



# **2018-20 Corporate Strategy & Plan**

**- Be a Global Winner with Our Heritage -**

**March 5, 2018**

**Masahiko Uotani**  
**Representative Director, President & CEO**  
**Shiseido Company, Limited**

# Shiseido Group Management Policy

## To Be The Most TRUSTED Beauty Company

- Management with a mid/long-term perspective to create value for all stakeholders
- Contribution to society via beauty innovation with our businesses
- ESG-focused management

**SHAREHOLDERS**

**EMPLOYEES**

**SOCIETY**

**GOVERNANCE**

## Beauty Can Change the World: Creating social value with our businesses

# Beauty Innovation

資生堂 😊 表情プロジェクト



More genuine smiles

乳液なのにうれしい  
ほら、ご近所美容



Support for the senior generation

就活  
メイク  
by JIUZUDO



Support for the new grads and athletes



Protecting skin from UV rays



Protection from allergens

All-In-One Product



Support for working women



Empowering women



Appearance care

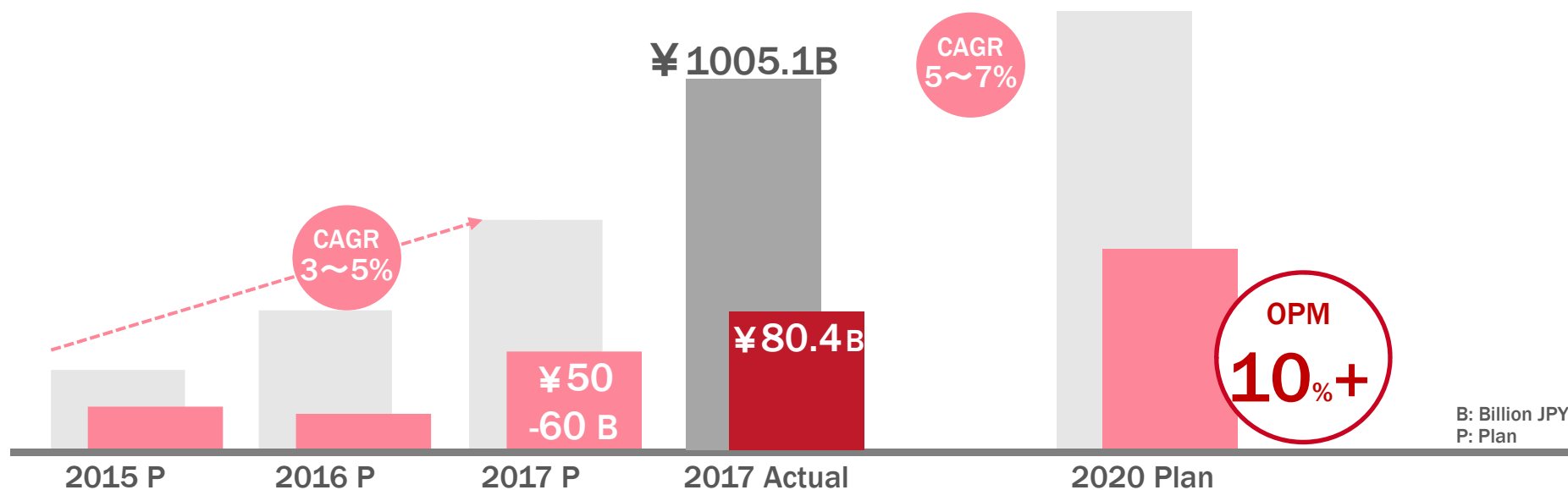
# Roadmap to VISION 2020

2015-17

Rebuild the Business Foundation

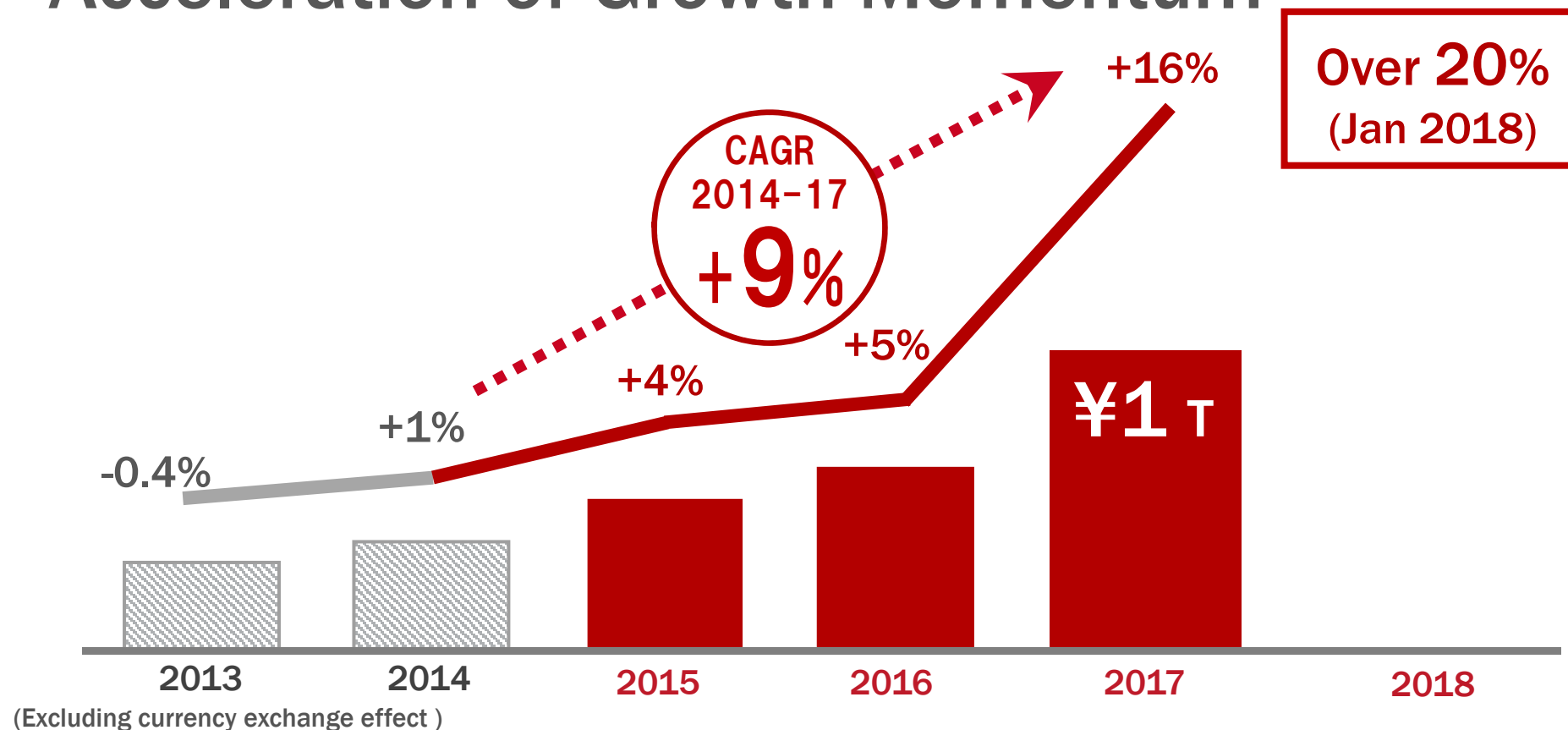
2018-20

New Business Strategy to Accelerate Growth





# Acceleration of Growth Momentum



## Achievements in 2015-17 / Issues to Tackle in 2018-20

1. Growth of global prestige brands
2. Portfolio reinforcement
3. Japan business back on growth track
4. Solid foundation for growth in China and TR businesses
5. Organizational integration and improved efficiency
6. Building a global management team



1. Stable product supply
2. Improvement of profitability in the Americas and EMEA businesses
  - Turnaround of bareMinerals
  - Stable growth of fragrance brand business

A photograph of a young woman with long, dark, wavy hair, looking off to the side with a slight smile. She is wearing a dark coat. The background is a blurred city street with traffic lights and other people. The image is framed by red bars at the top and bottom.

# 2018-20 Corporate Strategy and Plan

# Consumers in 2020-2030

## Consumer Change

Diverse lifestyles  
Key countries:  
aging population  
Borderless connection of  
the young generations

## Shifting of Economic Center

Bigger China presence  
Rise of middle class (Asia)  
Influence of cities outside of  
their countries  
Local trends spread beyond  
borders

# Shift of Power to Consumers

Accelerated Diversification  
of Beauty Values  
Pursuit of  
Personalization

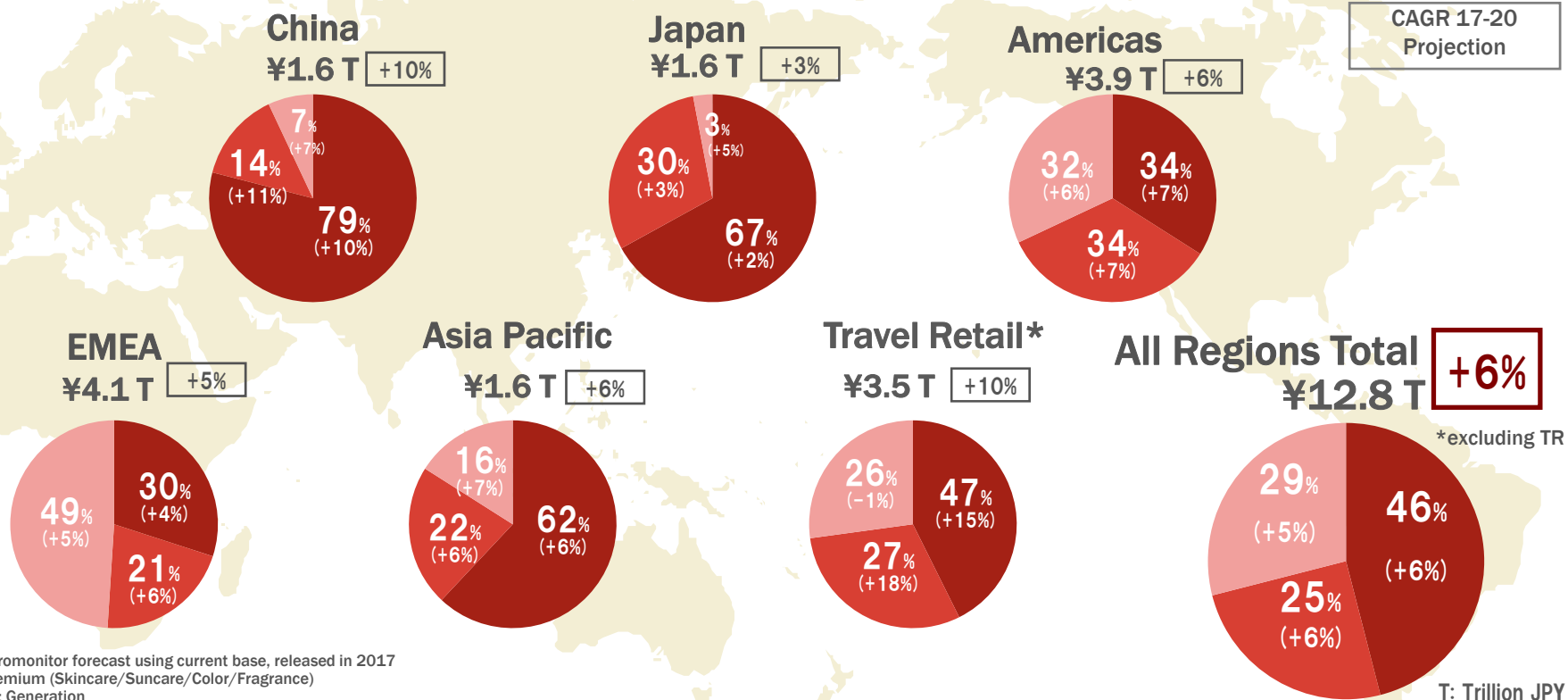
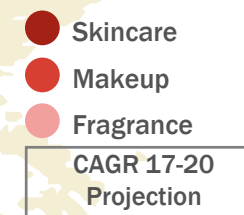
## Rise of Disruptive Technology

Digitalization everywhere  
Spread of IoT and 3D printing  
technologies  
Healthcare Innovation

## Industrial Structural Changes

Spread of model that directly  
connects with consumers  
(D2C Model)

# Prestige: Market Size and Projected Growth Rate in 2020



Source  
 — Euromonitor forecast using current base, released in 2017  
 — Premium (Skincare/Suncare/Color/Fragrance)  
 — TR: Generation



# 2018-20 Key Strategy “**Building for the Future**”

**1**

## Further “Selection and Concentration” of Brand Businesses

- Enhanced Sustainable Growth Based on “Prestige First” Strategy
- Acceleration of CPC (Cosmetics and Personal Care) Business Growth in Asia

**2**

## Acceleration of Digitalization/New Business Development

**3**

## New Value Creation through Innovation

**4**

## Talent and Organization Development to Be a Global Winner: “PEOPLE FIRST”

**5**

## New Global Management Model

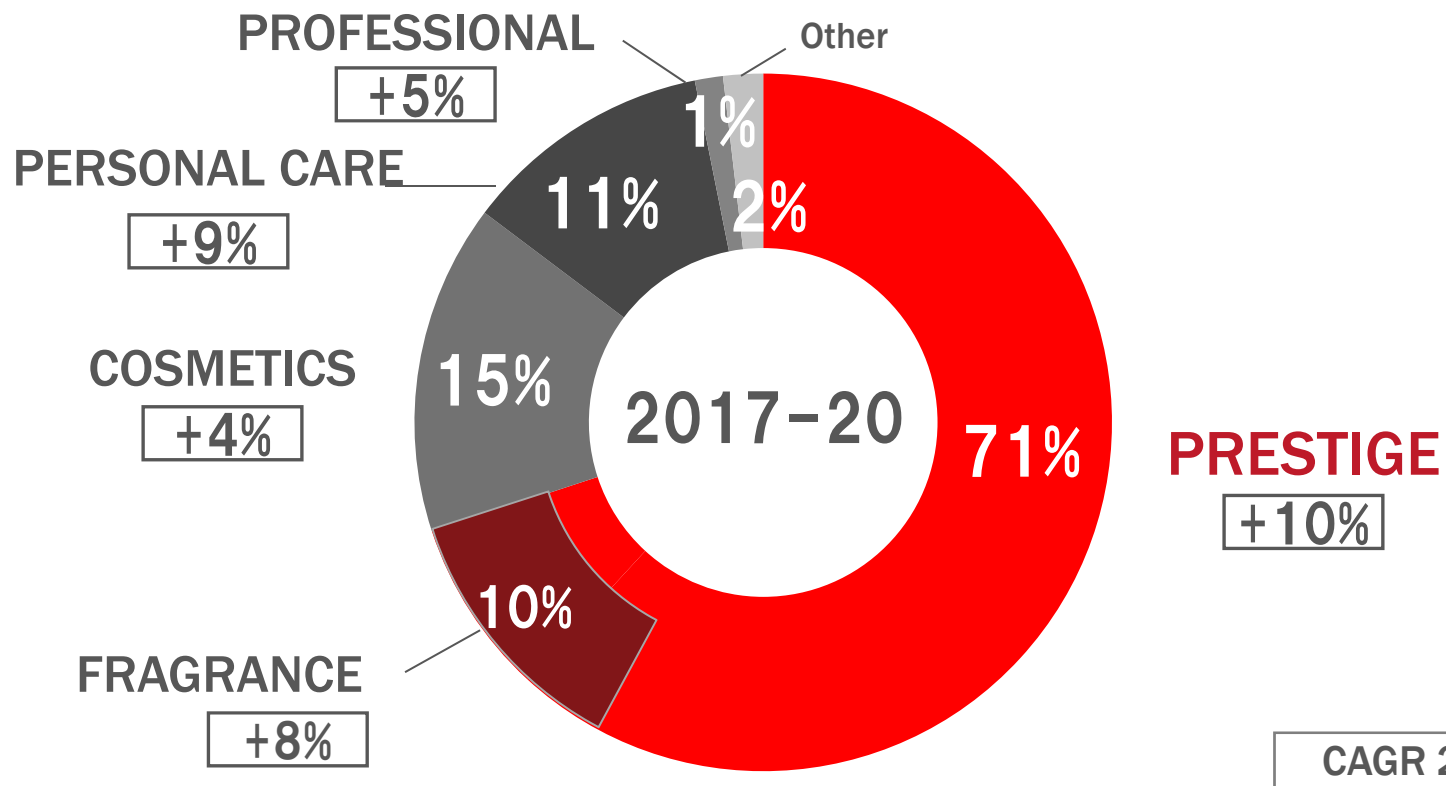
# 1. Further “Selection and Concentration” of Brand Businesses

# “Prestige First” Strategy

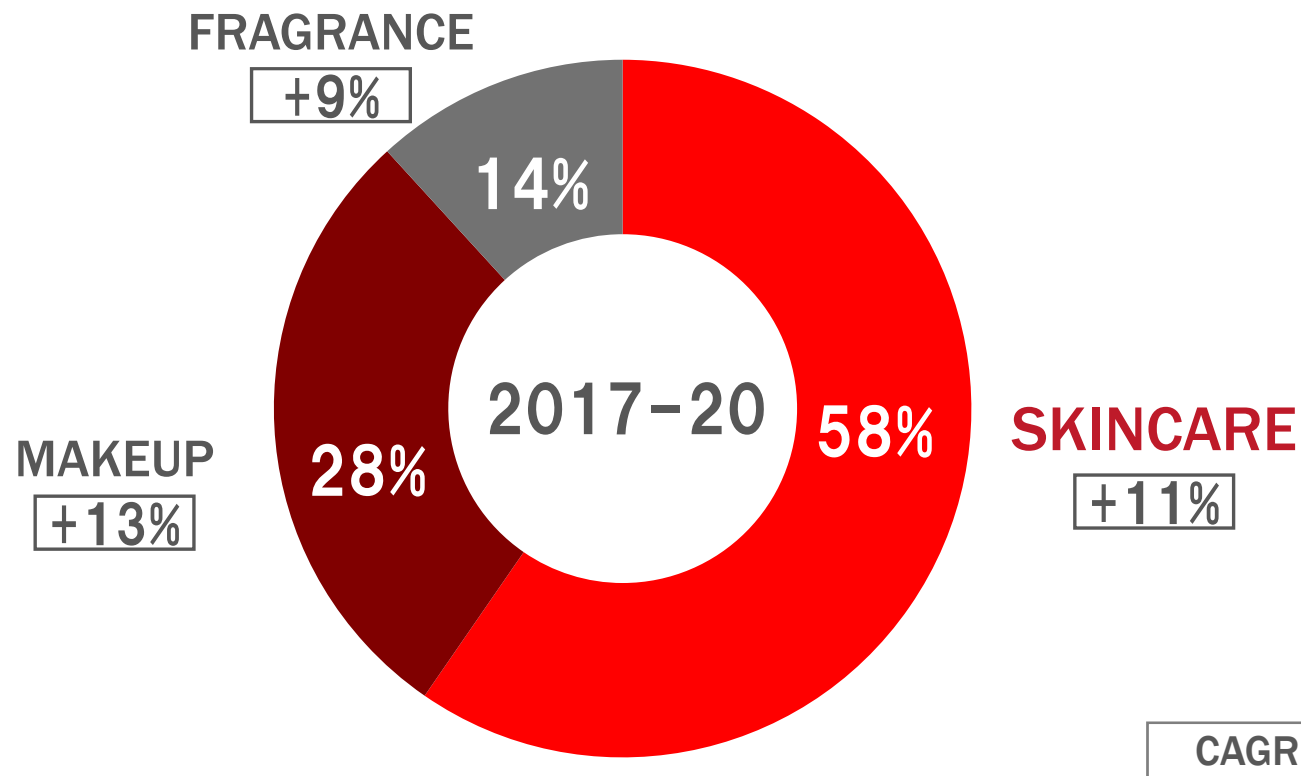
Solidifying the foundation of profitability with Skincare  
Accelerating growth of Makeup and Fragrance



