



SHISEIDO

FY2018 First Half Results

Norio Tadakawa

August 8, 2018

Corporate Executive Officer, CFO
Shiseido Company, Limited



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.

1H FY2018: Executive Summary

Organic net sales increased more than ¥75 bn and operating income more than doubled YoY

Net income attributable to owners of parent was 2.5 times higher YoY, already exceeding the annual record high

Increased sales of key brands significantly improved the cost structure

Net sales: ¥532.6 bn +¥76.1 bn (like for like*1) YoY change (like for like): +17% YoY change in LC: +11.9%

- **Japan: +¥29.3 bn (+15% like for like)**
Expansion of market share*2 (Inbound/Sales to Japanese consumers)
- **China: +¥24.2 bn (+32% like for like)**
Secured third largest share of skincare market in second quarter*3
- **Travel Retail: +¥13.0 bn (+47% like for like)**
- **Americas: Sales on growth path (+6% like for like)**
- **8 key brands: +¥66.2 bn (+31% like for like)**
Share of total sales 54% (YoY difference +8 pt)

Operating income: ¥71.1 bn More than doubled YoY +¥36.4 bn OPM 13.4% (YoY change +6.1 pt)

- **COGs: -2.5 pt, Personnel expenses ratio*4: -2.6 pt, Other SGAs ratio: -1.8 pt**

Net income attributable to owners of parent: ¥47.7 bn More than 2.5 times YoY YoY change: +¥28.9 bn

- **Already exceeded annual record high (FY2007 result of ¥35.5 bn)**

*1 Excluding impact of Zotos business transfer, etc. in 2017 *2 According to Shiseido research *3 Source: Beaute Research *4 Including POS personnel expenses

Summary of 1H FY2018 Results

(Billion yen)	FY2018		FY2017		YoY Change	YoY Change %	YoY Change in LC %
		% of Net Sales		% of Net Sales			
Net Sales	532.6	100	472.1	100	+60.5	+12.8	+11.9 +17*2
Cost of Sales	109.1	20.5	108.4	23.0	+0.7	+0.6	
SG&A	352.4	66.1	329.0	69.7	+23.4	+7.1	
Operating Income	71.1	13.4	34.7	7.3	+36.4	+105.1	
Ordinary Income	72.8	13.7	34.2	7.2	+38.6	+112.9	
Extraordinary Income/Loss (net)	1.6	0.3	-3.6	-0.7	+5.2	—	
Net Income Attributable to Owners of Parent	47.7	8.9	18.8	4.0	+28.9	+153.5	

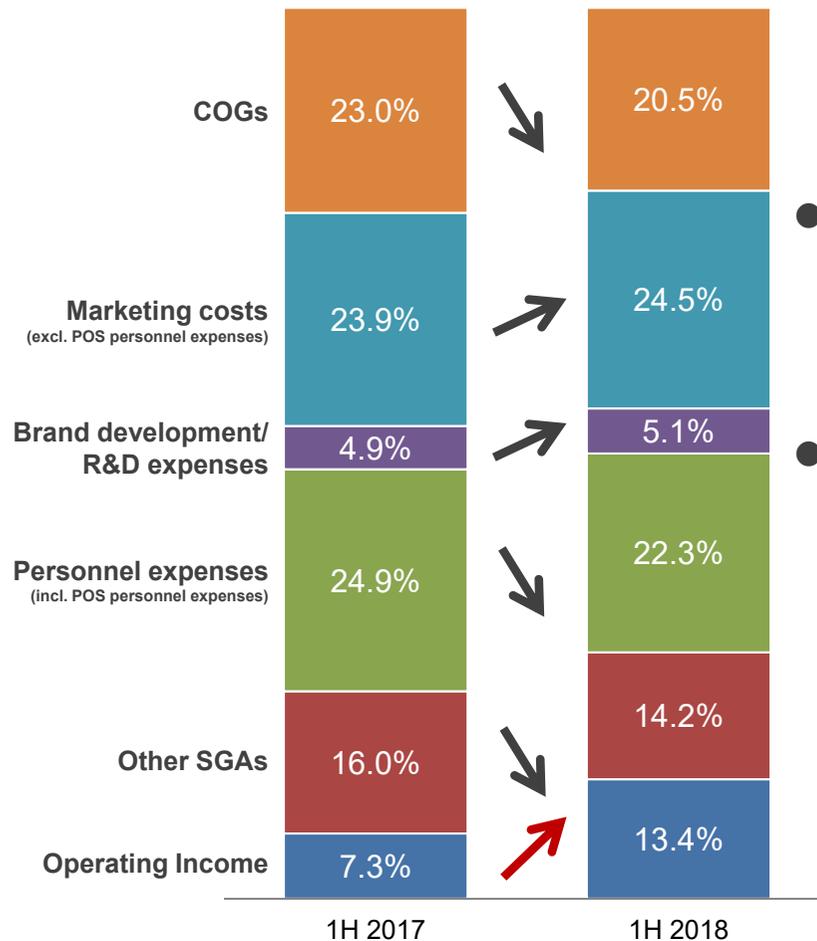
Exchange rates: USD 1 = JPY 108.7 (-3.3%), EUR1 = JPY131.6 (+8.2%), CNY1 = JPY17.1 (+4.3%)

