: 23.3%

(Excluding long-term payables related to payment for the DG trademark right)

* Main line items only 54

Supplemental Data 8: FY2017 Full-Year Forecast (by Reportable Segments)

(Billion yen)	FY2017			Forecast Announced in February		(Ref) FY2016	
		YoY Change		Before reclassification	After reclassification	Before reclassification	After reclassification
		%	In Local Currency, %				
Net Sales	965.0	+13.5	+13	940.0	940.0	850.3	850.3
Japan	409.0	+7.3	+7	391.0	391.0	381.2	381.2
China	135.5	+14.7	+15	132.0	132.0	118.1	118.1
Asia Pacific	51.5	+13.0	+10	48.5	48.5	45.6	45.6
Americas	148.0	+16.1	+14	164.0	151.5	137.5	127.5
EMEA	119.5	+26.9	+27	111.0	123.5	84.1	94.1
Travel Retail	40.5	+63.2	+60	32.5	32.5	24.8	24.8
Professional	47.0	+4.6	+4	47.0	47.0	45.0	44.9
Other	14.0	0	0	14.0	14.0	14.0	14.0

Exchange rates: FY2017: USD 1 = JPY 111.2 (+2%), EUR 1 = JPY 119.8 (-0%), CNY 1 = JPY 16.2 (-1%)

*1. See Supplemental Data 10 for details about changes in reportable segment.

*2. Figures before reclassification (announced in February) and one after reclassification are indicated for the previous forecast and results for the previous fiscal year.

Supplemental Data 9: Capital Expenditures, Depreciation and Amortization

(Billion yen)	FY2017 1H	FY2016 1H	FY2017 Forecast
Capital Expenditures*1	21.2	24.9	59.2
Property, Plant and Equipment	13.8	18.4	36.1
Intangible Assets, etc.	7.4	6.4	23.1
Depreciation and Amortization	19.2	16.7	41.1
Property, Plant and Equipment	9.1	8.7	19.7
Intangible Assets, etc.	10.1	8.0	21.4
R&D Expenses	10.2	8.7	21.4

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

Supplemental Data 10: Main Constituents of Old and New Segments

2016 Segments	Major Businesses (December 31, 2016)
Japan	Overall business in Japan, TR in Japan (Excluding BE and LM)
China	Overall business in China (Excluding BE, LM, and TR)
Asia Pacific	Overall business in Asia and Oceania excluding Japan and China (Excluding BE, LM, and TR)
Americas	Overall business in the Americas, BE, LM, and ZOTOS (Excluding TR)
EMEA	Overall business in EMEA and fragrances* ² (Excluding BE, LM, and TR)
Travel Retail	Overall business at duty-free shops worldwide outside Japan (Excluding TR in fragrances* ²)



2017 Segments	Major Businesses (June 30, 2017)
Japan	Overall business in Japan, TR in Japan (Excluding BE and PF)
China	Overall business in China (Excluding BE, LM, TR, and PF)
Asia Pacific	Overall business in Asia and Oceania excluding Japan and China (Excluding BE, LM, TR, and PF)
Americas	Overall business in the Americas (Excluding TR and PF)
EMEA	Overall business in EMEA (Excluding LM and TR)
Travel Retail	Overall business at duty-free shops all over the world outside Japan (Excluding TR in fragrances* ²)
Professionals	Overall Professional Business all over the world
Others	Production Business, Frontier Science Business, restaurant operation, and others

* BE: *Bare Escentuals* LM: *Laura Mercier* and *RéVive* TR: Travel Retail Business PF: Professional Business EMEA: Europe, the Middle East, and Africa

*1. Starting from the current fiscal year, the Professional Business, which was previously included in each business excluding EMEA and TR, is included in the Professional Business.

*2. Fragrances Business exclude *SHISEIDO* fragrance and include *Dolce&Gabbana*, *ISSEY MIYAKE*, and *narciso rodriguez*.

*3. Effective from the fiscal year ending December 31, 2017, *bareMinerals*, *NARS* etc. in the U.K. included in the “Americas Business” under the Company’s previous segment classification structure have been included in the “EMEA Business.”

Effective from the fiscal year ending December 31, 2017, the Fragrance business in Latin America included in the “EMEA Business” under the Company’s previous segment classification structure has been included in the “Americas Business.”

Supplemental Data 11: Major Public Announcements

News Releases

- July 2017: Notice and Apology Regarding Voluntary Recall of Shiseido Group Products (Sunscreens)
- July 2017: Notice and Apology Regarding Voluntary Recall of Shiseido Group Products (Body Washes)
- May 2017: Notice of Transfer of Shares, etc. in a Subsidiary (KINARI Inc.)
- April 2017: Launch of the Shiseido Facial Expression Project – New Initiatives Started on April 20, 2017 to Help Women Enrich Their Facial Expressions with Technologies for Improving Skin Wrinkles –
- April 2017: New Efficacy! Birth of an Enriched Beauty Cream, a Quasi-Drug Containing Retinol That Improves Even Deep Wrinkles
ELIXIR SUPERIEUR Enriched Wrinkle Cream S
- April 2017: Shiseido to Terminate Global Distribution Agreements with Burberry – Aiming at Selection and Concentration of Business Operations –
- March 2017: Shiseido Japan to Start the Brand Business of *Laura Mercier*, a U.S. Makeup Brand, in Japan
- February 2017: Recognition of Effect and Efficacy in Improving Skin Wrinkles with Retinol Acting Ingredient Acquired for the First Time in Japan – “Deep” Wrinkles Improved in Nine Weeks –
- February 2017: Notice of Completion of the Setup of Joint Venture, KODOMOLOGY Co., Ltd. to Promote Childcare Business
- January 2017: Notice of Acquisition of a U.S.-based Start-up, MATCHCo– Obtaining a Smartphone App-based Technology to Formulate Customized Foundation–

Supplemental Data 12: External Evaluation Concerning ESCG

- July 2017: Included in the following new ESG indices selected by GPIF



2017 Constituent
MSCI Japan ESG Select
Leaders Index



2017 Constituent
MSCI Japan Empowering
Women Index (WIN)



FTSE Blossom
Japan

(Reference) Shiseido has been selected for SRI Indexes as below.



FTSE4Good



モーニングスター社会的責任投資株価指数
Morningstar Socially Responsible Investment Index

- January 2017: Corporate culture magazine “Hanatsubaki” receives the Director-General of Commerce and Information Policy Bureau, Ministry of Economy, Trade and Industry Award at the 58th Zenkoku Catalogue Ten (Catalogue Fair).
- January 2017: The Consumer Information Center of Shiseido Japan acquires the Five-Star Certification, the highest certification under the HDI Five-Star Certification Program, for the first time in the cosmetics industry.
- December 2016: Shiseido is placed third in Italy’s CORPORATE ART AWARDS® 2016, which is aimed at recognizing companies that are actively involved in art and culture.
- November 2016: Restaurant L’Osier earns two-star rating, while restaurant Faro Shiseido earns one-star rating for nine straight years in Michelin Guide Tokyo 2017.

See the corporate information website and Annual Report, etc. of the Shiseido Group for details of our policies and initiatives about ESCG.

Sustainability: http://www.shiseidogroup.com/sustainability/?rt_bt=menu-sustainability_001

Corporate Cultural Activities: <http://www.shiseidogroup.com/beauty-art/about/>

Annual Report: <http://www.shiseidogroup.com/ir/library/annual/>

MSCI: <https://www.msci.com/japan>

FTSE: <http://www.ftse.com/products/indices/blossom-japan>

MS-SRI: <http://www.morningstar.com/>