## Three-year Incremental Sales by Brand Businesses



## Prestige: Three-year Incremental Sales by Category





# PRESTIGE BRANDS

SHISEIDO  
GINZA TOKYO

clé de peau  
BEAUTÉ

IPSA

NARS

bareMinerals®

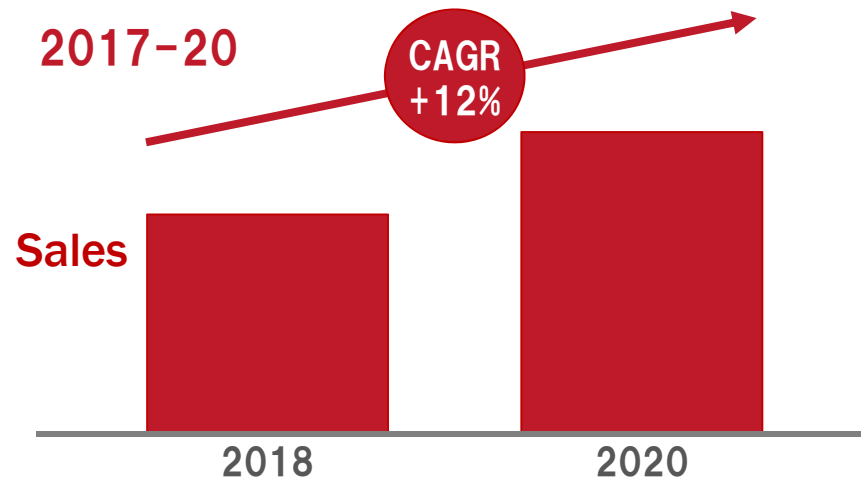
laura mercier

DOLCE & GABBANA

Key  
Strategy

- Continuous delivery of product innovation
  - Nurture ULTIMUNE & Essential Energy into brand icons
  - Renew makeup lines in collaboration with Center of Excellence (“Makeup Big Bang”)
- Create personalized brand experience and touchpoints
- Key regions: increase users in Japan and Americas
- Strengthen cross-border marketing for Chinese consumers

Target

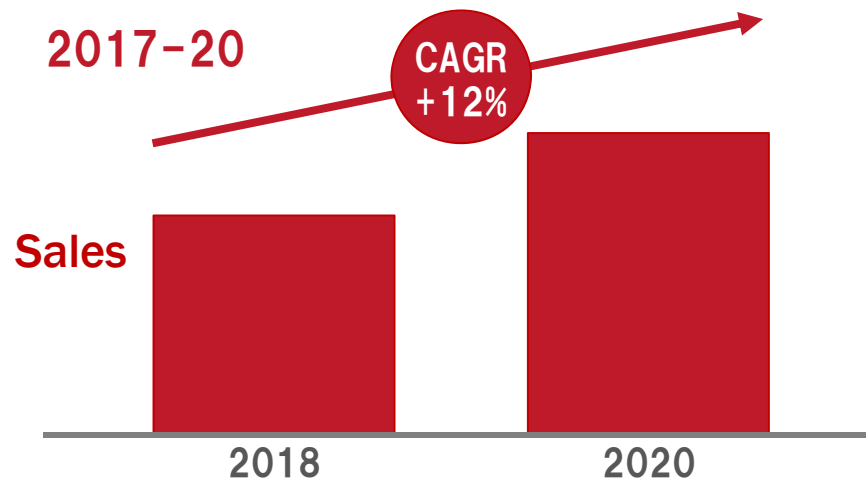




## Key Strategy

- Renew creatives for the brand to express global luxury
- Enhance digital marketing (CRM/Data-driven marketing)
- Strengthen investment and brand positioning in China and TR
- Re-entry to the EMEA market

## Target



# Product Innovation

Revolutionary  
anti-wrinkle products  
Contain 'Pure Retinol'



**SHISEIDO**  
GINZA TOKYO  
**ELIXIR** **BENEFIQUE**

Foundation  
inspired by skincare that  
brings out the natural beauty of skin



  
**clé de peau**  
BEAUTÉ

Skincare  
with focus on neuroscience  
that reawakens skin's sensors



**SHISEIDO**  
GINZA TOKYO

## Recreate Brand Experience through Renewal of Consumer Touchpoints



Upgrade of VMD

2018-20 TTL Investment

¥**57** B

Partnership with key retailers  
on merchandizing



Expansion of  
brand shops



# High Appeal to the Younger Generation



SHISEIDO  
GINZA TOKYO



clé de peau  
BEAUTÉ



IPSA

# Cross-border Marketing for Chinese Consumers

- Increase of Chinese travelers globally\*

**130 million** ⇒ **160 million**  
2017                      2020

- Increase of Chinese visitors to Japan\*

**7.35 million** ⇒ **10 million**  
2017                      2020

- Total sales to Chinese consumers  
by Shiseido Group (All regions)

**¥ 240 B**                      ⇒ **¥ 360 B**  
2017                                      2020

\*According to research by Shiseido



# COSMETICS AND PERSONAL CARE BRANDS

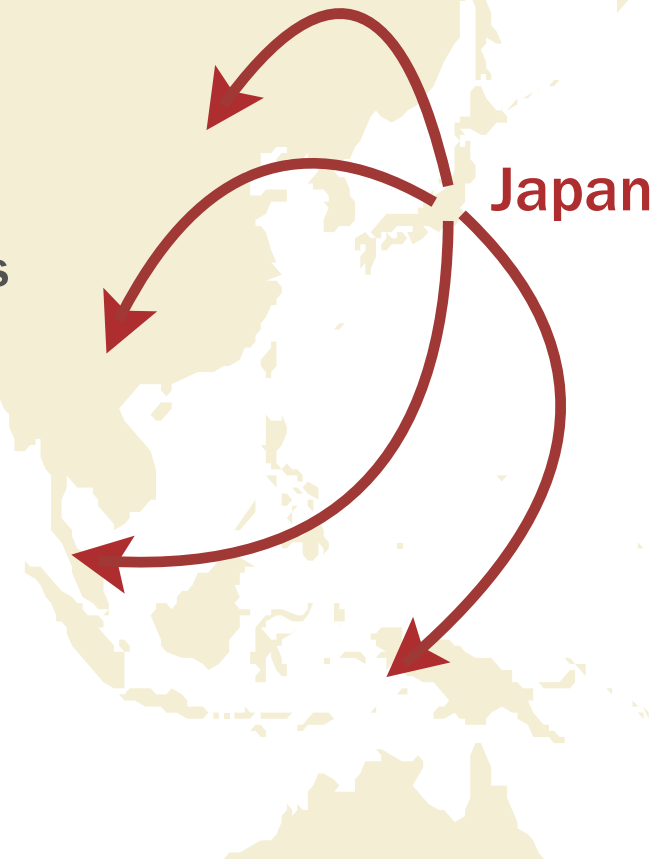
ELIXIR



INTEGRATE

# Acceleration of CPC Brands Growth in Asia

1. Strengthening of engagement and trust in “made-in-Japan” brands
2. Strategic partnerships with key retailers
3. Development of high added value products through “selection and concentration”



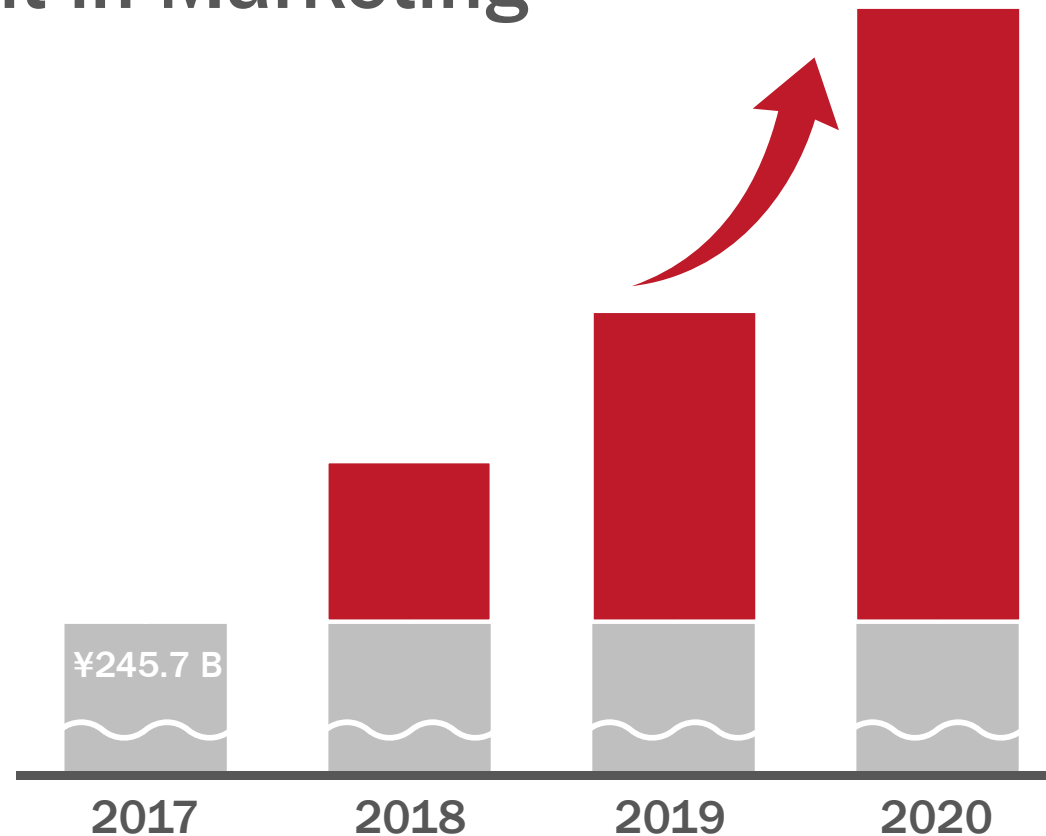
# Aggressive Investment in Marketing

2018-20  
TTL Incremental Investment

**¥120 B**

Including strategic investment:

- Digital ¥25 B+
- Store counters ¥15 B+
- PR activities ¥15 B+





## Improving Productivity: Cost Structure Reform

2018-20 TTL Target


**¥40 B**

COG reduction (Product specs optimization/centralized procurement system)

Improvement of supply chain efficiency

Productivity improvement through system integration

# Portfolio Reinforcement

- 
1. “Selection and concentration” of businesses
  2. Business/Capital alliances
  3. M&A: Prestige brands/New technologies/New businesses



## 2. Acceleration of Digitalization / New Business Development

# Expansion of E-Commerce (EC) Business

## Sales ratio of EC

2017

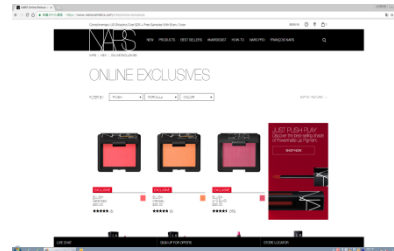
2020

8%



15%

- Develop strategic partnership with key players
- Integrate EC and CRM



Sales ratio of EC in China

**40%** (2020)

Acceleration of EC sales  
in the US market

EC sales in Japan through  
Shiseido's website

**¥14 B** (2020)

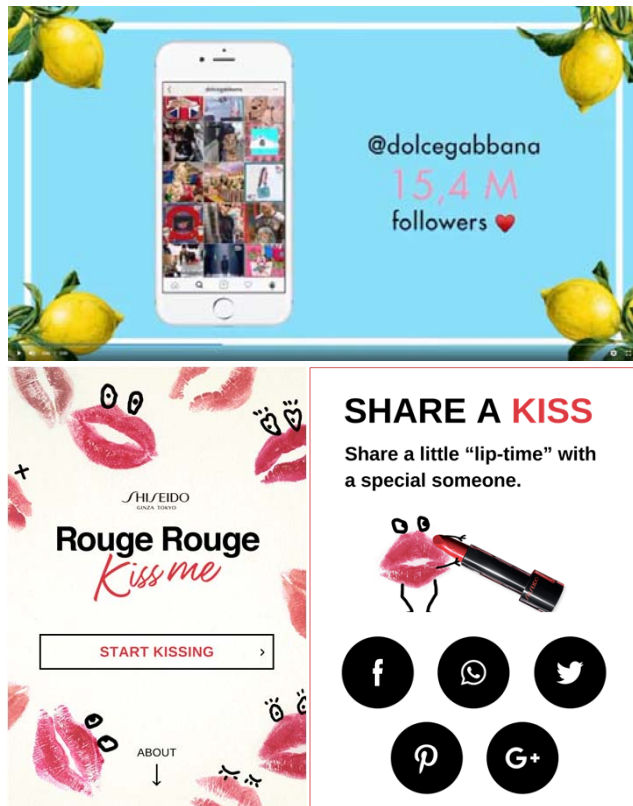
## Acquiring EC Capabilities

### **VIOLET GREY**

- Investment in VIOLET GREY, EC retailer for luxury brands
- Prestige beauty EC site launched by Ms. Cassandra Grey in 2013
- Makeup artists endorse the products they actually use in Hollywood



# Enhancement of Digital Marketing/CRM





# New Business Development

Enhancing capabilities towards personalization



Brand range expansion  
(US)



Test marketing  
from 2018 (US)



Beta version launch in 2018  
("watashi+", Japan)

# Work Style Evolution

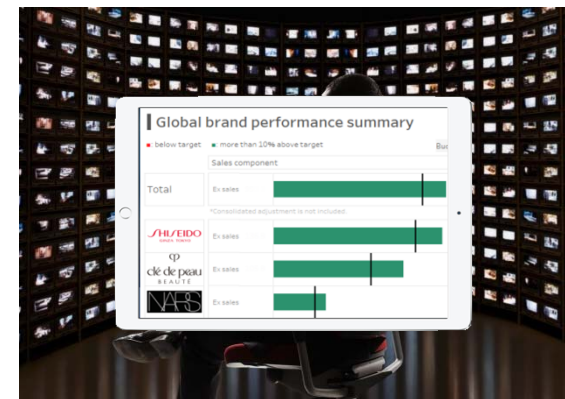
- Training programs to develop digital literacy (led globally by Digital COE)
- Workplace renovation to improve productivity
- Data-driven KPI management



**Digital Academy**  
A total of  
5,000 participants by 2020



**Office renovation**  
(HQ, Regional HQs)



**KPI management**  
by brand

# ICT — One Shiseido Model

Reinforce the foundation of global business operations

2018-20  
TTL Investment  
**¥27 B**

**Redesign of  
business processes**



**Integration of  
IT platforms**



**Centralized data  
management**



**Standardization**

A hand holding a glowing, wireframe sphere against a sunset background with starburst effects.

### **3. New Value Creation through Innovation**

# R&D Investment

2020

R&D-to-sales ratio

3%

R&D staff  
headcount

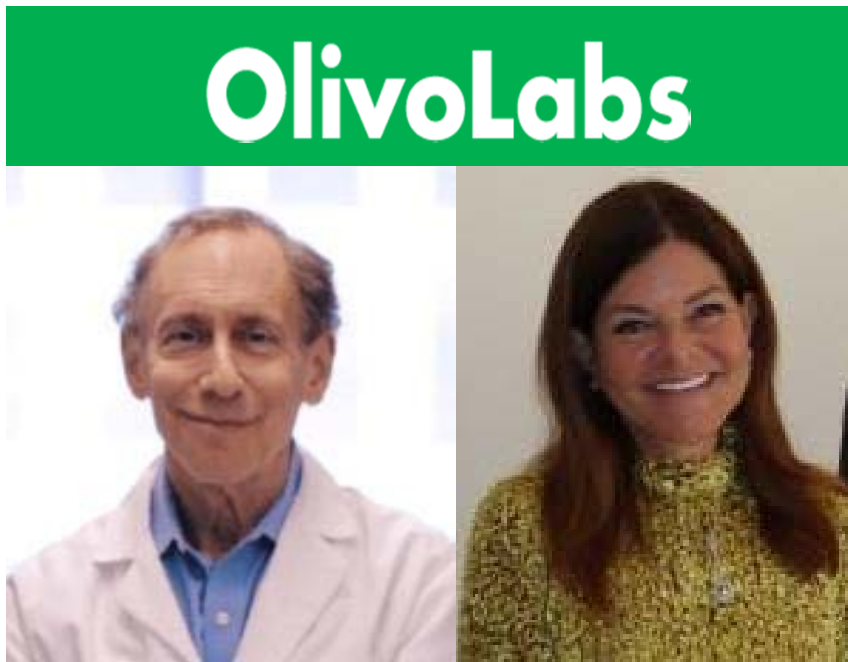
1,500



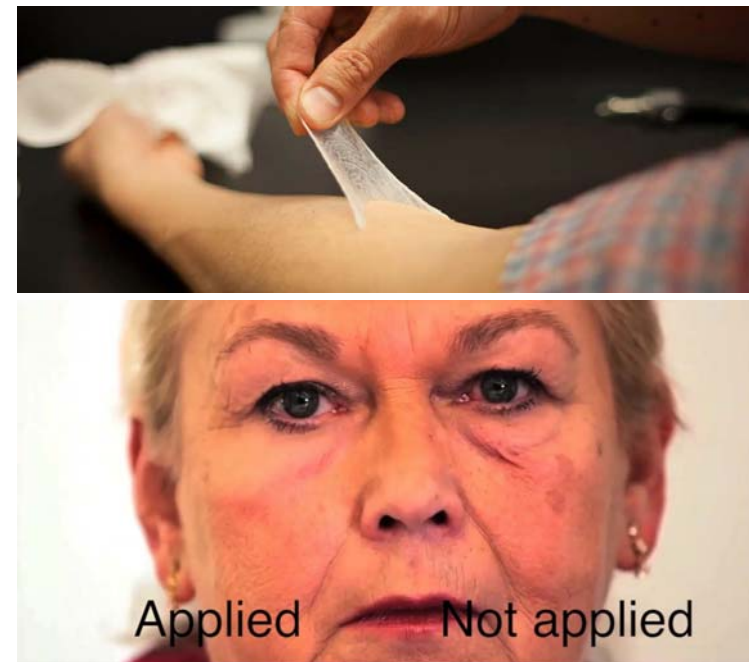
**Global Innovation Center  
will start operation  
this December!!**



## Acquiring Cutting-edge Technologies and Talents: Second Skin



Dr. Robert Langer    CEO, Amy Schulman



\*Photographer (MIT/Olivo)



# Exploring New Frontiers



**Virtual  
makeup**



**Effective  
beauty foods/  
supplements**



**Beauty devices**



**Beauty  
counseling**

**Digital beautifying  
contents**



**Creating  
new beauty  
categories**



**Hair  
regeneration**



**Personalized  
beauty services**



A group of business professionals, including several men in suits, are cheering and raising their arms in a celebratory gesture on a stage. The background features red and white structural elements, possibly part of a large screen or stage design. The overall atmosphere is one of triumph and success.