*1. The "+" and "-" symbols in YoY change indicate increase and decrease in amount, respectively.

*2. Excluding impact of Zotos business transfer, etc. in 2017

Highly Profitable Cost Structure for Sustainable Growth

Cost Structure in 1H FY2018



- **COGs: 2.5 pt improvement**

- 0.9 pt improvement through changes to business portfolio
- 0.6 pt improvement through increase in share of key brands, mainly prestige brands such as *SHISEIDO* and *IPSA*
- 0.7 pt improvement due to better product mix in key prestige brands

- **Personnel expenses/Other SGAs: 4.4 pt decrease**

- Improvement in productivity through workstyle reform, etc.
- Fall in personnel expenses/other SGAs ratio, especially in Japan, China and Travel Retail (TR)

- **Marketing costs, brand development/R&D expenses: 0.8 pt increase**
Increased investment of ¥22 bn

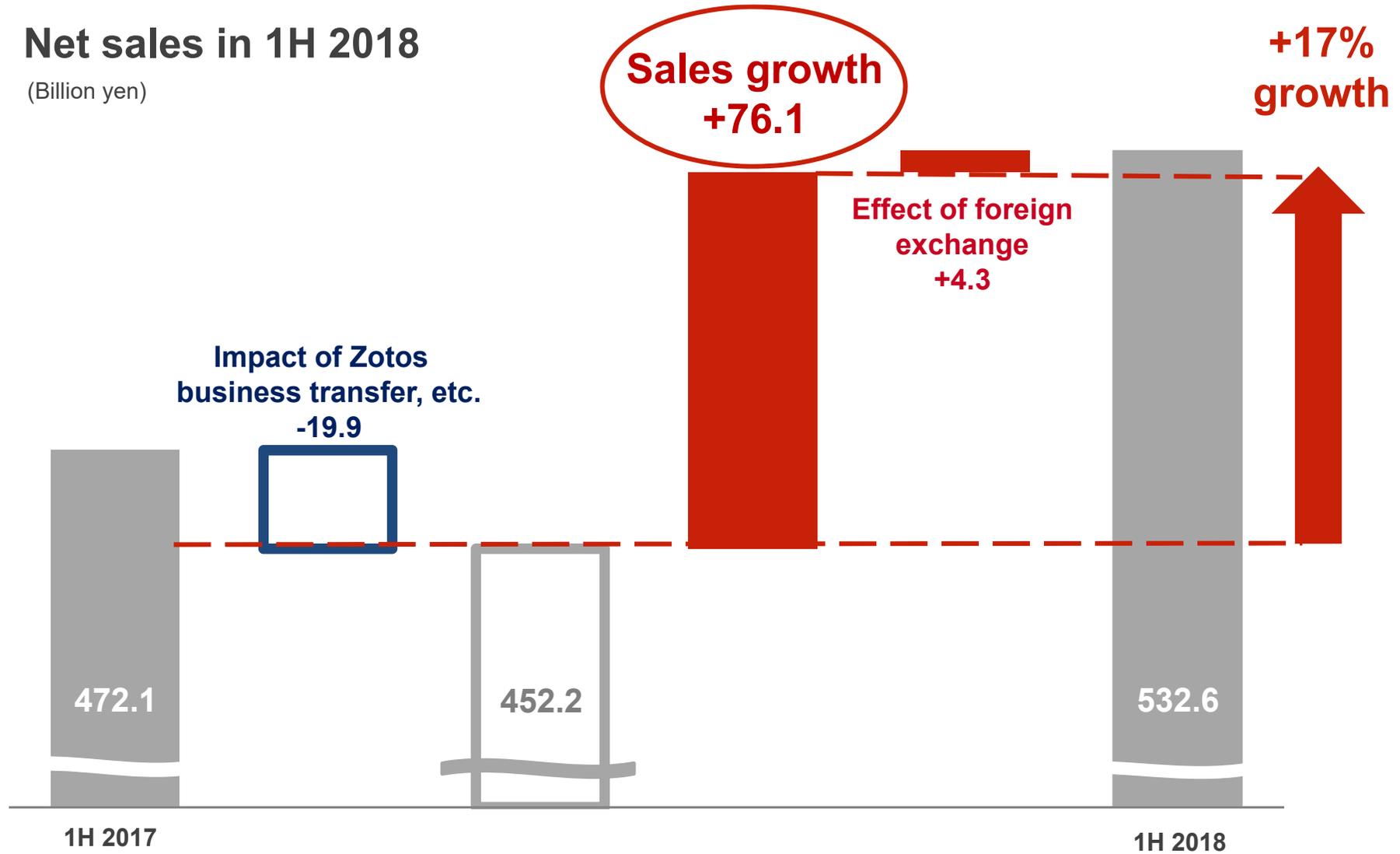
- Strengthening of brands such as *SHISEIDO*, *Clé de Peau Beauté*, *NARS*, *ELIXIR*, *ANESSA*, *Dolce&Gabbana*
- Strengthening of digital media, event PR and creatives

