(Translation)

March 5, 2018

Dear Sirs and Madams,

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Shiseido Develops the "New Three-Year Plan" (2018-2020)
–Accelerating Growth to Be a Global Winner with Our Heritage–

[Reference] Consolidated Financial Results Forecast and Dividend Forecast for the Fiscal Year Ending December 31, 2018 (January 1, 2018 through December 31, 2018)

Shiseido Company, Limited ("Shiseido") has developed the "New Three-Year Plan" (2018-2020) starting in 2018. Towards the realization of "VISION 2020", the six-year medium-to-long term strategy that was developed in 2014, the first three years(2015 to 2017), were dedicated to the phase of "Rebuild the Business Foundation" and thoroughly resolve structural issues of the business both in Japan and overseas while reinforcing marketing investment. As a result, in 2017 we surpassed 1 trillion JPY in sales, a target originally set for 2020. Operating income also increased and reached its highest level ever. With sights set on 2030, the three years between 2018 and 2020 become a phase to implement a "New Strategy to Accelerate Growth" and be among the top three companies in the Global Prestige Cosmetics Market while maintaining our significant presence in Japan and Asia. With prestige brands*[1] as our core business we aim to "Be a Global Winner with Our Heritage" through digital acceleration, synergy maximization with new technologies and brands that have now joined Shiseido, and by increasing further investment.

*1 Prestige brands・・・ ***SHISEIDO***, ***Clé de Peau Beauté***, ***IPSA***, ***NARS***, ***bareMinerals***, ***Laura Mercier***, ***Dolce&Gabbana***, etc.

I. New Three-Year Plan (2018-2020)

1. Objective of New Three-Year Plan (2018-2020)

Under the New Three-Year Plan of the second phase of the medium-to-long term strategy "VISION 2020," the brands strategy will be further tuned to respond to the needs of every region's local consumers, active marketing investment will grow, and we will move forward with digital acceleration, new business development and new value creation through innovation. We will also prioritize and actively invest into our people's development as we believe that they are the source of new value creation and of our growth. Furthermore, with our global management structure evolution and through a CAGR*[2] of more than 8% over 2018-2020, we aim to achieve sales exceeding 1.2 trillion JPY, operating income exceeding 120 billion JPY, and ROE exceeding 14% by 2020, the final year of the new strategy.

*[2]CAGR : Compound Annual Growth Rate

2. Key Strategies Under the New Three-Year Plan - Building for the Future-

(1)Further “Selection and Concentration” of Brand Businesses

While maintaining “Prestige First” as our central strategy, we will sustain and expand our growth potential while accelerating the growth of our Cosmetics and Personal Care Brand Business in Asia. With further development in mind we will commit an additional investment in marketing on the base of the 2017 amount, a combined sum of 120 billion JPY in annual increments over the next three years.

①“Prestige First” Strategy

We will aim to increase sales of makeup and fragrances in the global prestige market in order to expand our market share while strengthening our profit base by increasing sales of skincare products, Shiseido’s biggest strength. Through the introduction of innovative breakthrough products, product development in collaboration with retailers, upgrades in visual merchandizing, expansion of brand shops, and optimization of digital communication through Social Media we will provide our customers with more brand experience opportunities. We will also develop further upon expand our cross-border marketing, mainly focusing on the Chinese consumer, expanding to all of Asia and in the future to the rest of the world.

②Cosmetics and Personal Care Brands Strategy for Asia

In the Asian market, in addition to prestige brands, we will expand to promote four more brands currently marketed mainly in Japan (***ELIXIR***, ***ANESSA***, ***SENKA***, and ***INTEGRATE***) to the China market and other Asian regions. In order to capture the needs of consumers in each market we will expand our research and development, develop products that bring high added value, and collaborate with retailers, and, thus, further enhance our brand power.

With the purpose of restructuring our supply system, we will increase our capital expenditure, separate from the marketing investment, by a total of 130 billion JPY within the next three years, in order to enhance the production system, build new factories, and strengthen cooperation with suppliers.