## 4. Talent and Organization Development to Be a Global Winner: “PEOPLE FIRST”

# Increase Investment in Talent Development

- Leadership development

- Training & development program
- Comeback of study abroad program
- Recruitment of professional talent
- Global mobility
- Establishment of Asia Learning Center (Singapore)

2018-20 TTL  
Investment

¥ 14 B

- Promoting diversity

- 40% of female leaders by 2020 (Japan)

- English mandate

- 1,700 employees currently learning English

- Global HR database development







## 5. New Global Management Model



# Global Management Model in Progress

## 【Phase 1】 ～ 2015

International business  
managed by Japan HQ  
with Japanese  
expatriates

## 【Phase 2】 2016～

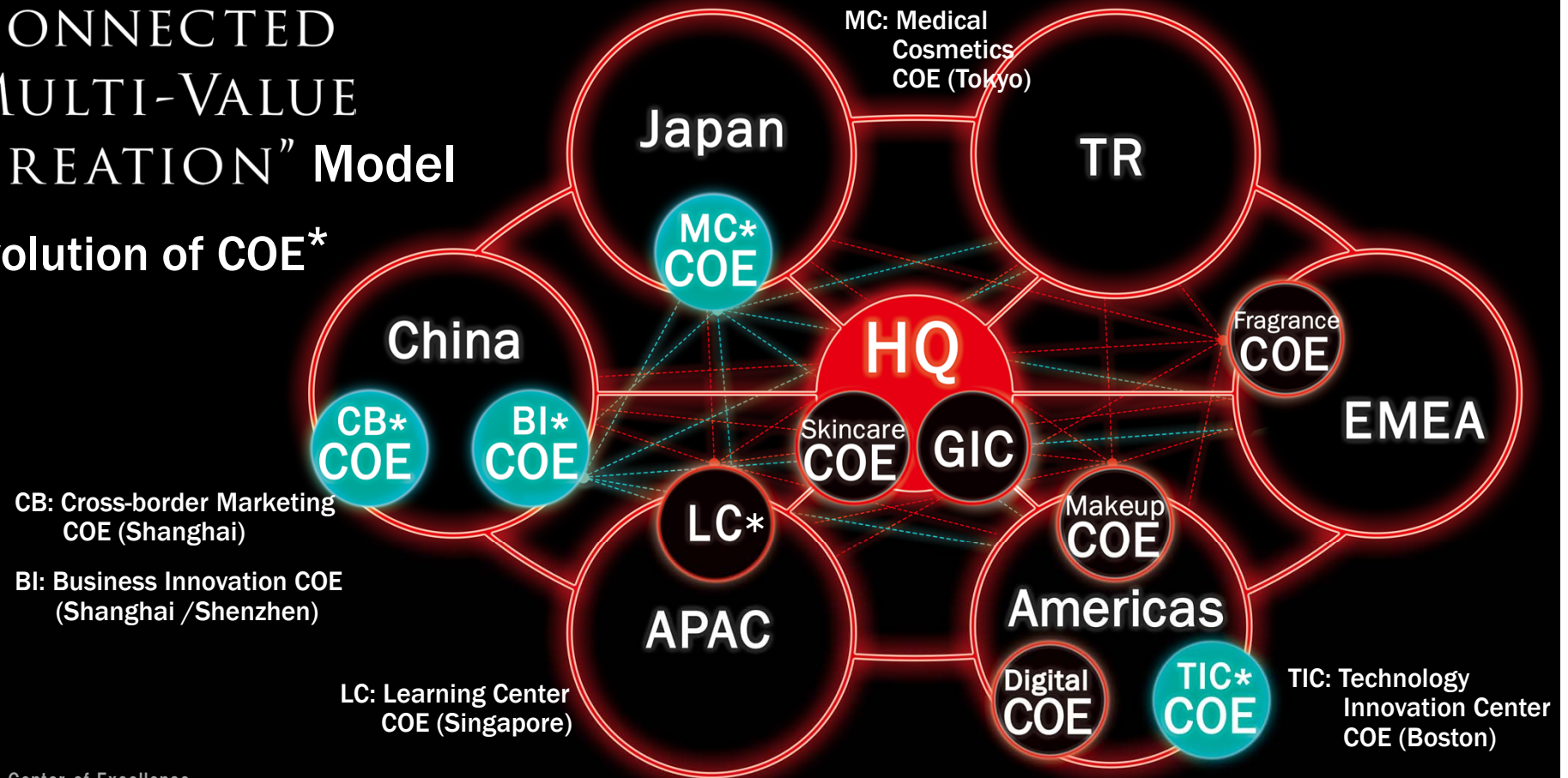
“Think Global, Act Local”  
Global Matrix  
Organization

## 【Phase 3】 2018～

“Connected Multi-Value  
Creation” model

# “CONNECTED MULTI-VALUE CREATION” Model

## Evolution of COE\*



\*COE : Center of Excellence



# Strategic Targets of Each Region

- Japan, China, Travel Retail and Asia Pacific

Sustain and accelerate growth momentum and high profitability

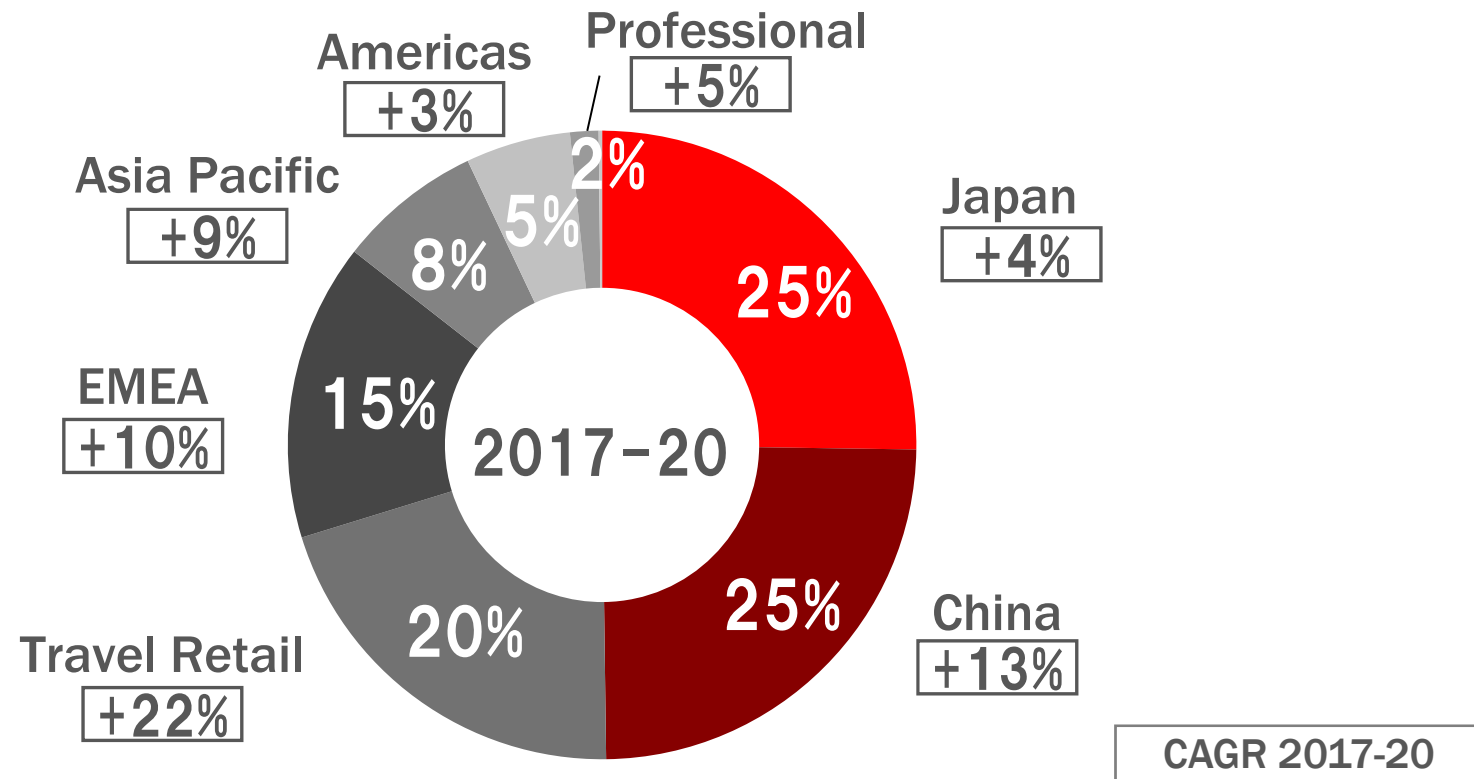
- Americas and EMEA

Improve profitability  
(Target OPM: 10%+)

- Turnaround of bareMinerals
- Stable growth of fragrance brand business



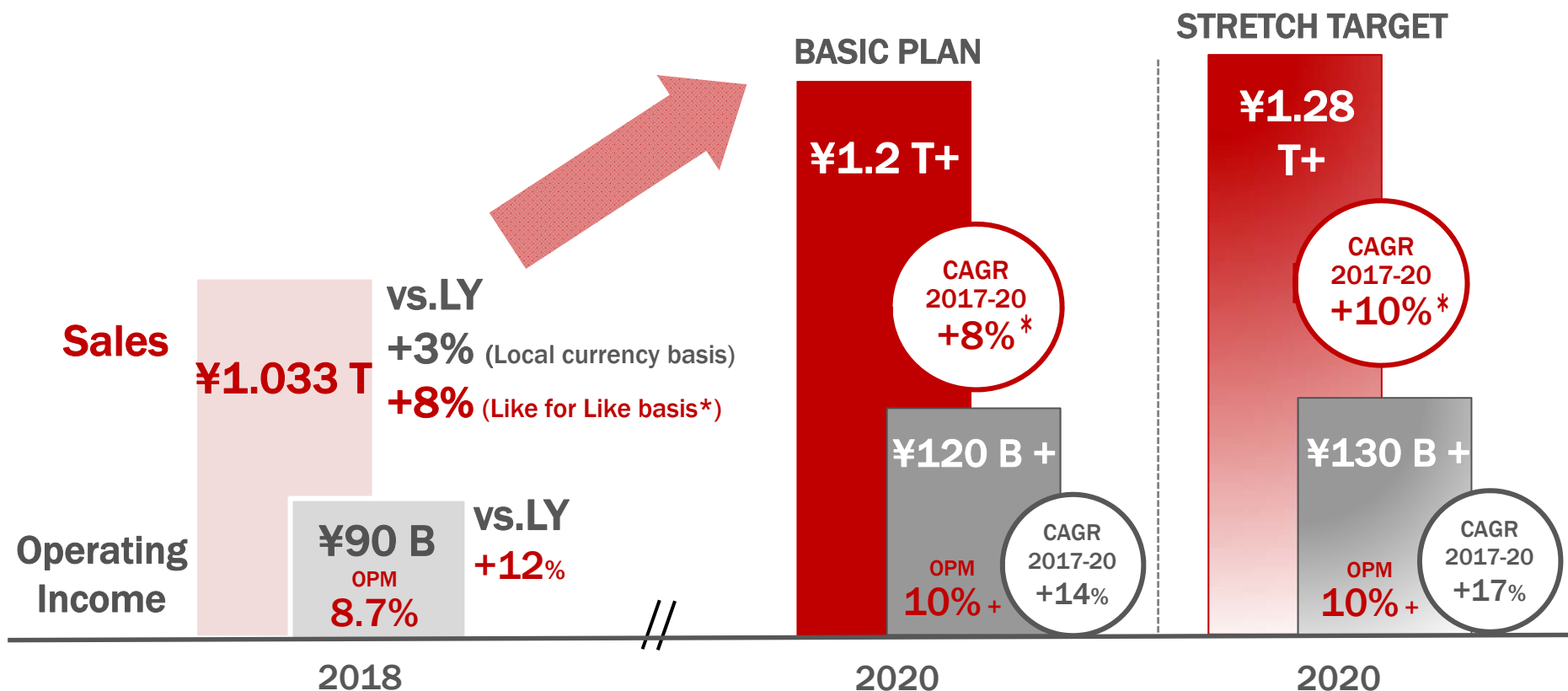
## Three-year Incremental Sales by Regions





# 2018-20 Business Plan

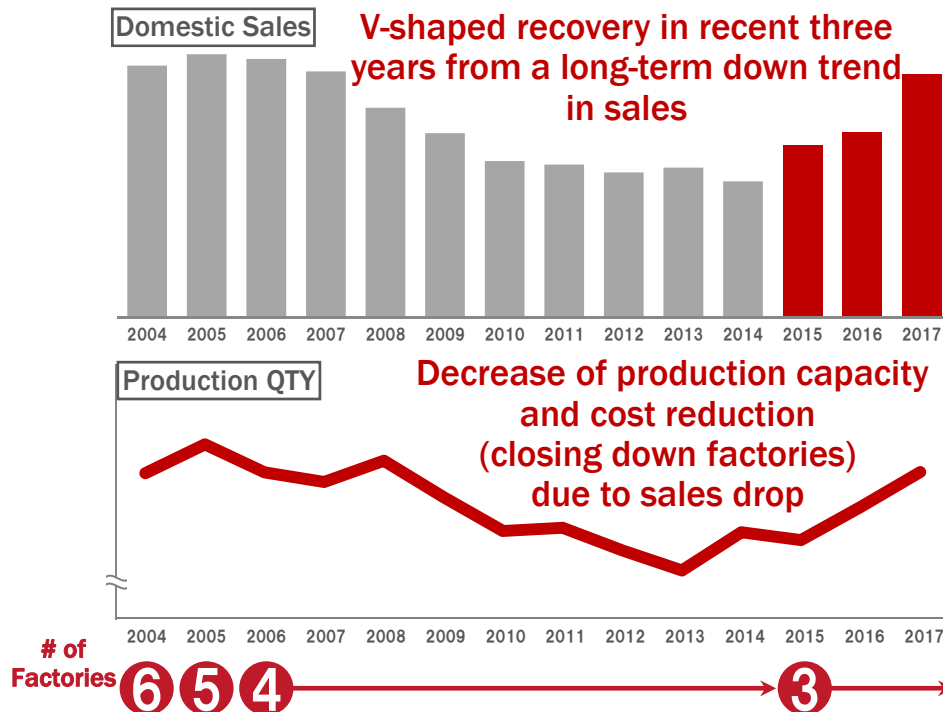
# 2018-20 Business Plan



\*Like for Like basis excluding impact such as Zotos divestiture

# Critical Issues: Rebuilding the Supply Network

## Background



## Issues

- SCM system and organization built on a long-term downward trend in production and the culture of cost reduction
- Issues to be solved
  - Production capacity of our own factories
  - Material supply matched with increasing demand
  - Production planning process to meet demand



# Key Solutions

- Short-term

- Rationalization of **SKUs**
- Change of product specs
- Expansion of outsourcing
- Improvement of conditions for workers such as full-time employment and headcount increase
- Facility improvement
- Securing procurement of raw materials

- Mid-term

- Building new factories
- Strategic collaboration with key suppliers

2018-20 TTL Investment **¥130 B**



Nasu factory 2019



New Osaka factory 2020



# Opportunities for Further Growth

## 2018

- SHISEIDO: Makeup renewal
- D&G: New fragrance line launch
- Enhancement of cross-border marketing
  - TR and inbound business in Japan
- EC business in China

## Toward 2020

- Enhanced product innovation
  - SHISEIDO, CPB: Innovative new product launches
  - NARS, LM, D&G: brand expansion in Asia
  - Promoting sun care category
- Dynamic growth in EC
- Expansion of new businesses globally
- Drive inbound business globally

## Supply chain network that accelerates growth

- Execute short-term initiatives
- Increase production capacity with Nasu Factory



# Aspirations by 2030

Prestige within Top 3

Asia No.1

Japan No.1 indisputably



# Regions



# Shigekazu Sugiyama

**President and CEO,  
Shiseido Japan**

**<Career brief>**

Joined Shiseido in 2009 after working for  
Lion, Kodak (Japan), Kellogg (Japan),  
Coca-Cola (Japan), etc.



# ① MARKET LANDSCAPE

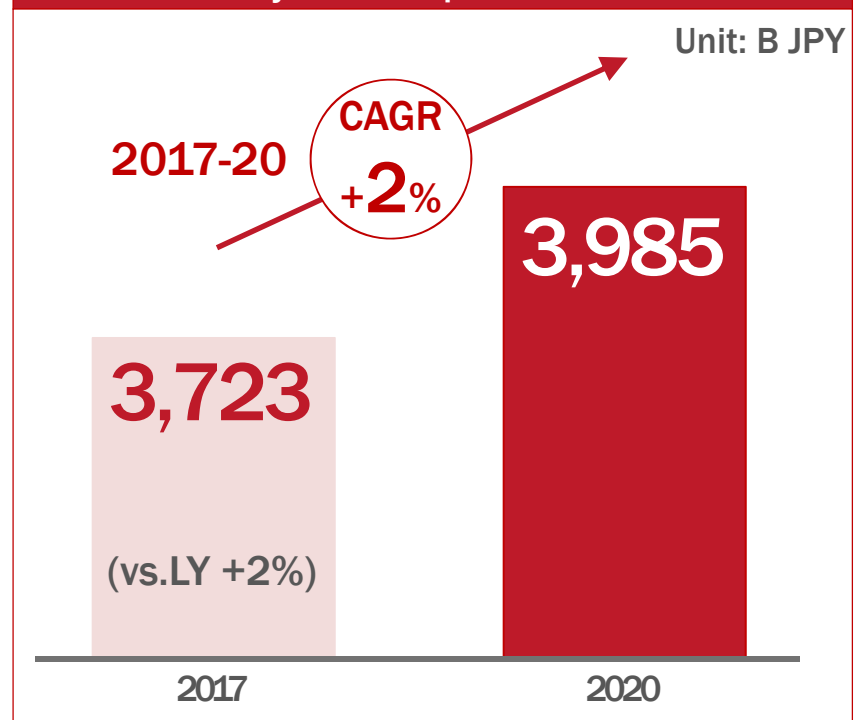
## Growth Market

- Prestige
- Inbound
- New categories  
ex: Anti-wrinkle, medical cosmetics, personalization, etc.