Achieved sales growth and improvement in profitability while strengthening marketing investment

Organic Net Sales +¥76.1 Bn YoY Growth Rate +17% Double-digit Growth for Five Consecutive Quarters

Net sales in 1H 2018

(Billion yen)

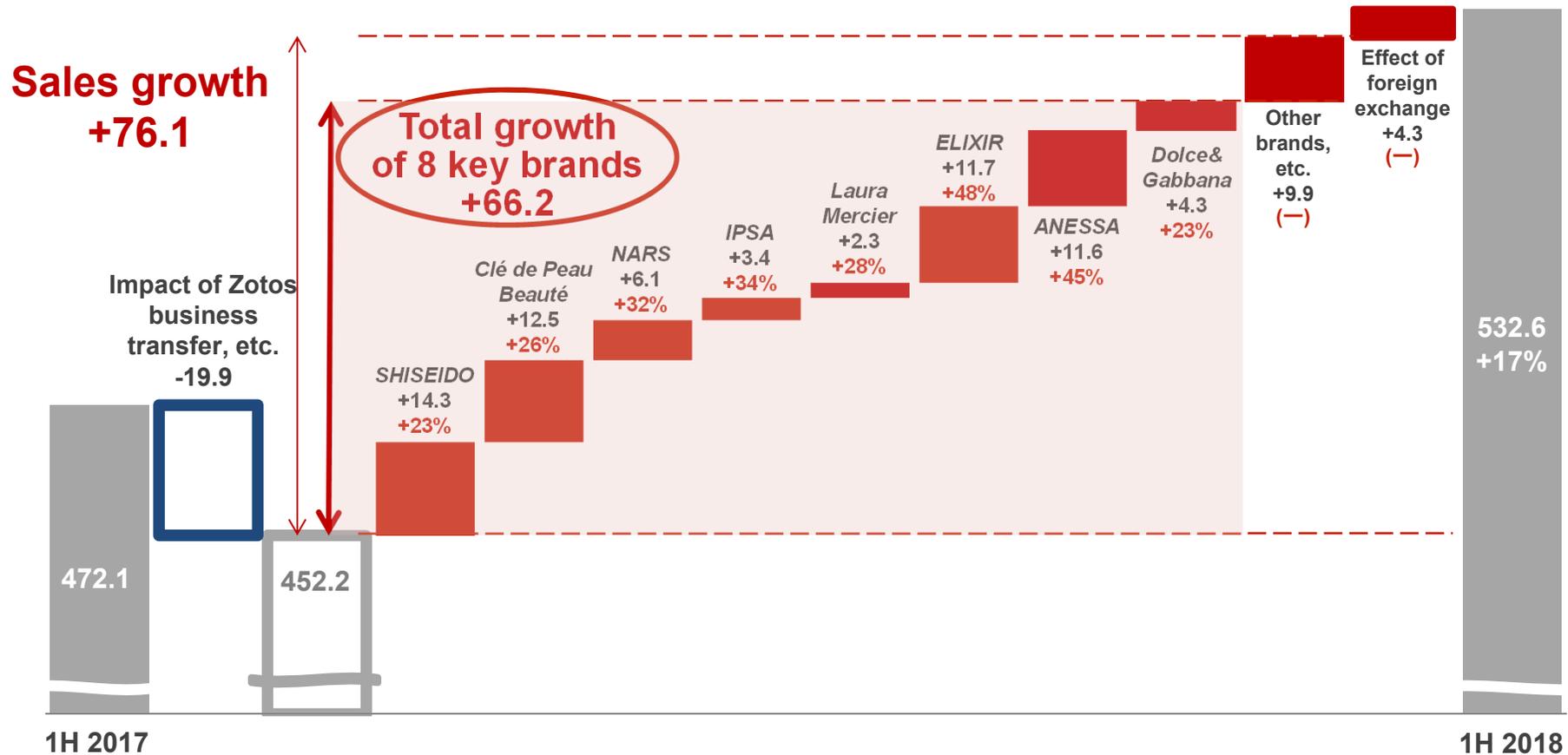


Sales Grew ¥66.2 Bn in Eight Key Brands

Change in net sales by brand

Top: YoY change (billion yen, excl. impact of foreign exchange)

Bottom: YoY change (% , excl. impact of foreign exchange)



YoY change and YoY change (%) for each brand is calculated based on initial exchange rate assumptions.

Japan: Net Sales +¥29.3 Bn (+14%)

Operating Income +¥13.9 Bn (OPM: 21.4%)

(Billion yen)	FY2018		FY2017		YoY Change	YoY Change %
	1H	% of Net Sales	1H	% of Net Sales		
Prestige/ Specialty Store*1	86.9	36.4	75.4	36.1	+11.4	+15.2
Cosmetics	112.0	46.9	96.0	45.9	+16.0	+16.7
Personal Care	29.0	12.2	26.7	12.7	+2.4	+8.8
Others*2	10.7	4.5	11.1	5.3	-0.5	-4.2