(2) Acceleration of Digitalization and New Business Development

In e-commerce (EC), we will strengthen cooperation with major EC websites around the world, integrate in-store customer data at the shop front, and promote CRM (customer relationship management).

In order to elevate the business operations infrastructure, while developing all employees’ capabilities, we will also promote the seamless integration of business processes between the main headquarters and every regional headquarters, build an integrated IT platform and centralize the management of data. This will require an investment of approximately 27 billion JPY in total over the next three years. For new business development, we will strengthen our solutions through personalization in order to provide value according to every consumer’s individual needs. By combining superior digital technologies (including IoT) with our exciting businesses we will create new products and consumer experiences.

(3)New Value Creation through Innovation

By merging our own knowledge and experience with the capabilities of acquired brands and technologies together with the high expertise of talented people we will not only produce innovation in cosmetics but also build innovative business models and explore new frontiers such as artificial skin, hair and skin regeneration, and advanced beauty care. In the area of research and development, we will increase the number of R&D personnel to 1,500 and aim for R&D investment-to-sales ratio of 3% by 2020. Furthermore, in order to maximize R&D capabilities on the global level, “Global Innovation Center” will start its operation in Yokohama Minato Mirai 21, from December 2018 as a hub for all our innovation centers around the world.

(4)Developing Talent and Organization to Be a Global Winner -PEOPLE FIRST-

We will be opening training facilities at all our regional headquarters targeting employees all over the world, in addition to an MBA program for young employees in order to develop future global talent, enhancement of leadership training programs for management personnel development, and English language training as preparation for the English mandate starting from October 2018. Over the three years, we plan to invest approximately 14 billion JPY in total. At the same time, we will renovate our office environment both in Japan and overseas. Furthermore, in order to accelerate diversity of our organization, we will create a global talent database with unified standards and promote global mobility. In Japan we will also aim to reach a 40% ratio of women in managerial positions, considering the specifics of our business.

(5)Next New Global Management Model

In 2016, we launched a matrix-type global management structure intersecting brand categories with our six regions*3. At the same time, we established for "Centers of Excellence (COE)" in which regions that significantly influence categories globally lead strategy planning and product development. Japan hosts the COE for skincare, the Americas for makeup and digital marketing, and EMEA for fragrances. Furthermore, from 2018, we will leverage the respective knowledge and experience acquired in each region for the benefit of each brand and global marketing in order to realize a new business model and digitalization as quickly as possible. To that end, we will establish the "Technology Innovation Center" in Boston, U.S., among others.

*3 Japan, China, Asia Pacific, Americas, EMEA, Travel Retail

3. Key Directions of Regional Headquarters

Japan, China, Asia Pacific and Travel Retail will maintain and further accelerate the growth momentum for high profitability. With regards to the Americas and EMEA, we will work on improving our profitability and aim for more than 10% operating profit margin.

Japan	Focus on Skincare, Base Makeup, Sun Care/ High appeal to the younger generations and children of baby boomers /Enhancement and expansion of contact points with consumers
China	Acceleration of Prestige brands growth/Acceleration of digital & EC
Asia Pacific	Acceleration of Prestige brands growth/ Building solid base for Cosmetics and Personal Care
Americas	Improvement of profitability of ***bareMinerals***/ Creating a new business model through advanced technology
EMEA	Improvement of profitability of fragrance / Full-scale expansion to the Middle East region
Travel Retail	Enhancement of brand portfolio / Strengthening cooperation with operators

4. Financial Strategies

(1)Returns to Shareholders

With regards to return to shareholders, we aim to achieve total returns, comprising direct returns and medium-to-long-term share price gains. Although we traditionally aimed at a target payout ratio of 40% on medium-term basis, from 2018 we will give more emphasis to free cash flow and will achieve long-term, stable and continuous returns aiming for the minimum level of dividend on equity ratio (DOE) at 2.5%. We will also buy back shares flexibly taking the market environment into consideration.