### Source

- Euromonitor forecast in 2017
- Premium+Mass (Skincare/Suncare/Color/Fragrance and Hair Care, Deodorant, Bath & Shower, Other Sets/Kits)

Market Size Projection - Japan





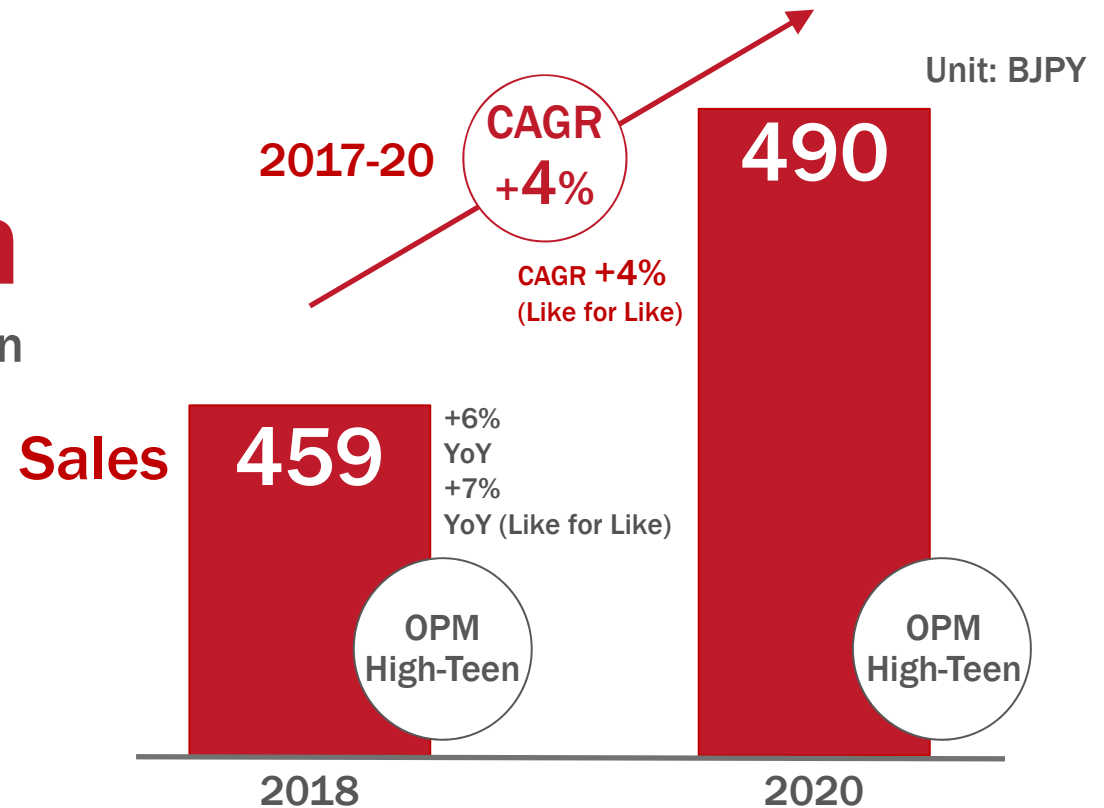
## ② TARGET

Market Position in 2020 :

# No. 1 in Japan

Establishment of a secure position

No.2 position in 2017\*



\*According to research by Shiseido

### ③ STRATEGIC PRIORITIES



Skincare, Base makeup, Sun care  
Focus on strategic three categories “Skin-Trinity”



Attuned to consumers' purchasing styles  
Expansion and enhancement of contact points



Leading a future market  
Recruit the young & second baby-boomer generation

Achieve growth in all Asian markets  
**Cross-border Marketing**

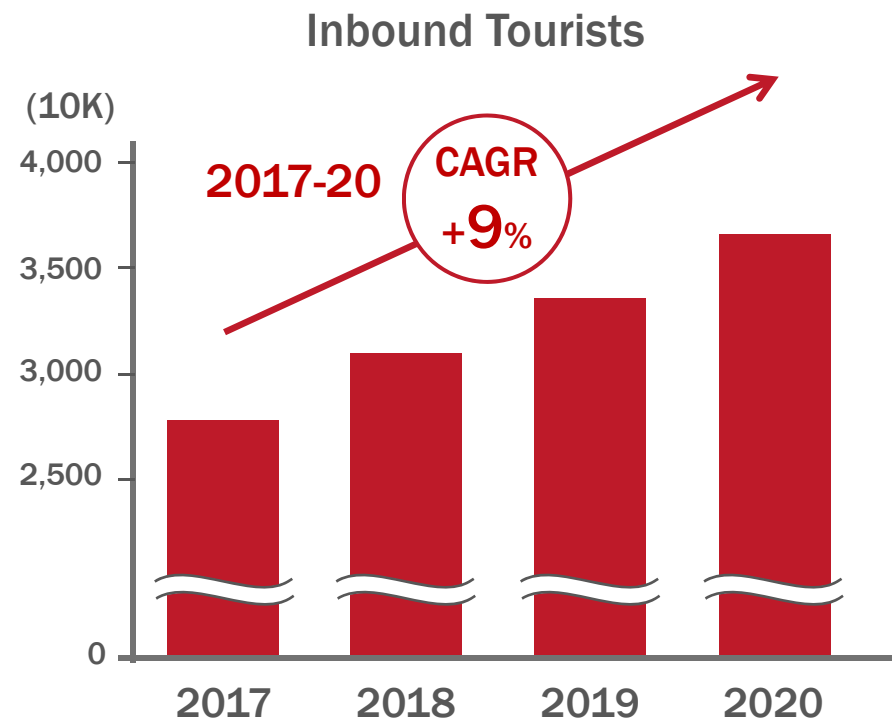
Create funds for future growth  
**Business Model Change**

## ④ INBOUND STRATEGY

2018 Plan

**64.5 B JPY +10% vs.LY**

- **Cross-border Marketing**  
CPB•SHISEIDO•ELIXIR•ANESSA•SENKA
- **Multiple Touch Points**  
Duty-free, Airport/TR, In-flight, Cross-border EC
- **Multilingual personnel at Stores**  
Enhance the language services including Chinese and other languages at stores



Source: Mitsubishi Research Institute Inbound forecast base plan ( Mar. 2017)

# Kentaro Fujiwara

President and CEO,  
Shiseido China

## <Career brief>

Worked at the International Dept. of  
Shiseido Co., Ltd., Shiseido Korea, etc.  
Appointed President, Shiseido China in  
2016.



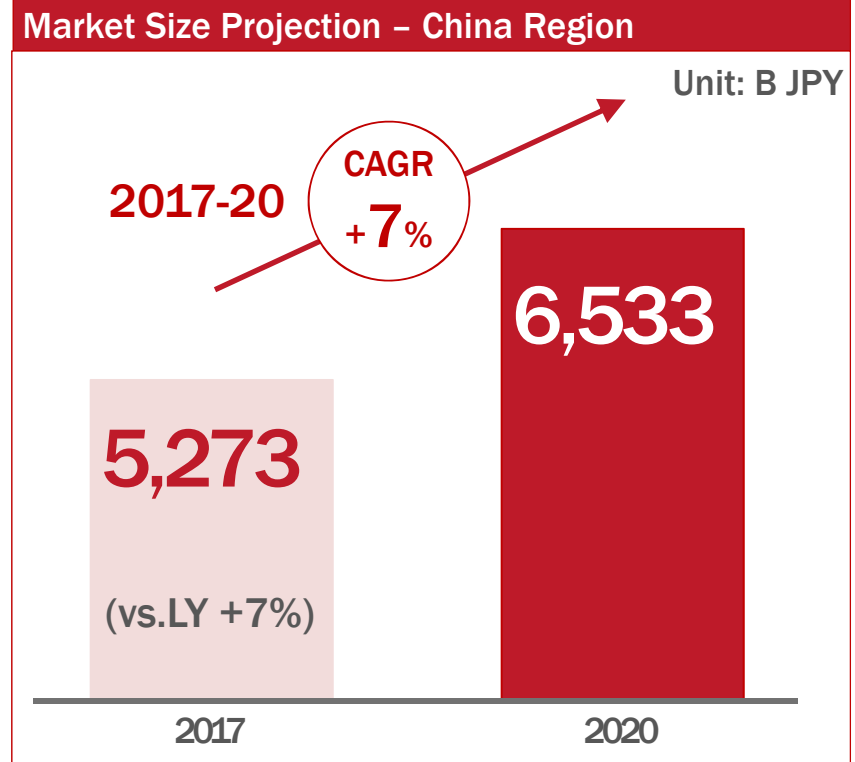
# 1 MARKET LANDSCAPE

## Key market trends for further growth

- Increase in consumption of young generation (b. 80s-00s)
- Growth of lower tier cities (Tier 3-4)
- World's largest EC market

### Source

- Euromonitor forecast in 2017
- Premium + Mass (Skincare/Suncare/Color/Fragrance and Hair Care, Deodorant, Bath & Shower, Other Sets/Kits)

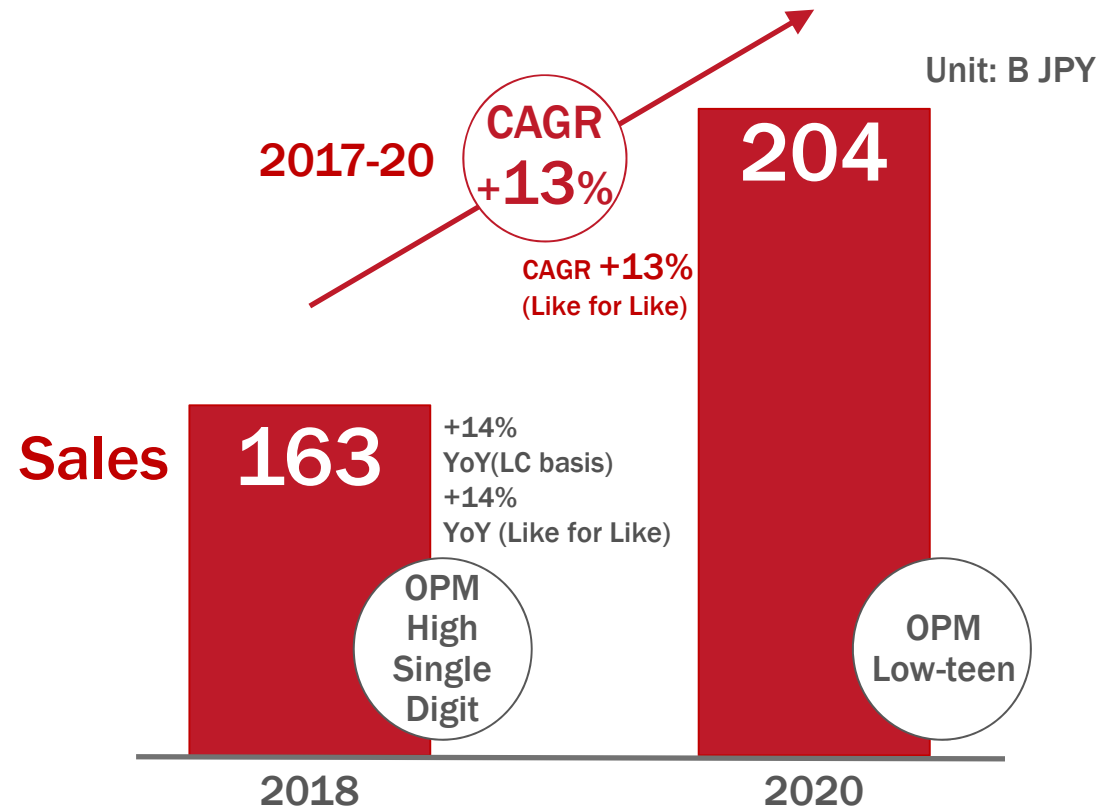




## ② TARGET

Market Position in 2020:

# Top 3



**Source**

- Euromonitor Forecast in 2017
- Premium+Mass (Skincare/Suncare/Color/Fragrance and Hair Care, Deodorant, Bath & Shower, Other Sets/Kits)

### ③ STRATEGIC PRIORITIES

#### Accelerate the Growth of Prestige Business

Strengthen brand equity  
with localized marketing  
Enhance makeup category  
with growth acceleration of NARS



#### Expand into Tier 3-4 Cities

Increase key counters by leveraging  
Group synergy (Prestige + Cosmetics brands)  
Enhance O2O (Online to Offline  
marketing)



#### Digital and EC Innovation

## 4 EC REINFORCEMENT

### Role of EC

From a sales channel to a marketing platform

### Our Challenges

#### Omni-Channel

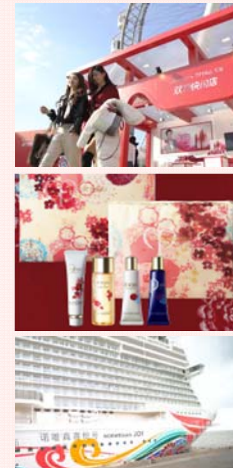
Develop seamless brand experience

#### Exclusive

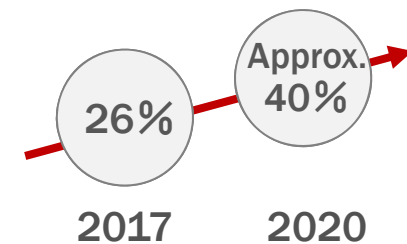
Trigger purchase intention

#### Personalization

Increase brand loyalty



#### Sales ratio of EC



## 5 CHINA COSMETICS BUSINESS STRATEGY

**AUPRES**  
欧珀莱

Reinforce  
sustainable  
growth

Strengthen digital and EC  
Shift investment to  
Tier 3-4 cities



PURE&MILD

Improve  
profitability

Expand self-selection channels  
Expand new sales channels



**ELIXIR**



Expand brand  
awareness and  
business scale

Increase brand presence  
in major cities  
Expand into lower tier cities  
to increase brand trial



# Philippe Lesné

**President and CEO,  
Shiseido Travel Retail**

<Career brief>

Joined Shiseido Europe in 2009 after  
working for LVMH, etc.





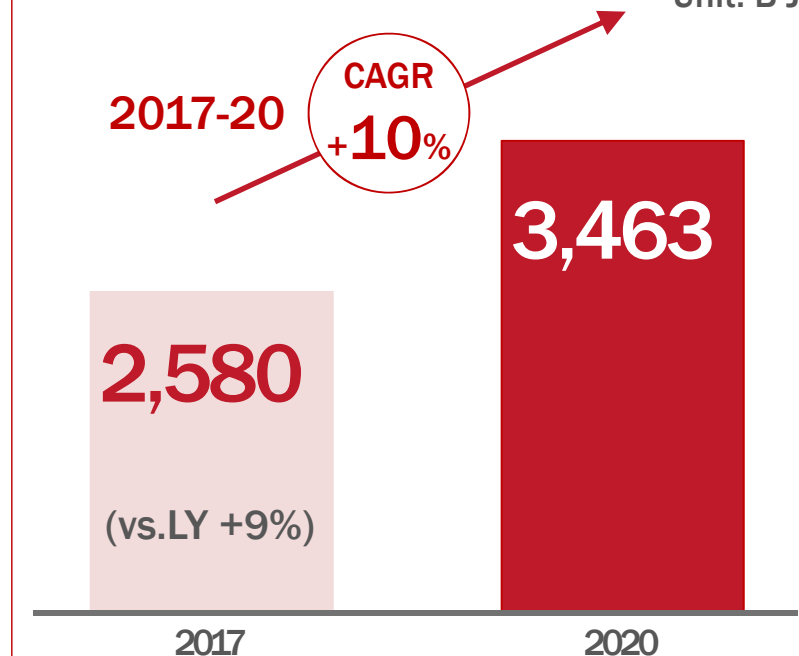
# 1 MARKET LANDSCAPE

CAGR 2017-20

- **Driven by Asia Pacific** **+18%**  
(Share by Region: 71% in 2020 vs 58% in 2017)
- **Driven by Skincare** **+15%**  
(Share by Category: 47% by 2020 vs 42% in 2017)
- **Makeup most dynamic** **+18%**  
(Share by Category: 27% by 2020 vs 22% in 2017)

## Market Size Projection – Travel Retail Worldwide

Unit: B JPY



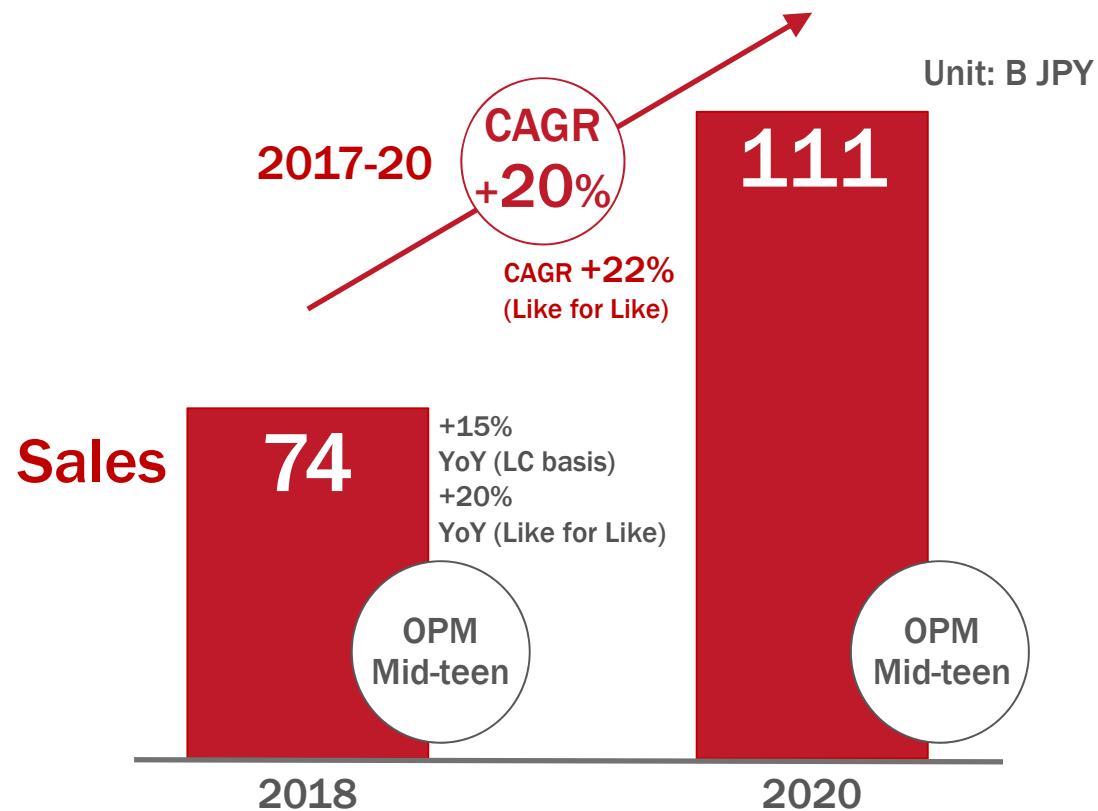
Source: Market Size & Growth, Cosmetics & Fragrances, Generation Research's forecast (as of 2017 September)

## ② TARGET

Market Position in 2020 :

4<sup>th</sup>

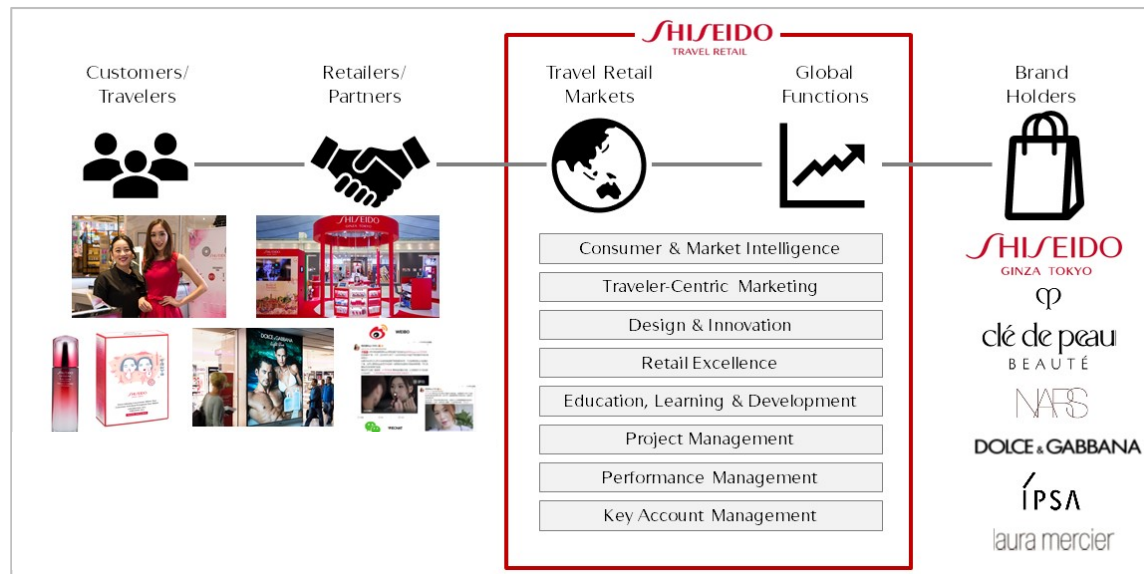
Shiseido RANK #6 in 2016<sup>\*</sup>



Note

- Ranking , Generation Research 2016 Actual
- Graph: Internal transaction price is partly changed in 2018 (Jan)