Sales	238.5	100	209.2	100	+29.3	+14.0

YoY change excluding the impact of business transfer in FY2017 was +15%.

(Billion yen)	FY2018 1H	FY2017 1H	YoY Change	YoY Change %
Operating Income	54.7	40.8	+13.9	+34.0
OPM %	21.4	18.1	+3.3pt	
Income Before Amortization of Goodwill, etc.	54.8	40.9	+13.9	+33.9
OPM %	21.4	18.1	+3.3pt	

*1. The net sales of the previously separate Prestige and Specialty Stores businesses of the Japan Business are added together and recorded as the net sales of the "Prestige/Specialty Store" from FY2018 for better alignment with the management structure of the Japan region.

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

*3. % of Net Sales indicates percentage of Japan business sales.

*4. OPM is calculated using net sales including intersegment transactions.

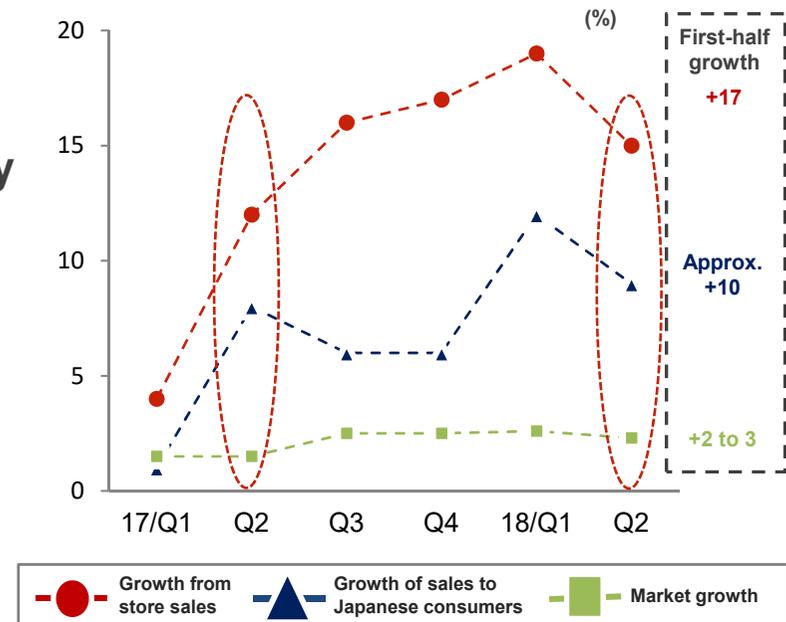
Growth Driven by Sales to Japanese Consumers and Inbound Sales