(2)Financial KPIs

With the aim to improve corporate value on the medium-to-long term basis, we will create cash flow through consistent growth and improvement of capital efficiency while strengthening our financial foundation even further. By doing so, we will aim at an ROE exceeding 14%, for return on invested capital (ROIC) to exceed 12%, and for a cash conversion cycle (CCC) *4 of 100 days or less.

*4 Receivables turnover period (days)＋Inventory turnover period (days)－Payables turnover period (days)

(3)Investment Enhancement

In order to ensure persistent growth beyond 2020, we plan to produce operating cash flow of more than 350 billion JPY in total over the four years starting from 2017, and to spend more than 300 billion JPY in total over the three years on capital expenditure under our key strategies, such as IT and supply chain, separately from marketing investment and investment in human resources.

II. 2018 Forecast

1. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2018
(January 1, 2018 through December 31, 2018)

(Millions of yen)

	Net Sales	Operating Income	Ordinary Income	Net Income Attributable to Owners of Parent	Net Earnings per Share (Yen)
February 2018 announcement (A)	-	-	-	-	-
Forecast (B)	1,033,000	90,000	90,000	54,000	135.16
Amount of increase or decrease (B-A)	-	-	-	-	
Rate of increase or decrease (%)	-	-	-	-	
(Reference) Results for the previous period (ended December 31, 2017) (C)	1,005,062	80,437	80,327	22,749	56.95
Amount of increase or decrease (B-C)	27,937	9,562	9,672	31,250	
Rate of increase or decrease (%)	2.8	11.9	12.0	137.4	

We expect our consolidated sales to reach 1 trillion 33 billion JPY, 2.8% increase on the previous year, or an 8% increase on a like-for-like basis, excluding the influence from extraordinary factors such as the sale of Zotos international, Inc. in FY 2017, etc. Due to higher margins accompanying the increase in sales, operating income is forecast to reach 90 billion JPY, and ordinary income 90 billion JPY. We expect net income attributable to owners of parent to reach 54 billion JPY.

2. Dividend Forecast for the Fiscal Year Ending December 31, 2018 (January 1, 2018 through December 31, 2018)

	Annual dividends per share		
	End of first half	Year-end	Full year
February 2018 announcement	—	—	—
Forecast	15.00	15.00	30.00
Results for the current period			
Plan and results for the previous period (ended December 31, 2017)	12.50	15.00	27.50

(Note) Year-end dividend for the fiscal year ended December 31, 2017 will be determined at the 118th Ordinary General Meeting of Shareholder to be held on March 27, 2018.

【Reference】

Consolidated Net Sales

(Billions of yen)

Classification	Fiscal year ending December 31, 2018 (Forecast)	For reference Fiscal year ended December 31, 2017 (After reclassification)	Change, % (After reclassification)	Change in local currency, % (After reclassification)	Fiscal year ended December 31, 2017 (Before reclassification)
Net Sales	1,033.0	1,005.1	2.8%	3%	1,005.1
Japan Business	459.0	431.6	6.3%	6%	431.0
China Business	163.0	144.3	13.0%	14%	144.3
Asia Pacific Business	64.0	59.9	6.9%	9%	54.2
Americas Business	125.0	134.1	(6.8%)	(5%)	140.4
EMEA Business	115.0	108.5	6.0%	5%	128.4
Travel Retail Business	74.0	65.0	13.8%	15%	44.5
Professional Business	21.0	48.0	(56.2%)	(56%)	48.0
Other	12.0	13.7	(12.4%)	(12%)	14.3

Notes:

1. Effective from the fiscal year ending December 31, 2018, the Company has revised its reportable segment classification method in line with the Group's internal financial management structure. As a result, the Fragrance business in Asia Pacific included in the "EMEA Business" under the Company's previous segment classification will be included in the "Asia Pacific Business," the Fragrance business in Travel Retail included in the "EMEA Business" will be included in the "Travel Retail Business," and ***2e*** (doe) and ***NAVISION*** included in "Other" will be included in the "Japan Business." Moreover, due to changes in distribution channels, part of businesses of ***NARS, bareMinerals,*** and ***Laura Mercier*** from retailers in each

region included in the "Americas Business" under the Company's previous segment classification will be included in the "Asia Pacific Business," " EMEA Business" and "Travel Retail Business," respectively. Actual results for the fiscal year ended December 31, 2017 are presented based on classification after the change.