### ③ STRATEGIC PRIORITIES



Note: Illustration of Shiseido  
Travel Retail Value Chain

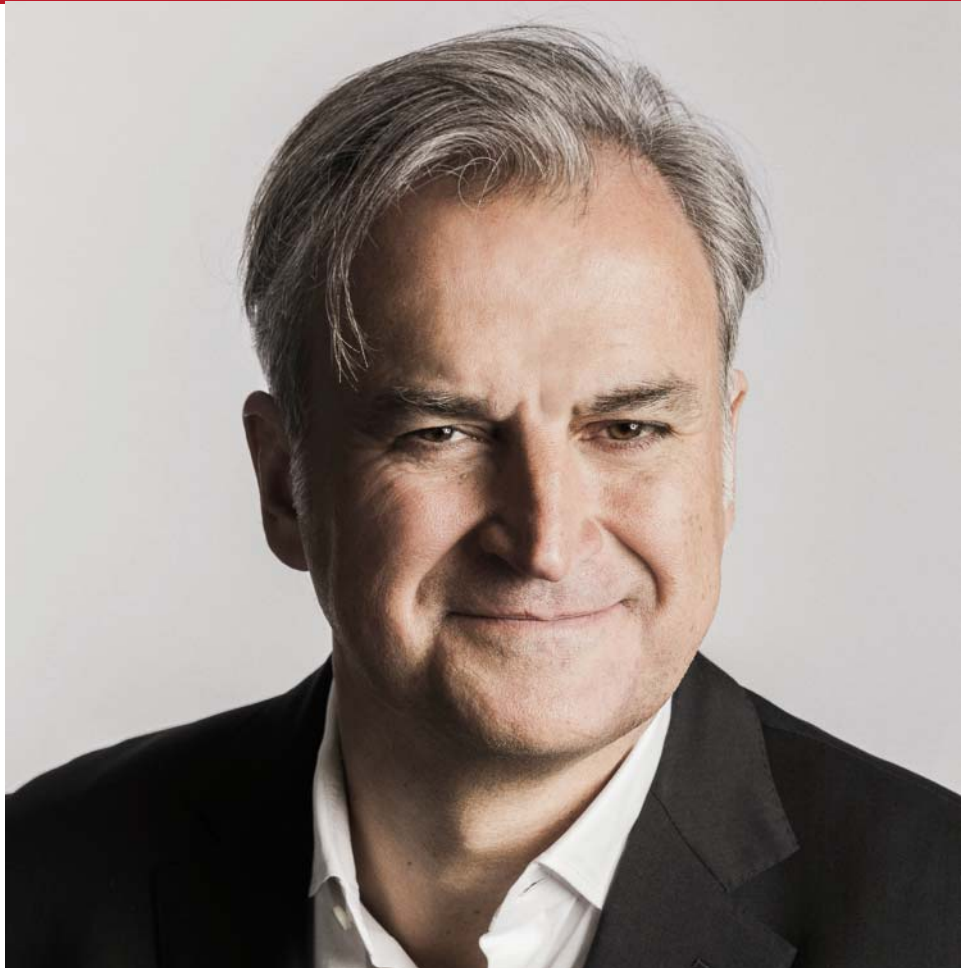
1. Drive **Multi-brand Growth** through Core and New Brands
2. Create **Innovative and Traveler-centric Marketing** through Data Insights and Digital Strategy
3. Achieve **Sales Effectiveness** through Relationships with Key Retailers and Retail Excellence Capability

# Marc Rey

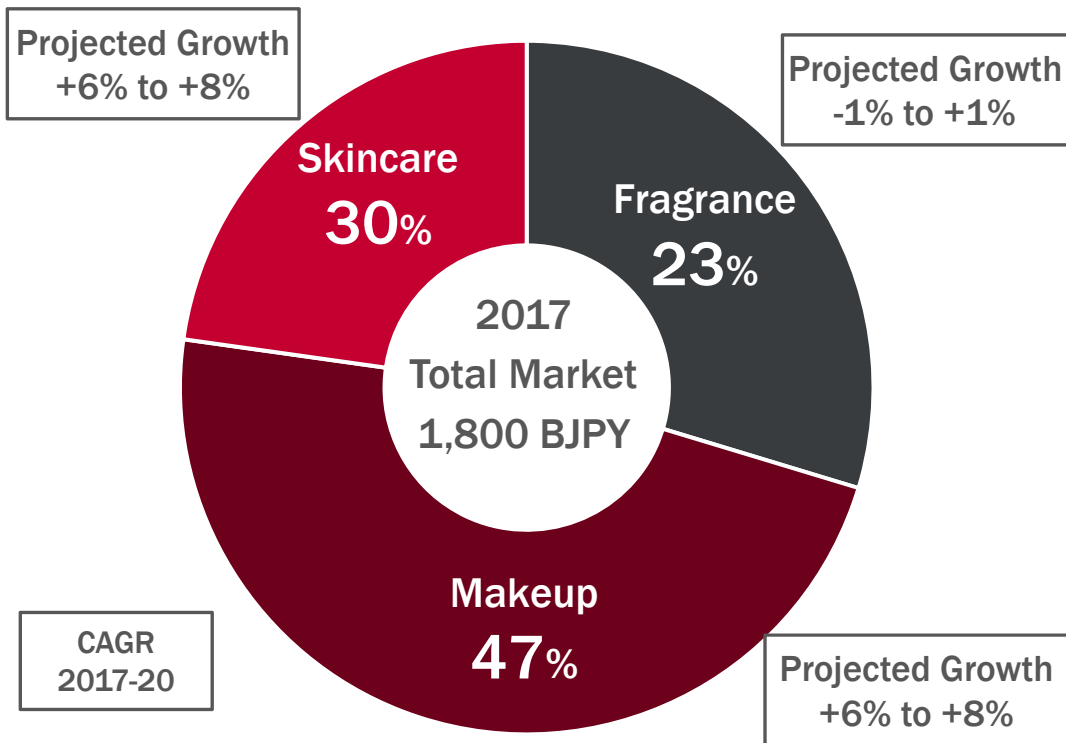
President and CEO,  
Shiseido Americas

## <Career brief>

Joined Shiseido Americas in 2015 after working for Yves Saint Laurent Beauté USA, L'Oréal USA, Coty USA, etc.



# 1 MARKET LANDSCAPE



**SHISEIDO Group**  
**US Market Share 7.7% ,\***  
**Rank No.3 (2017)**

Department Store



Self Service



Digital &  
EC Pure Players

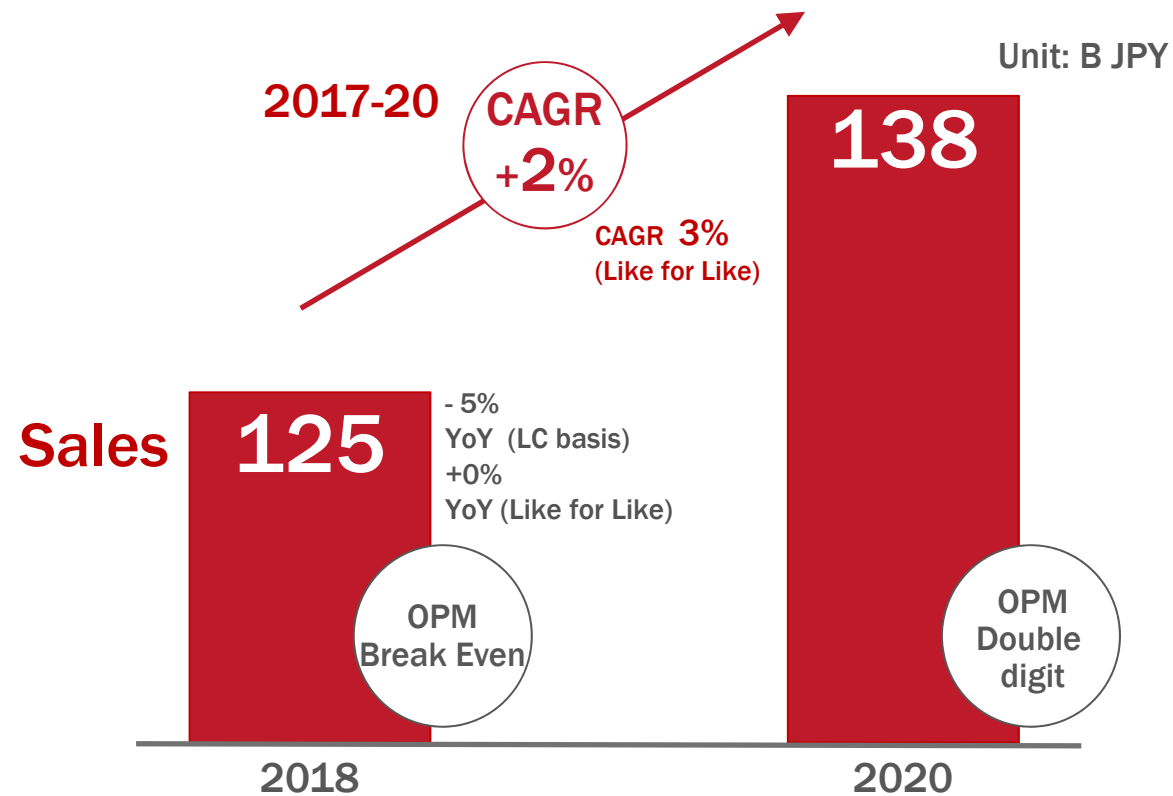


**Source**

\* NPD full year 2017 (Department Specialty Channel (Brick & Mortar plus retailer.com). Projection over 2017 to 2020/ According to research by Shiseido



## ② TARGET



•Restated to exclude Burberry, ReVive and Affiliate Transfers

## ③ AMERICAS REGION KEY STRATEGY

1. **Drastically improve the profitability of the region to reach double digit %NS by 2020**
  - bareMinerals turnaround
  - Channel management
  - Fixed cost optimization
2. **Improve our position in the market through a strong Makeup push**
  - Laura Mercier re-launch
  - bareMinerals rejuvenation
  - NARS, Buxom, CPB continued growth
  - Shiseido “Big Bang”(makeup)
3. **Boost our Digital sales**
  - CRM activation
  - Our own sites and retailer.com push
  - Pure player partnerships
4. **“Fewer But Better” – Adapt our organization for the future in size, skills and agility**
  - Disrupt in technology
  - Reallocate resources
  - Increase agility of the organization

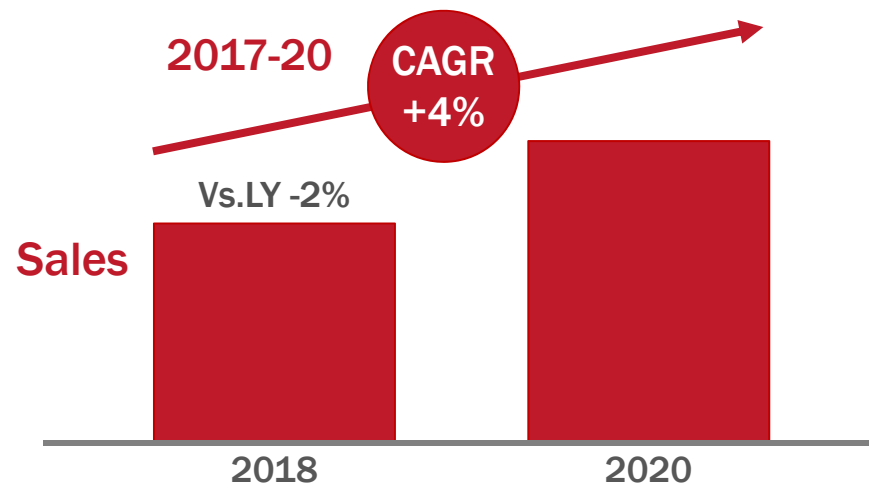


Strategic  
Priorities

- Boost the appetite for the brand through sharpening the 360 positioning and social media takeover
- Optimize multichannel footprint

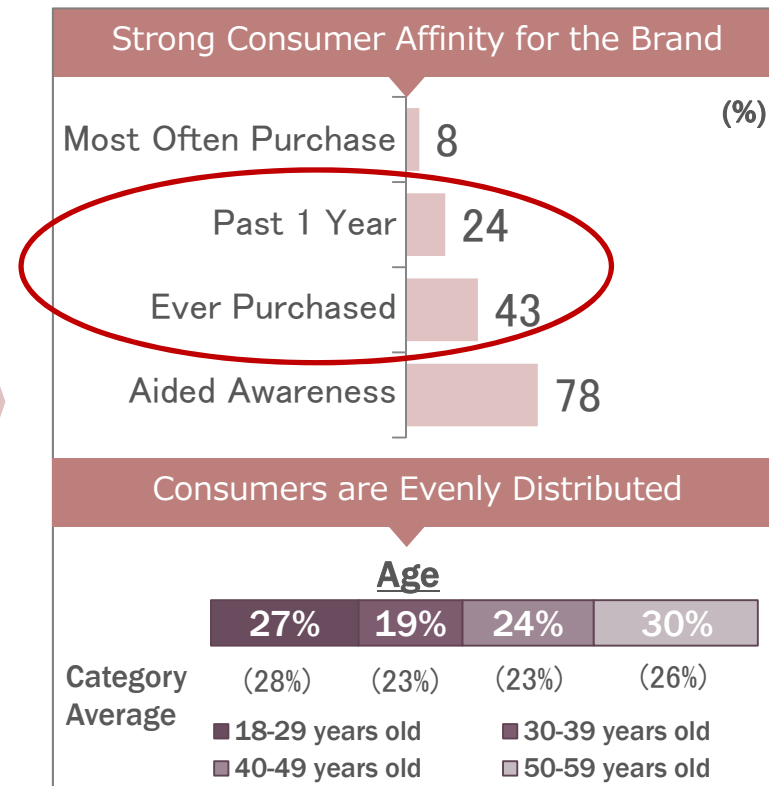
bareMinerals®

Target



# BARE MINERALS HAS HIGH CONSUMER AWARENESS AND TRIAL, AND A LOYAL, MULTI-GENERATIONAL AUDIENCE

- **Leading brand in the fast-growing natural makeup market**
- **Top 10 makeup brand in the US (#9 in 2017)**
- **Top 10 favorite brand with US millennial consumers**
- **#1 Loose Mineral Foundation in the US**
- **Double-digit growth in international markets**



SOURCE: Conde Nast; Kantar MillwardBrown Brand Tracking Report

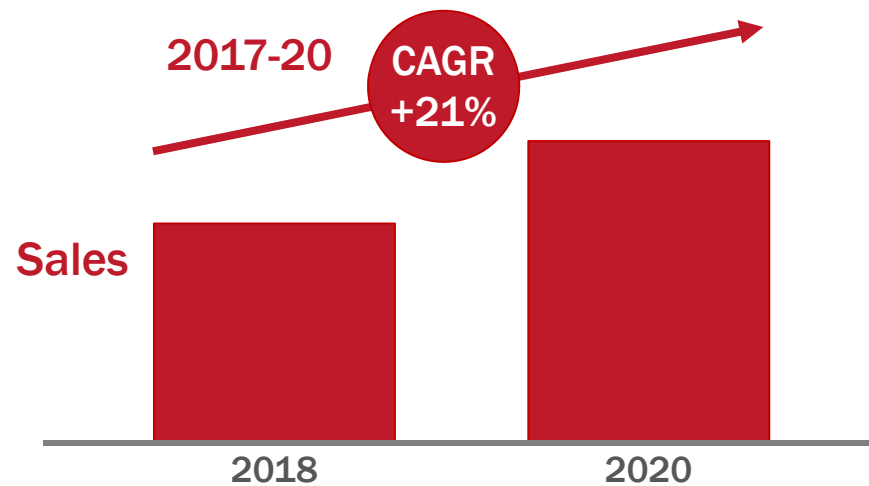
Strategic  
Priorities

## Drive Global Profitable Growth

- Fuel brand equity and drive innovation
- Recruit and engage new consumers
- Accelerate global growth

NARS

Target



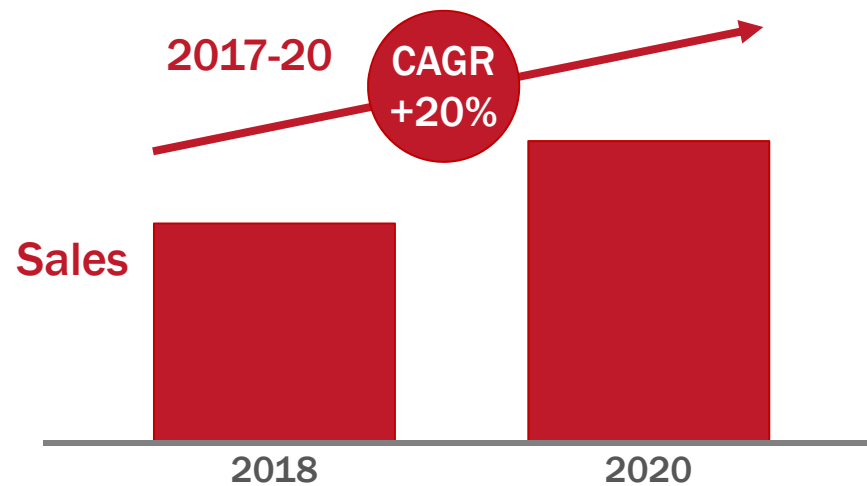


Strategic  
Priorities

## Become The Next Global ¥100 B+ Brand

- Sharpen Brand Positioning & Codes
- Engage Clients with Innovation
- Step Change Brand Awareness & Trial
- Excellence In Execution
- Drive Global Distribution

Target



# Franck Marilly

President and CEO,  
Shiseido EMEA

## <Career brief>

Joined Shiseido EMEA in 2018 after working for CHANEL (Fragrance and Beauty Dept.), etc.