- Japanese cosmetics market grew by approx. 2-3% (Shiseido estimate)

- Shiseido: **YoY change in store sales +17%**

- Growth in sales to Japanese consumers: Approx. +10%
- Inbound sales: **¥48.0 bn (+¥13.5bn YoY)**
- Strong growth in sales of every brand driven by “three skin-related segments” (vs. 2016)
 - *SHISEIDO*: 1.6 times
 - *Ultimune*: Around double
 - *Clé de Peau Beauté*: Steady double-digit growth
 - *ELIXIR*: More than double
- Strong second-year sales of wrinkle cream
- *ANESSA*: 1.4 times

vs. 2016	18/Q1 +26%	Q2 +28%	1H +27%
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China: ¥24.2 Bn (+32.4%) Growth in Sales

Operating Income +¥10.6 Bn, More Than Triple YoY

(Billion yen)	FY2018		FY2017		YoY Change	YoY Change %	YoY Change in LC %
	1H	% of Net Sales	1H	% of Net Sales			
Prestige	38.2	41.1	24.3	35.4	+13.9	+57.2	+56.5
Cosmetics	39.0	41.9	31.0	45.1	+8.0	+25.8	+21.3
Personal Care	14.8	15.9	12.7	18.4	+2.1	+16.5	+13.0
Others	1.0	1.1	0.7	1.1	+0.3	+36.0	+38.0
Sales	92.9	100	68.7	100	+24.2	+35.3	+32.4

(Billion yen)	FY2018 1H	FY2017 1H	YoY Change	YoY Change %
Operating Income	15.6	5.0	+10.6	+212.3
OPM %	16.8	7.3	+9.5pt	
Income Before Amortization of Goodwill, etc.	15.8	5.2	+10.6	+204.0
OPM %	17.0	7.6	+9.4pt	

- **Dramatic growth by every brand**

SHISEIDO, Clé de Peau Beauté: 1.5 times, IPSA: 1.8 times, ELIXIR: 1.5 times, ANESSA: More than double

- **E-commerce sales: +40% growth**

- **Improvement of profitability**

Significant improvement in personnel expenses ratio and other SGAs ratio largely due to higher profit margins through dramatic sales expansion, improvement in marketing investment efficiency and revision of agreements for Za and **PURE&MILD**

*1. See Supplemental Data 11 for details about changes in reportable segments. The previous year's results are restated to reflect the new reportable segments.

*2. % of Net Sales indicates percentage of China business sales. *3. OPM is calculated using net sales including intersegment transactions.

Asia Pacific: Net Sales +¥4.8 Bn; OPM: 13%

(Billion yen)	FY2018 1H	FY2017 1H	YoY Change	YoY Change %	YoY Change in LC %
Sales	33.3	28.5	+4.8	+17.0	+14.5

(Billion yen)	FY2018 1H	FY2017 1H	YoY Change	YoY Change %
Operating Income	4.5	3.1	+1.4	+44.3
OPM %	13.0	10.6	+2.4pt	
Income Before Amortization of Goodwill, etc.	4.5	3.1	+1.4	+43.8
OPM %	13.1	10.7	+2.4pt	

- **Steady growth in South Korea and Thailand**
- **Prestige**
 - **High growth of NARS sales, especially in South Korea**
- **Cosmetics and personal care**
 - **Dramatic growth of ANESSA and continued high growth of SENKA**

*1. See Supplemental Data 11 for details about changes in reportable segments. The previous year's results are restated to reflect the new reportable segments.

*2. OPM is calculated using net sales including intersegment transactions.

Americas: Sales Turned Around to Growth (+6% like for like) Profitability Improved with Stronger Organization

(Billion yen)	FY2018 1H	FY2017 1H	YoY Change	YoY Change %	YoY Change in LC %
Sales	58.8	59.2	-0.4	-0.6	+1.8

YoY change excluding the impact of business transfer in FY2017 was +6%.