2. "Other" mainly includes business segments not included in the reportable segments, such as manufacturing operations as well as the activities of the Frontier Science business, the Restaurant business, etc.

[Japan Business]
In the Japan business, we will reinforce brand management with focus on consumers and further accelerate the expansion of market shares in three skin categories through heightened marketing investment. By fortifying cross-border marketing, we will capture increasing inbound demand while expanding the anti-wrinkle market with launches from various brands, to increase our share in the market. We will promote expansion and enhancement of contact points with the younger demographic, nurturing future growth. We expect sales to reach 459 billion JPY, 6% up from the previous year (or a 7% increase on a like-for-like basis, excluding the influence from the transfer of shares held, etc. of KINARI Inc., etc.).

[China Business]
In the China business, while further accelerating the growth of prestige brands ***SHISEIDO, Clé de Peau Beauté, IPSA,*** and ***NARS***, we will enhance made in Japan brands such as ***ELIXIR*** and ***ANESSA***. Also in response to the growing e-commerce market, we will further enhance the development of prestige brands and ***AUPRES***, in addition to the development of personal care brands mainly centering on ***SENKA***. We expect sales to reach 163 billion JPY, a 14% increase year-on-year on local currency basis.

[Asia Pacific Business]
In the Asia Pacific business, we will further pursue the potential of made in Japan brands which are highly valued in the region, with a focus on the enhancement of Prestige and Fragrance. We will boost ***ELIXIR*** and ***ANESSA*** in Cosmetics and ***SENKA*** in Personal Care. We expect the sales to reach 64 billion yen, 9% up year-on-year on local currency basis.

[Americas Business]
In the Americas business, we will work towards the turnaround of ***bareMinerals*** and promote a drastic shift to digital marketing targeted at Millennials and Generation Z, while closing boutiques with low profitability in North America.
We will aim for further growth with focus on ***SHISEIDO, Clé de Peau Beauté, NARS, Laura Mercier***, and ***Dolce&Gabbana***. We expect our sales to reach 125 billion JPY, a decrease of 5% year-on-year on a local currency basis (or unchanged from the previous year on a like-for-like bases, excluding the effect of termination of the distribution agreement with Burberry and the transfer of ***RéVive***).

[EMEA Business]
In the EMEA business, for fragrance, we will continue the enhancement with the main focus on ***Dolce&Gabbana,*** which significantly recovered its growth potential in the fourth quarter of FY2017, and ***narciso rodriguez,*** which has been doing very well. On the other hand, for skincare and makeup, we will make focused investment into ***SHISEIDO, NARS, Laura Mercier*** and ***bareMinerals*** and accelerate the growth momentum. We expect our sales to reach 115 billion JPY, an increase of 5% year-on-year on local currency basis (or an 8% increase on a like-for-like basis, excluding the effect of termination of distribution agreement with Burberry).

[Travel Retail Business]
The Travel Retail business is positioned as our business of focus as it holds great growth potential, and we will expand our investment actively mainly in Asia. Specifically, we will focus on marketing activities to address the unique needs of travelers and development of products exclusively available through travel retail channels, while increasing the number of counters at airports around the world and enhancing advertising and promotions. We expect our sales to reach 74 billion JPY, an increase of

15% year-on-year on local currency basis (or a 20% increase on a like-for-like basis, excluding the effect of termination of distribution agreement with Burberry).

[Professional Business]

In the Professional business, while aiming for acceleration of growth in Japan, China and Asia, we expect our sales to reach 21 billion JPY, a 56% decrease year-on-year due to the effect of transfer of Zotos International, Inc. (or a 3% increase on a like-for-like basis, excluding the effect of transfer of Zotos International, Inc.).

-End of News Release-