# 1 MARKET LANDSCAPE



European mature markets such as France, Italy and Germany will grow at a low single digit rate



Market growth is driven by the United Kingdom, Russia and the Middle-East



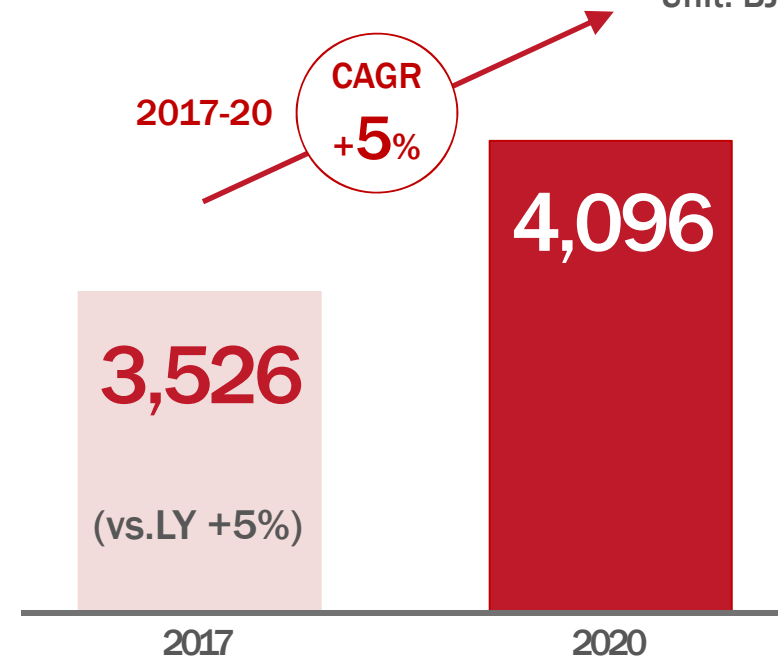
Growth mainly driven by Makeup followed by Fragrance and Skincare

## Source

- Euromonitor forecast in 2017
- Premium (Skincare/Suncare/Color/Fragrance)

## Market Size Projection – EMEA Premium Beauty Market

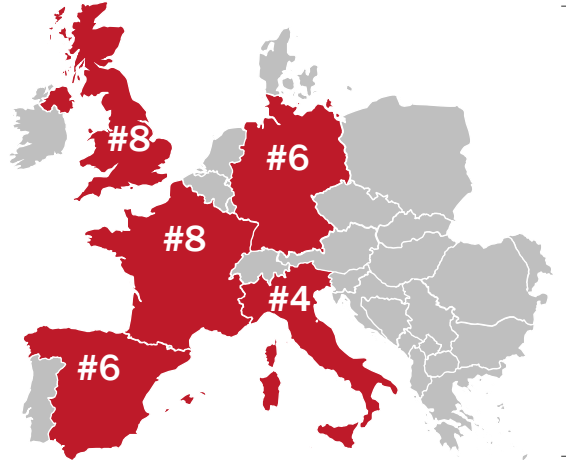
Unit: BJPY



## ② TARGET

Target Market Position in 2020 :

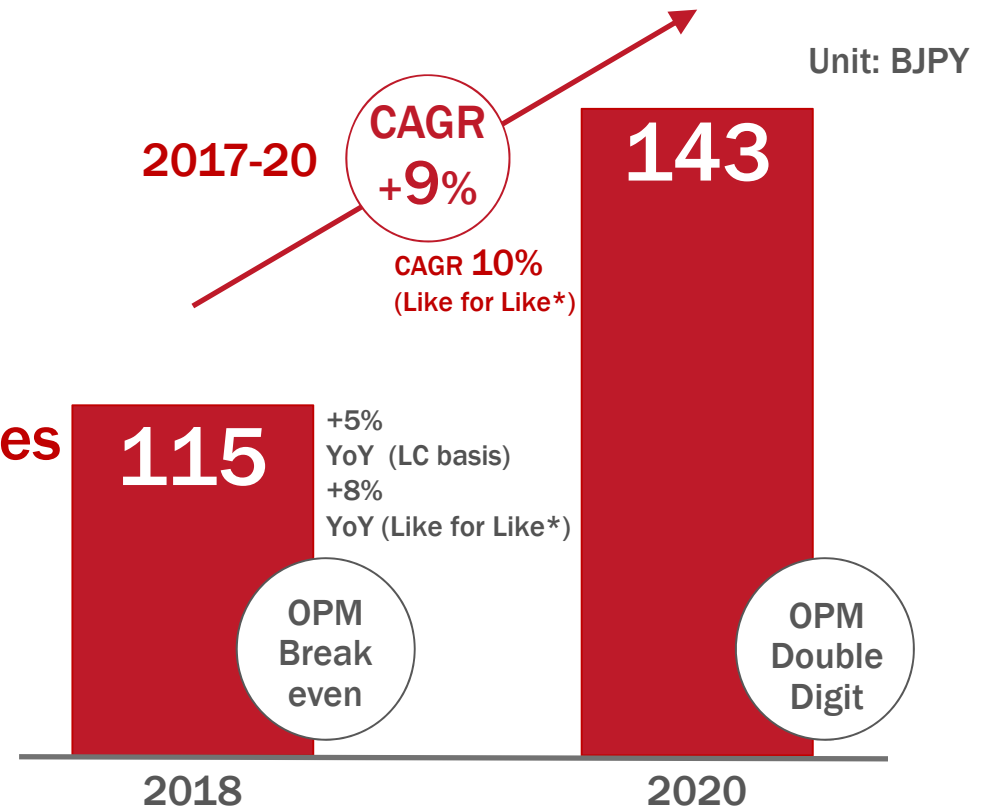
# Top 5



\*NPD December 2017 top 4 (FR/UK/ES/IT - IRI for DE)  
•Excluding Burberry

**#8**  
2017 ranking\*  
Top 5 countries

**Sales**



### 3 STRATEGIC PRIORITIES



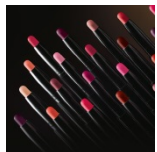
#### Fragrance

- Grow fragrance category profitably with double digit growth on Dolce&Gabbana and sustained development of narciso rodriguez
- Adapt each brand business model by market



#### Skincare

- Reinforce Shiseido brand awareness and equity
- Launch Clé de Peau Beauté in EMEA key countries in premium distribution



#### Makeup

- Grow category across Europe and Middle East markets
- Develop and elevate our footprint across the region



IMAGE



DIGITAL



PEOPLE

**Optimize One Shiseido Organization to Maximize Efficiency**

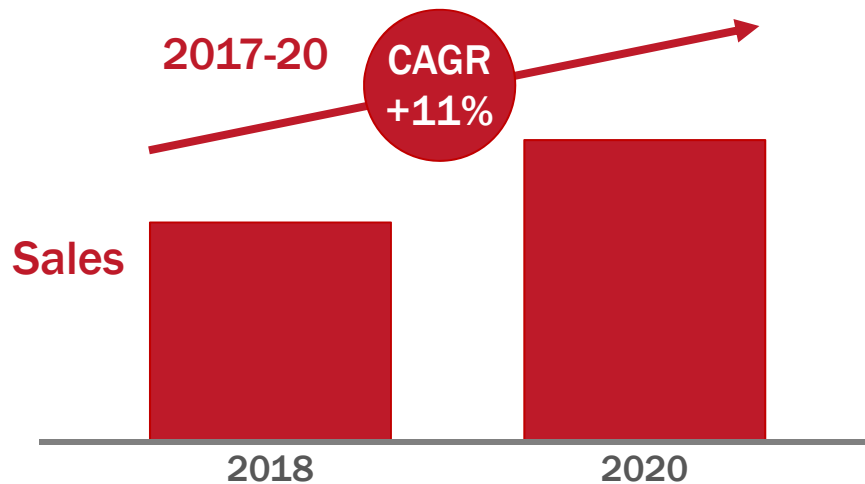


Strategic  
Priorities

Rebuild business foundation for long-term business perspective

- Reinforce actions in growing business area
  - Increase and optimize investment on key markets
  - Strengthen the market position of star items such as Light Blue
- Increase efficiency of distribution
- Grow revenue and brand awareness
  - Build strong base for men's fragrance category leveraging new franchise
  - Relaunch makeup category

Target



DOLCE & GABBANA



# Jean-Philippe Charrier

President and CEO,  
Shiseido Asia Pacific

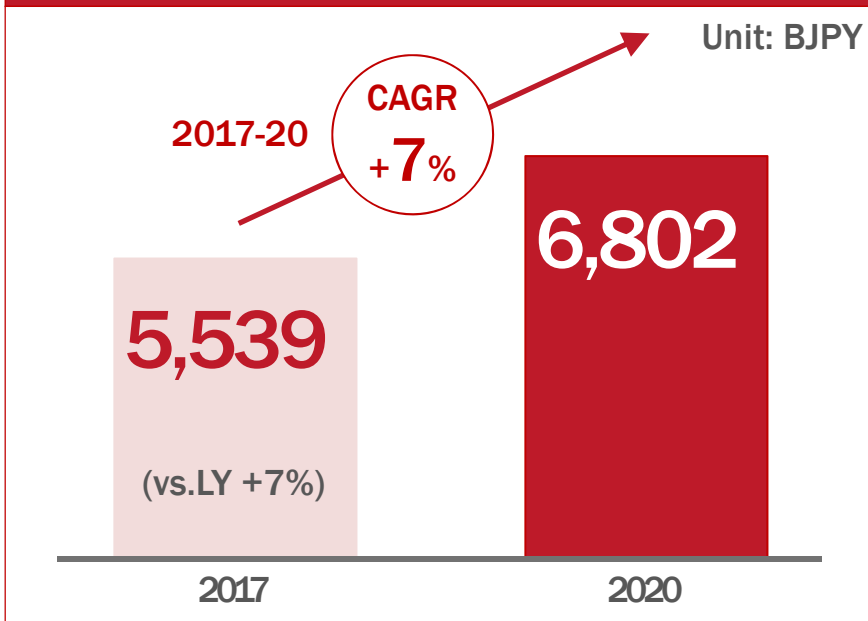
## <Career brief>

Joined Shiseido in 2009 after working for  
L'Oréal Korea, L'Oréal Thailand, L'Oréal  
Singapore, etc.

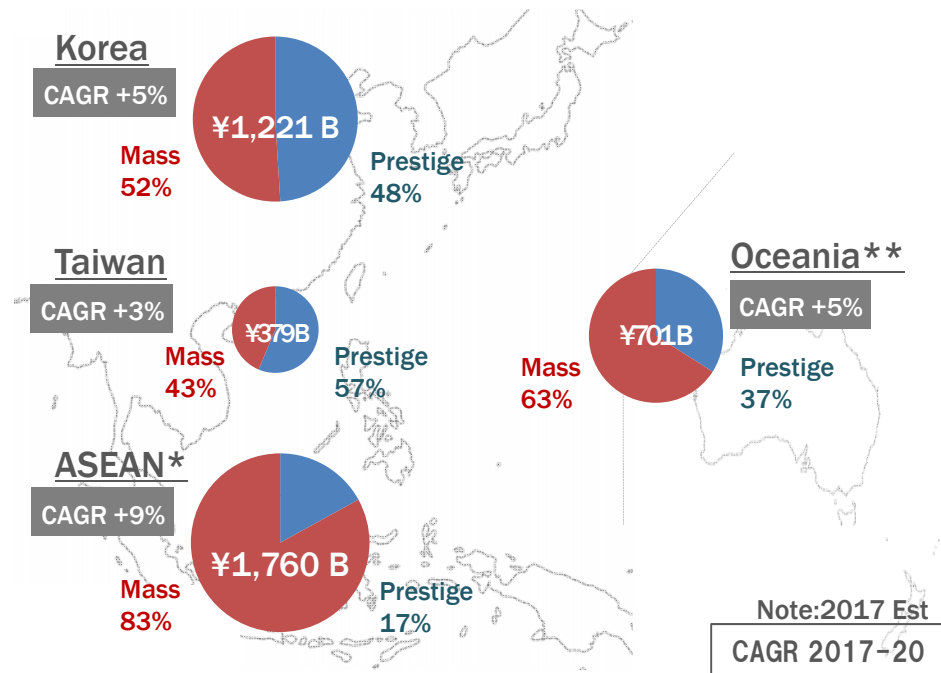


# 1 MARKET LANDSCAPE

Market Size Projection – Asia Pacific Region



4 focus market clusters / 15 countries



Source

— Euromonitor forecast in 2017

— Premium+Mass (Skincare/Suncare/Color/Fragrance and Hair Care, Deodorant, Bath & Shower, Other Sets/Kits)

\* ASEAN (Thailand, Singapore, Malaysia, Vietnam Indonesia and Philippines) \*\* Oceania (Australia and New Zealand)

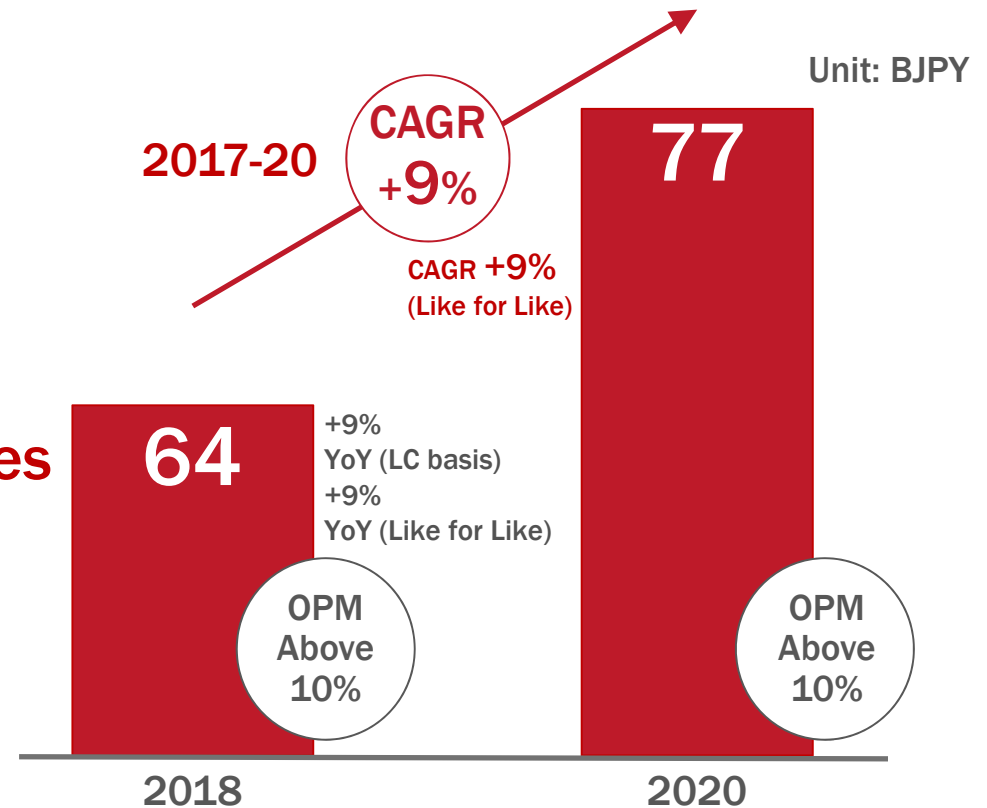
## ② TARGET

Market Position in 2020

**Top 3  
in Prestige**

2017 #5 in Prestige market\*

**Sales**



\*According to research by Shiseido

### ③ STRATEGIC PRIORITIES

**Omni-channel transformation  
to drive profitable growth of  
Prestige business**

- Diversify our distribution to be where our consumers are and develop new channels like Boutiques, Open-sell and EC

Dept. stores



Boutiques



Open-Sell



EC

**Build CPC Brand portfolio  
with Japanese origin &  
strong differentiation**

- Build relevant products and communication to fit Asian consumers
- Focus on High growth categories where Shiseido has strong advantage

Cleanser & Moisturizer



UV care



Makeup



**Acceleration of EC**

- Partnership with major PurePlayers like LAZADA and Retailers.com like Sephora across South East Asia

Pureplayer.com

Retailer.com



# 2018 Forecast 2018-20 Financial Strategy

**Norio Tadakawa**

Corporate Executive Officer, CFO  
Shiseido Company, Limited





# 2018 Forecast

## 2018 Forecast by Reportable Segment

(Billion yen)	Sales Forecast	Organic growth in Local Currency % (existing business*)	Operating Profitability Forecast %	For reference 2017 Sales (existing business*)
Japan	459.0	+7	High-teen	430.7
China	163.0	+14	High single digit	144.3
Asia Pacific	64.0	+9	Above 10%	59.9
Americas	125.0	+0	Break even	128.0
EMEA	115.0	+8	Break even	105.2
Travel Retail	74.0	+20	Mid-teen	62.4
Professional	21.0	+3	Low single digit	20.6
Other	12.0	-5	-	12.6
Total	1,033.0	+8	8.7%	963.5

\*After reclassification due to organization changes and change of product distribution channels (see Supplemental Data 6-1 and 6-2) as well as excluding special factors such as Zotos business transferred in 2017

## 2018 Forecasts

(Billion yen)	2018		2017	YoY Change %	YoY Change in Local Currency %
		% of Net Sales			
Net Sales	1,033.0	100	1,005.1	+2.8	+3
Operating Income	90.0	8.7	80.4	+11.9	
Ordinary Income	90.0	8.7	80.3	+12.0	
Extraordinary Income/Loss	-6.0	—	-41.8	—	
Net Income Attributable to Owners of Parent	54.0	5.2	22.7	+137.4	

Expected ROE : 12.6%

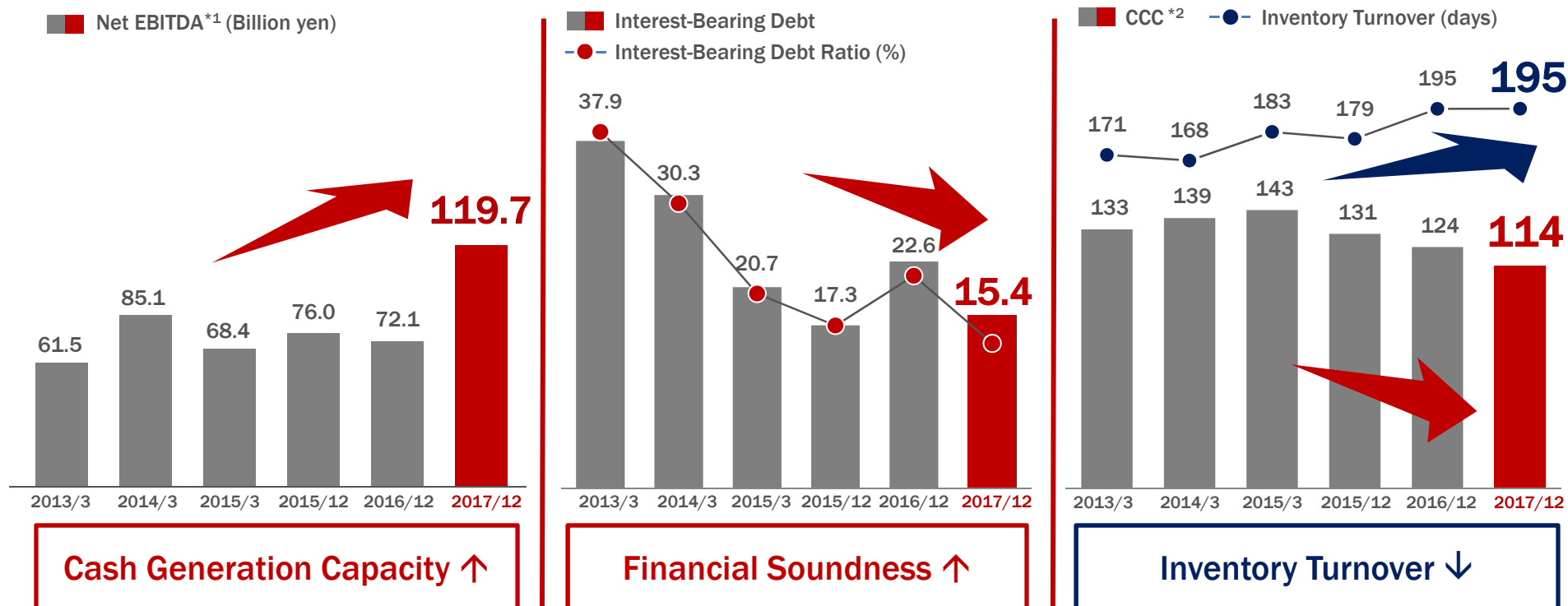
Exchange rates: 2018 USD1=JPY110 (-2%), EUR1=JPY128 (+1%), CNY1=JPY16.5 (-1%)



# 2018-20 Financial Strategy



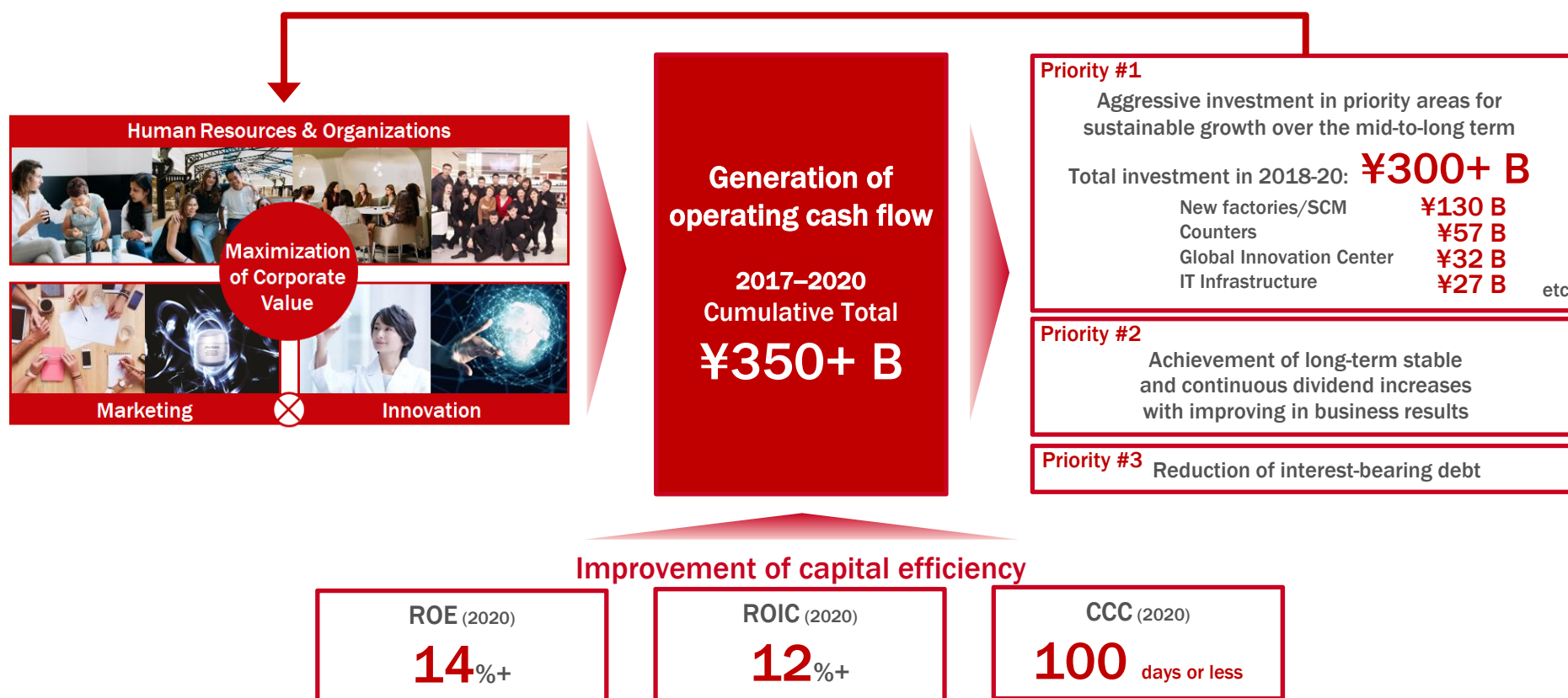
## Review of Past 5 Years



\*<sup>1</sup> Net EBITDA = Income before income taxes + Interest expense + Depreciation and amortization + Impairment loss on goodwill and other intangible assets. However, in this chart, cash inflows arising due to special factors such as business transfer, etc. are excluded.