(Billion yen)	FY2018 1H	FY2017 1H	YoY Change	YoY Change %
Operating Income	-7.2	-9.8	+2.6	—
OPM %	-9.5	-14.7	+5.2pt	
Income Before Amortization of Goodwill, etc.	-4.6	-5.1	+0.5	—
OPM %	-6.1	-7.7	+1.6pt	

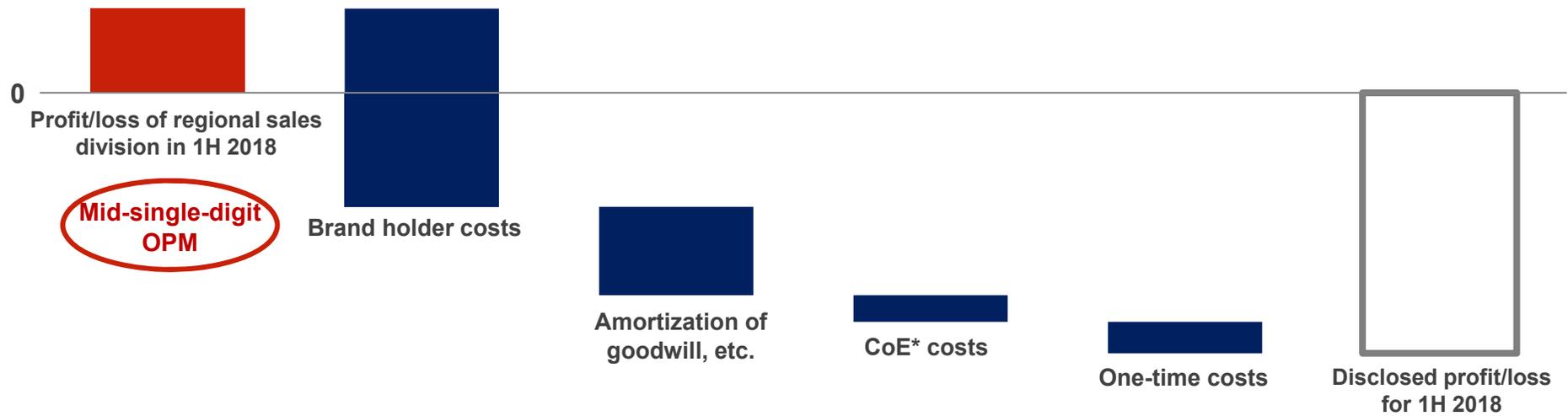
- **Sales growth far outpacing the market**
 - **Double-digit growth in sales of *NARS* and *Dolce&Gabbana***
(Market growth: low single digits in makeup and high single digits in fragrance)
 - **Strong sales of *Laura Mercier***

*1. See Supplemental Data 11 for details about changes in reportable segments. The previous year's results are restated to reflect the new reportable segments.

*2. OPM is calculated using net sales including intersegment transactions.

Americas: Profit Structure

- Invested business profit in global prestige brands, CoEs* and technologies such as “Second Skin”



* CoE: Center of Excellence



EMEA: Organic Sales Increased Slightly Strengthened Investment in *Dolce&Gabbana*

(Billion yen)	FY2018 1H	FY2017 1H	YoY Change	YoY Change %	YoY Change in LC %
Sales	46.9	44.9	+1.9	+4.3	-3.0

YoY change excluding the impact of business transfer in FY2017 was +0.2%.

(Billion yen)	FY2018 1H	FY2017 1H	YoY Change	YoY Change %
Operating Income	-5.0	-4.1	-0.9	—
OPM %	-9.5	-8.5	-1.0pt	
Income Before Amortization of Goodwill, etc.	-4.1	-3.3	-0.8	—
OPM %	-7.8	-6.8	-1.0pt	