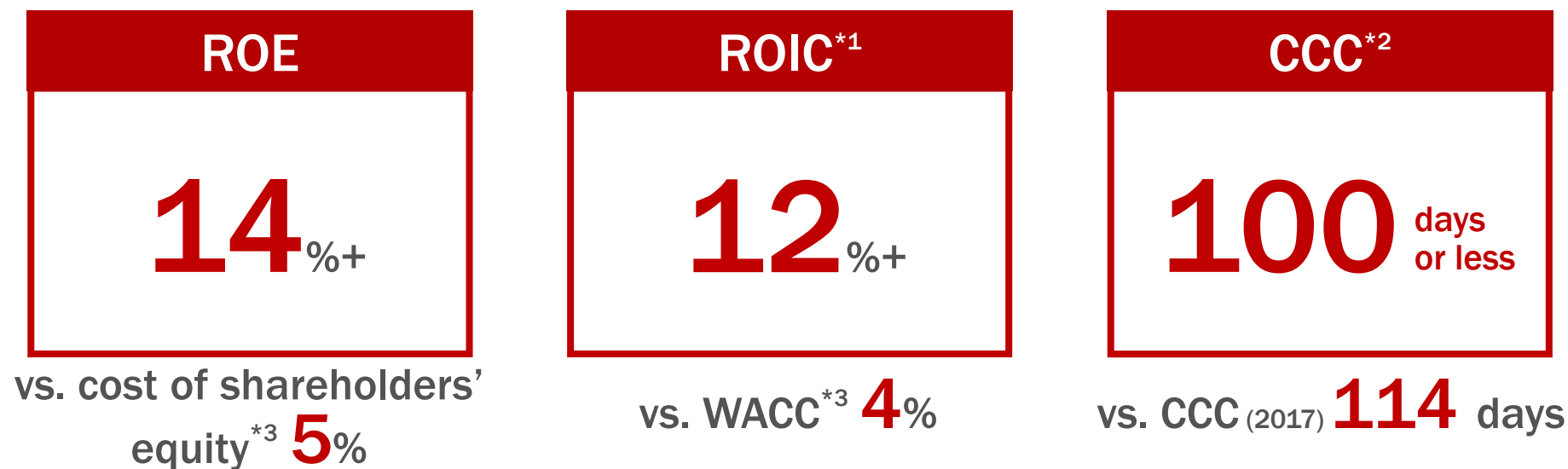
\*<sup>2</sup> CCC: Cash Conversion Cycle (days) = Receivables Turnover Period (days) + Inventory Turnover (days) - Payables Turnover Period (days) (average of each indicator during the period is used)

# Aiming to Increase Corporate Value over the Medium-to-Long Term



## Improving Capital Efficiency

### 2020 Financial Targets

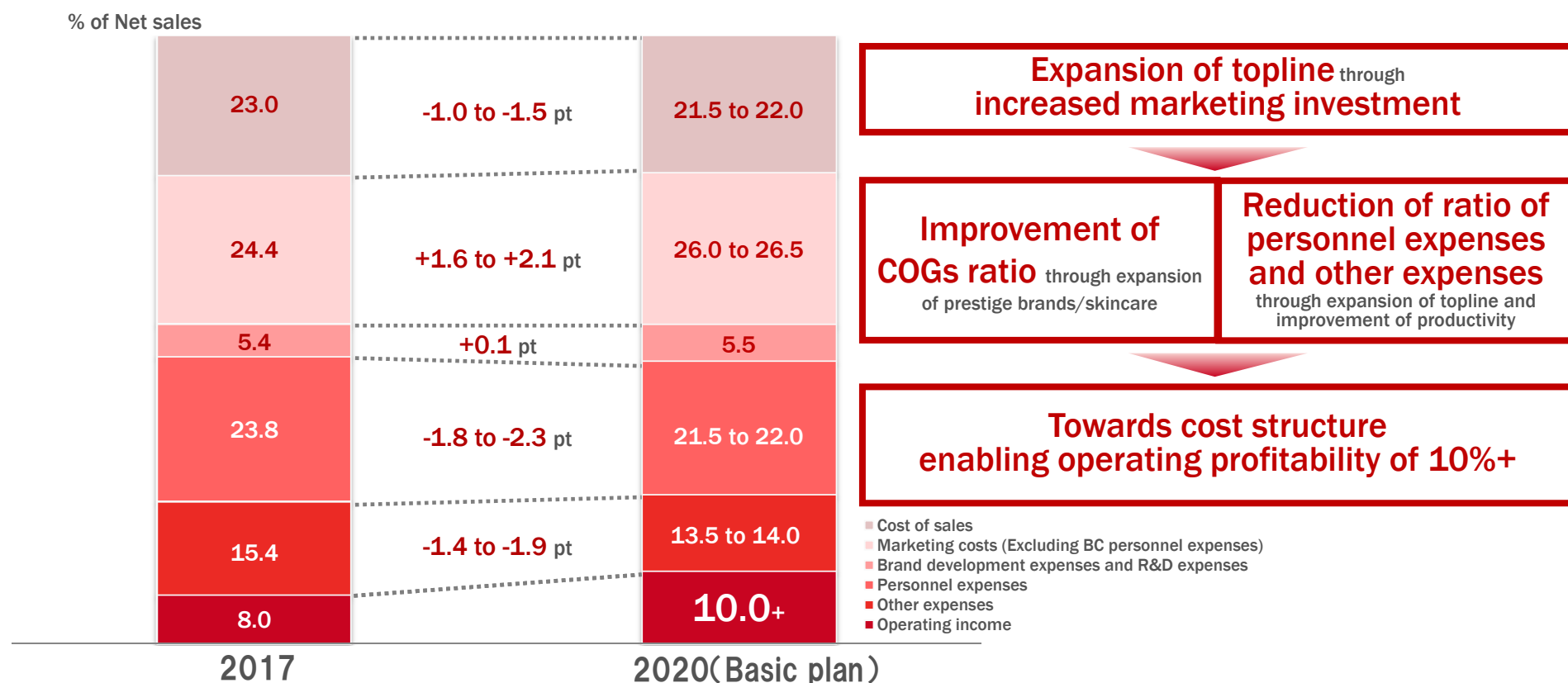


\*1 ROIC (Return On Invested Capital) = Operating Income × (1 – Effective Tax Rate) / (Interest-bearing Debt + Shareholders' Equity)

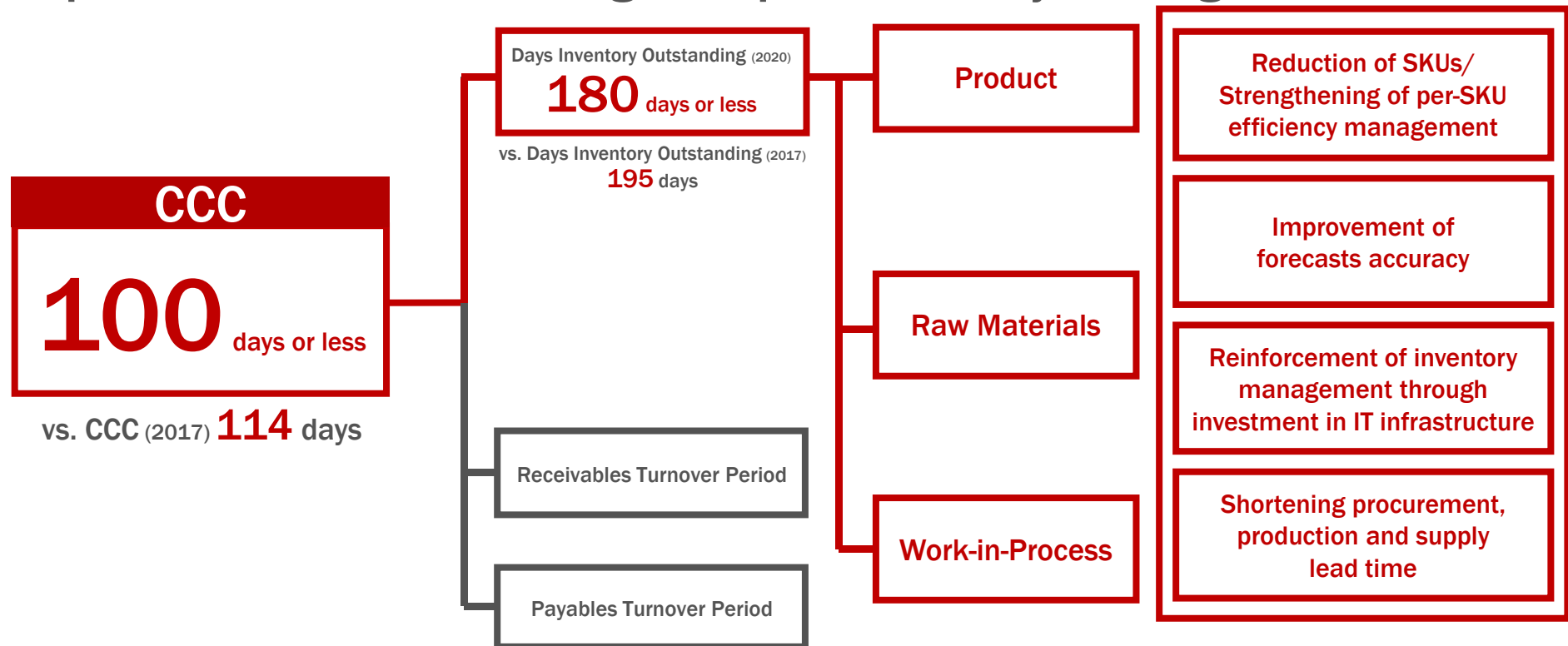
\*2 CCC: Cash Conversion Cycle (days) = Receivables Turnover Period (days) + Inventory Turnover (days) - Payables Turnover Period (days) (average of each indicator during the period is used)

\*3 The figures for cost of shareholder's equity and WACC (Weighted Average Cost of Capital) are Shiseido's estimates

## Enhancing Profitability: Further Cost Structure Improvement

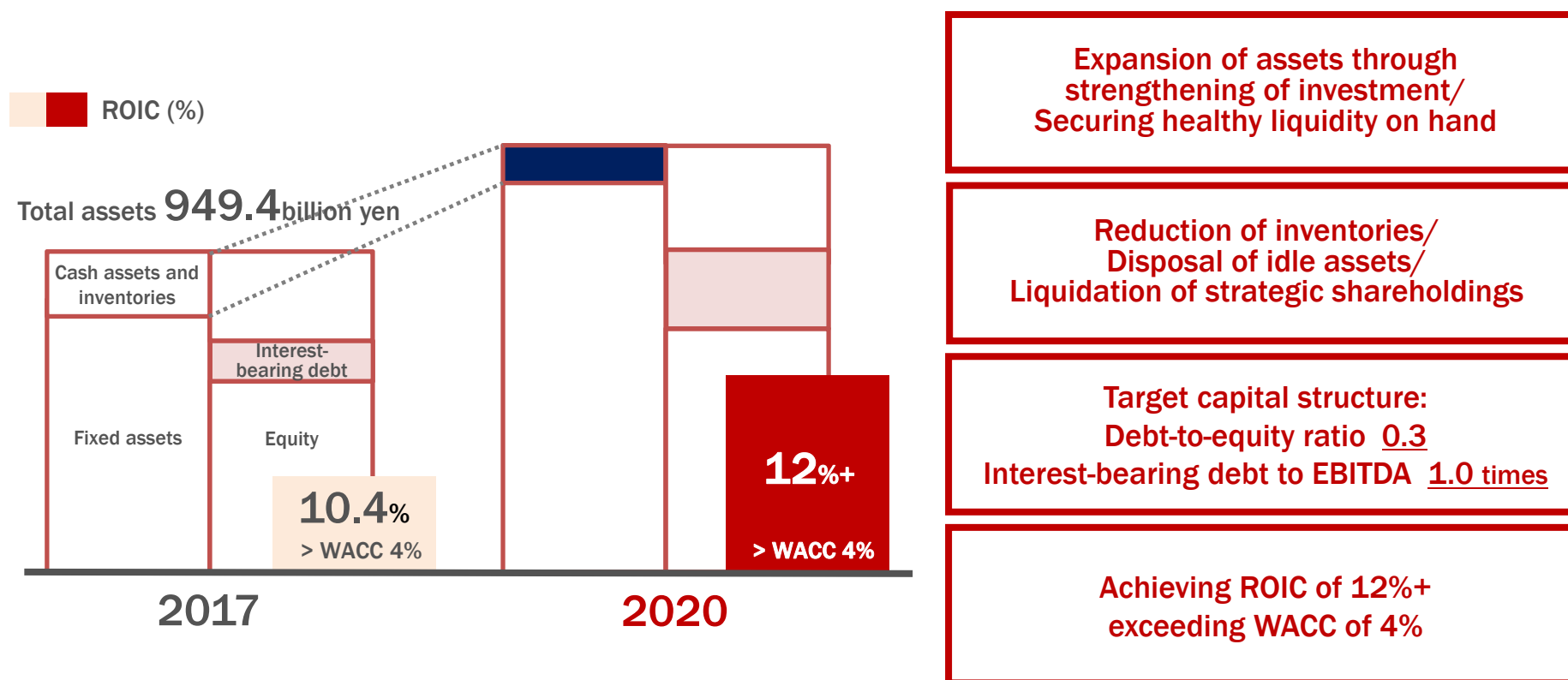


## Enhancing Capital Efficiency: Improvement of CCC through Proper Inventory Management





## Improving ROIC and Efficiency of Balance Sheet towards 2020



## Change in Shareholder Return Policy

**Realization of total returns comprising direct returns to shareholders and medium-to-long term share price gains**

### Before

- Consolidated business results
- Free cash flow
- Target medium-term consolidated dividend payout ratio of 40%

### After

- Consolidated business results
- **Free cash flow**
- **Long-term, stable and continuous dividend increase targeting: DOE\* of 2.5% or higher**

2018 Dividend (plan)

**¥30** per share  
Increase of ¥2.5 from 2017

\* DOE (Dividend On Equity) = Annual Cash Dividend / Equity

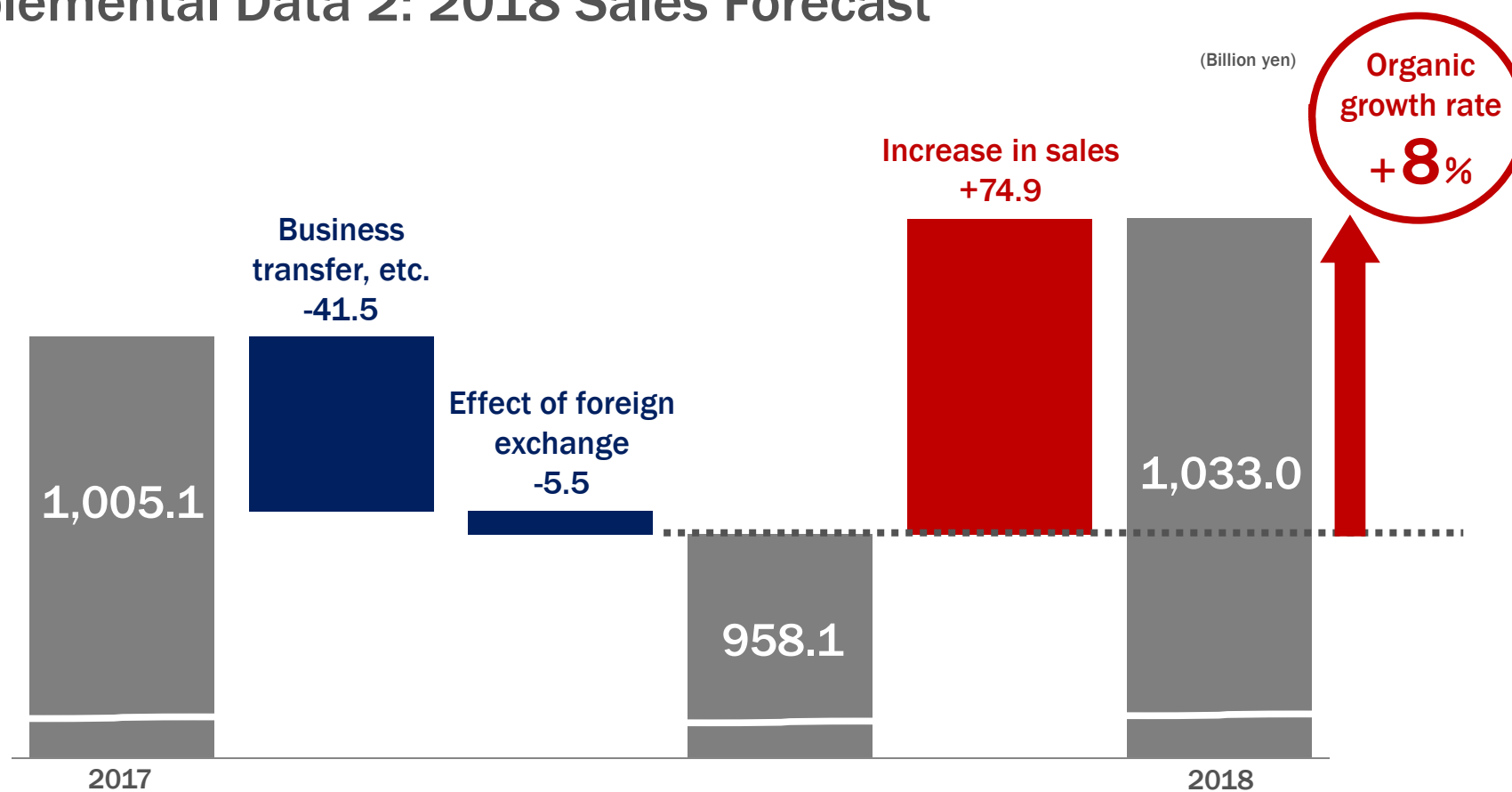
SHISEIDO

## Supplemental Data 1: 2018 Sales Forecast by Reportable Segment

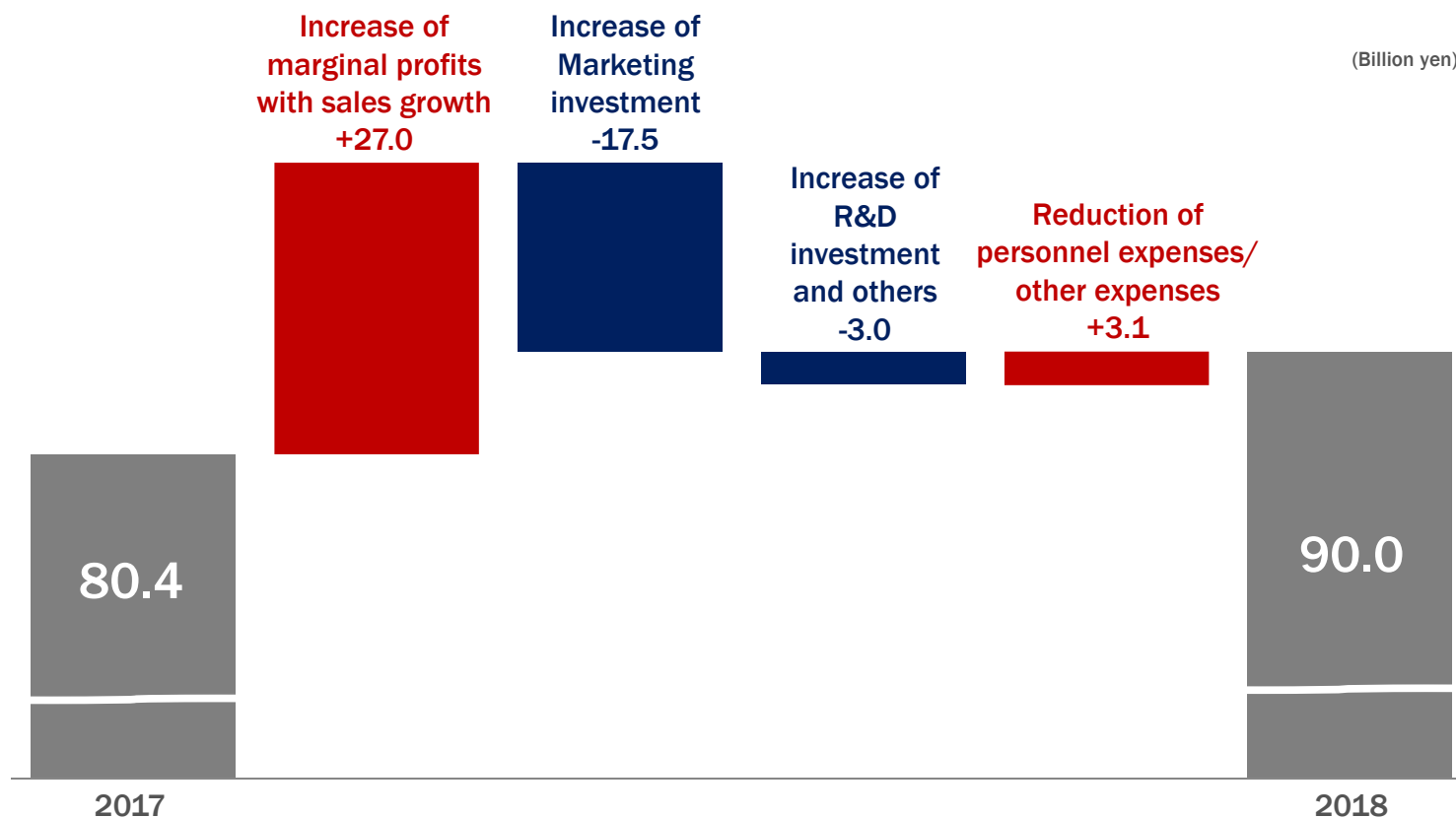
(Billion yen)	2018	For reference 2017 (After reclassification)	YoY Change (After reclassification)	YoY Change % (After reclassification)	YoY Change in Local Currency % (After reclassification)	2017 (Before reclassification)
Japan	459.0	431.6	+27.4	+6.3	+6	431.0
China	163.0	144.3	+18.7	+13.0	+14	144.3
Asia Pacific	64.0	59.9	+4.1	+6.9	+9	54.2
Americas	125.0	134.1	-9.1	-6.8	-5	140.4
EMEA	115.0	108.5	+6.5	+6.0	+5	128.4
Travel Retail	74.0	65.0	+9.0	+13.8	+15	44.5
Professional	21.0	48.0	-27.0	-56.2	-56	48.0
Other	12.0	13.7	-1.7	-12.4	-12	14.3
Total	1,033.0	1,005.1	+27.9	+2.8	+3	1,005.1

\* YoY change in local currency in real terms excluding special factors such as Zotos business transferred in 2017: +8%

## Supplemental Data 2: 2018 Sales Forecast

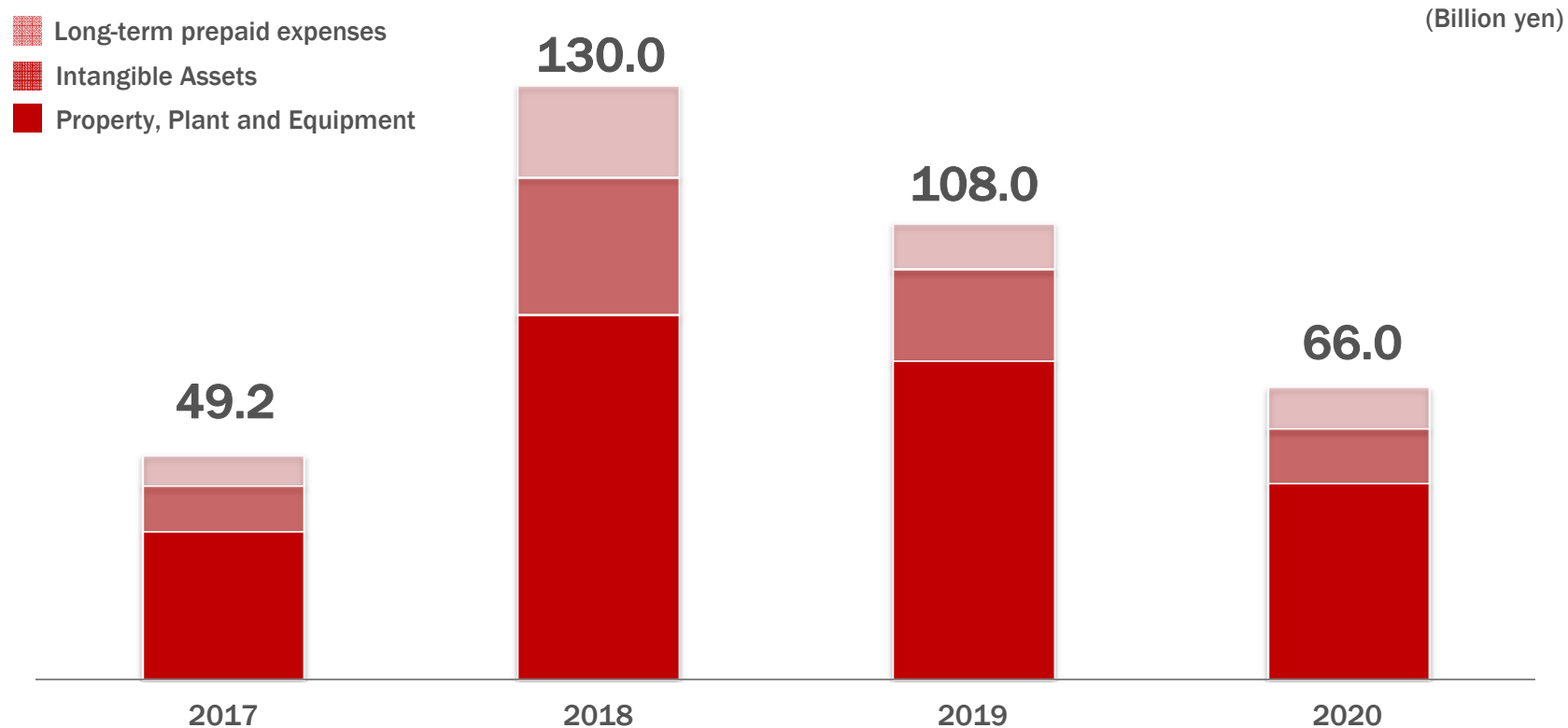


## Supplemental Data 3: 2018 Operating Income Forecast





## Supplemental Data 4: Capital Expenditure Plan (2018–2020)



## Supplemental Data 5: Shareholder Return Policy

We aim to achieve total returns, comprising direct returns to shareholders through dividends and medium-to-long term share price gains. Based on this approach, our basic policy is to focus on making strategic investment for sustainable growth, thus aiming for maximization of corporate value. At the same time we will enhance capital efficiency exceeding capital costs, with a view to increasing dividends and our share price over the medium-to-long term.

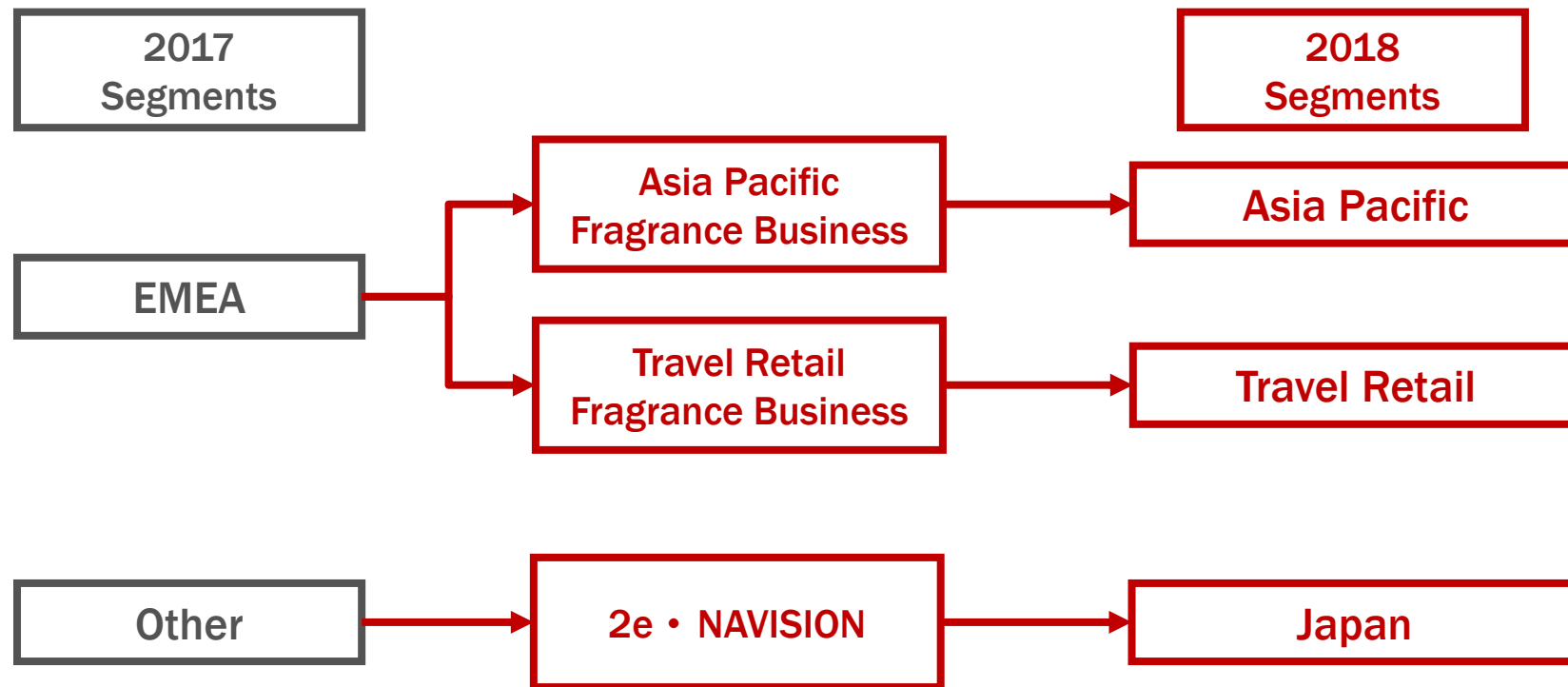
Upon determining dividends, we will achieve long-term, stable and continuous enhancement of returns with emphasis given to consolidated business results and free cash flow, and set the minimum level of Dividend on Equity (DOE\*) of 2.5%, which we see as an indicator that reflects our capital policy. We will also buy back shares flexibly taking the market environment into consideration.

In 2018 (the fiscal year ending December 31, 2018), in accordance with the above policy, we plan to pay an annual dividend of 30 yen (DOE 2.7%), comprising an interim dividend of 15 yen per share and a year-end dividend of 15 yen per share.

\*DOE = Annual Cash Dividend / Equity

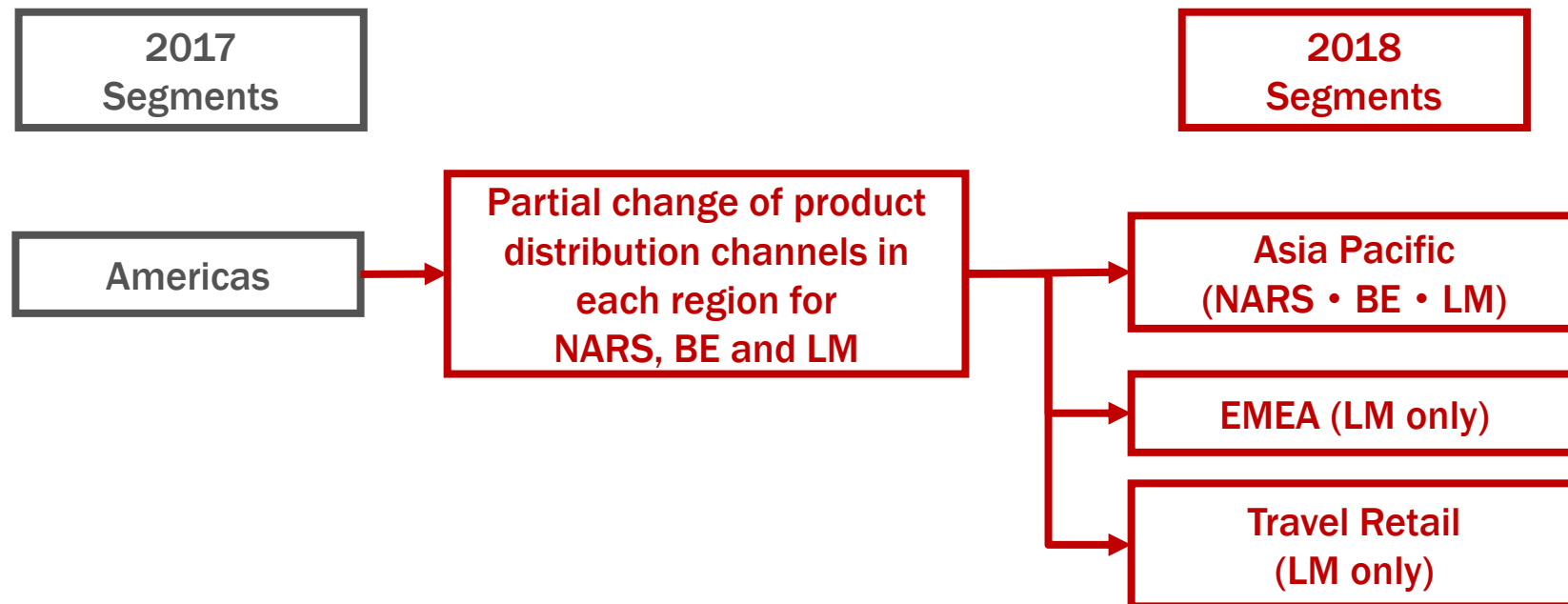
## Supplemental Data 6-1: Main Constituents of Old and New Reportable Segments

### Organizational Changes

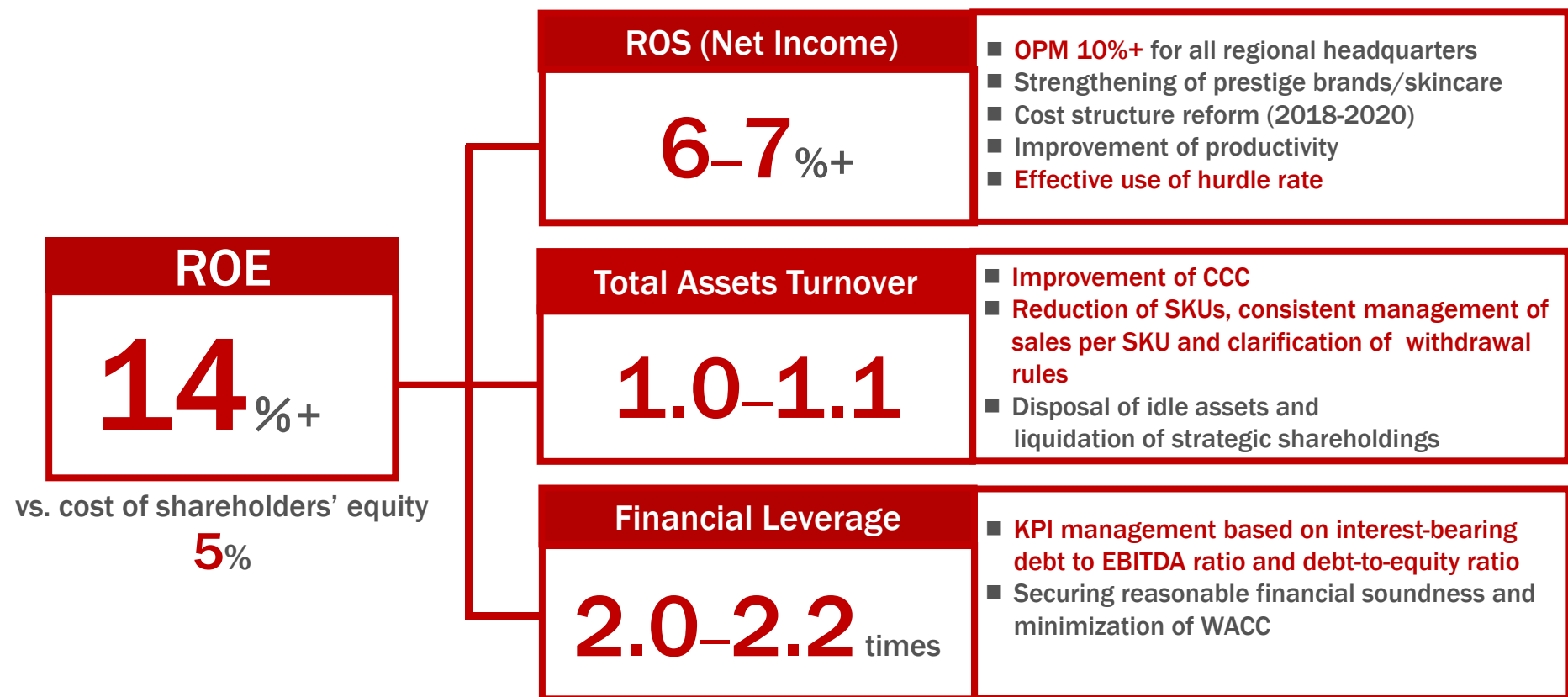


## Supplemental Data 6-2: Main Constituents of Old and New Reportable Segments

Change of product distribution channels



## Supplemental Data 7: Breakdown of ROE



## Supplemental Data 8: Abbreviations of our Brands and Businesses

### Brands

Abbreviation	Japanese	English
CPB	クレ・ド・ポー ボーテ	Clé de Peau Beauté
BE	ベアミネラル	bareMinerals
LM	Laura Mercier	Laura Mercier
D&G	Dolce&Gabbana	Dolce&Gabbana

### Businesses

Abbreviation	Japanese	English
TR	トラベルリテール	Travel Retail
EC	Eコマース	E-Commerce
GIC	グローバルイノベーションセンター	Global Innovation Center



**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.**