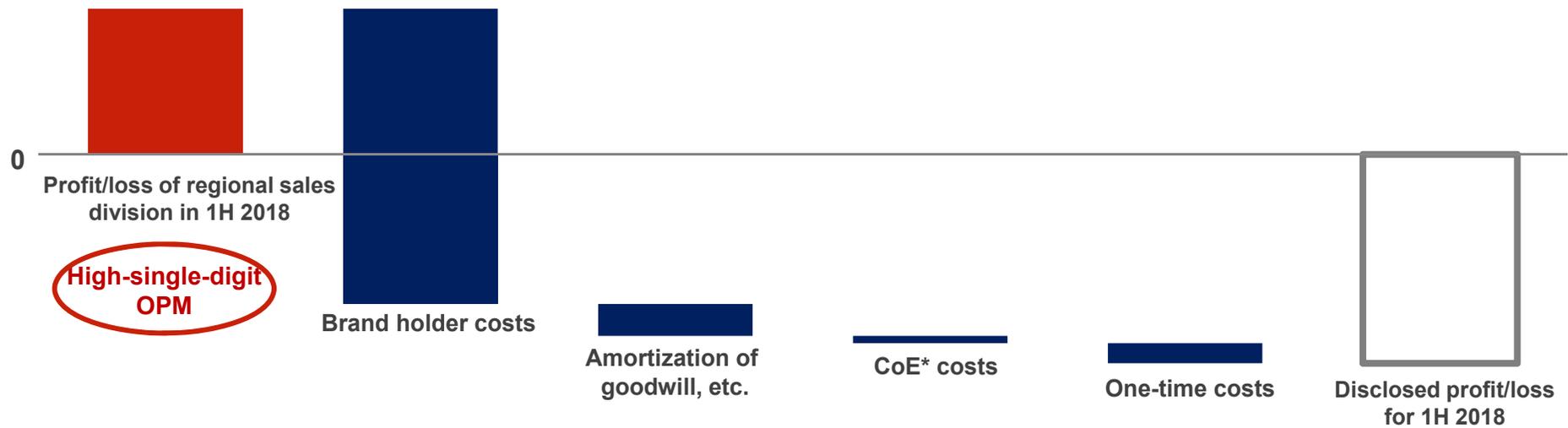
- Sales growth outpacing the market and market share increased
 - Continued growth in sales of *Dolce&Gabbana Light Blue* and *The One*
 - Strong sales of *NARS*

*1. See Supplemental Data 11 for details about changes in reportable segments. The previous year's results are restated to reflect the new reportable segments.

*2. OPM is calculated using net sales including intersegment transactions.

EMEA: Profit Structure

- Invested business profit in fragrance brands



* CoE: Center of Excellence

Travel Retail:

Sales: +¥13 Bn; OPM Remained High at 25% Level

(Billion yen)	FY2018 1H	FY2017 1H	YoY Change	YoY Change %	YoY Change in LC %
Sales	45.3	32.3	+13.0	+40.3	+41.4

YoY change excluding the impact of business transfer in FY2017 was +47%.

(Billion yen)	FY2018 1H	FY2017 1H	YoY Change	YoY Change %
Operating Income	11.1	8.4	+2.6	+31.3
OPM %	24.5	26.1	-1.6pt	
Income Before Amortization of Goodwill, etc.	11.1	8.4	+2.6	+31.3
OPM %	24.5	26.1	-1.6pt	

● Cosmetics

- *SHISEIDO, Clé de Peau Beauté* and *ANESSA* posted high sales growth
- Sales of *NARS* doubled

● Fragrance

- *Dolce&Gabbana* continued to perform well

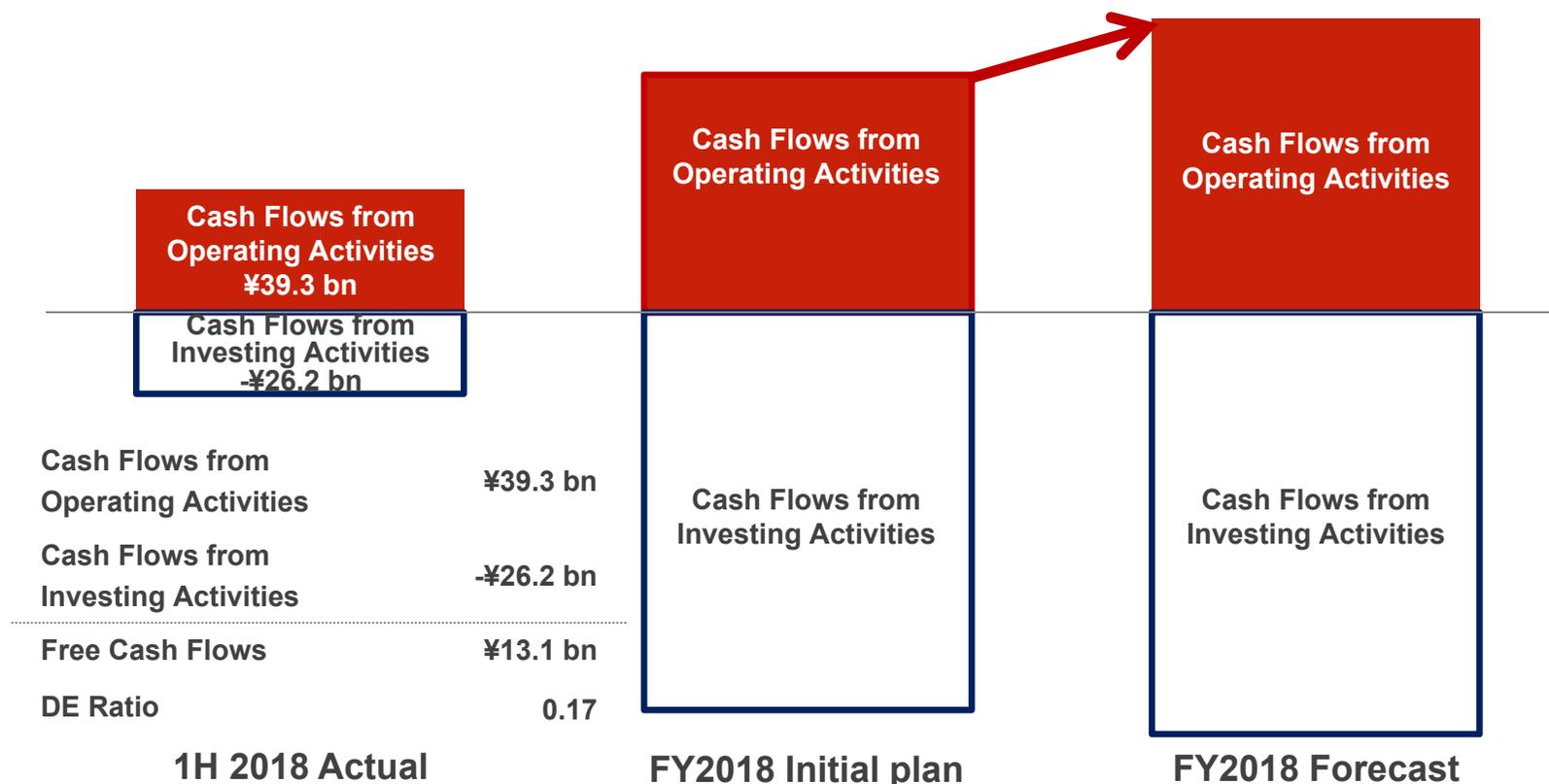
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*2. OPM is calculated using net sales including intersegment transactions.

Free Cash Flow Higher Than Initial Plan

Consolidated Statements of Cash Flows

Made proactive investments in R&D, production sites and other areas for the realization of VISION 2020



SHISEIDO

2018 Outlook

Masahiko Uotani

August 8, 2018

Representative Director, President and CEO
Shiseido Company, Limited



SHISEIDO

2018 Outlook: Summary

**Achieve “VISION 2020” two years earlier than initially planned
Operating income exceeding ¥100 bn and operating margin over 10%**

- Net sales ¥1,090 bn
YoY change +¥84.9 bn YoY in local currency +9%
Upward revision from initial plan: +¥57 bn
<+¥129.5 bn (+13%) Like for like* >
- Operating income ¥110 bn YoY change +¥29.6 bn (+36.8%)
Upward revision from initial plan: +¥20 bn
- Net income ¥67 bn YoY change +¥44.3 bn (+194.5%)
Upward revision from initial plan: +¥13 bn

Aim for further expansion of net sales and operating income

- Increase production capacity
- Improve COGs ratio
- Improve marketing investment efficiency

Operating income +¥10-15 bn

* Excluding the impact from business transfers in 2017 and FX impact

Expect to Achieve VISION 2020

Two Years Ahead of Plan

■ 2018 Forecast

(Billion yen)	2018		2017	YoY Change %	YoY Change in LC %	Initial Plan	
		% of Net Sales					Change from Initial Plan
Net Sales	1,090.0	100	1,005.1	+8.5	+9 +13 LFL*	1,033.0	+57.0
Operating Income	110.0	10.1	80.4	+36.8		90.0	+20.0
Ordinary Income	110.0	10.1	80.3	+36.9		90.0	+20.0
Extraordinary Income/Loss	-5.0	-0.5	-41.8	—		-6.0	+1.0
Net Income Attributable to Owners of Parent	67.0	6.1	22.7	+194.5		54.0	+13.0

* Excluding the impact from business transfers in 2017

Expected ROE: 14.4%

Exchange rates: 2018 USD1=JPY109.3 (-3%), EUR1=JPY129.8 (+2%), CHY1=JPY16.8 (+1%)

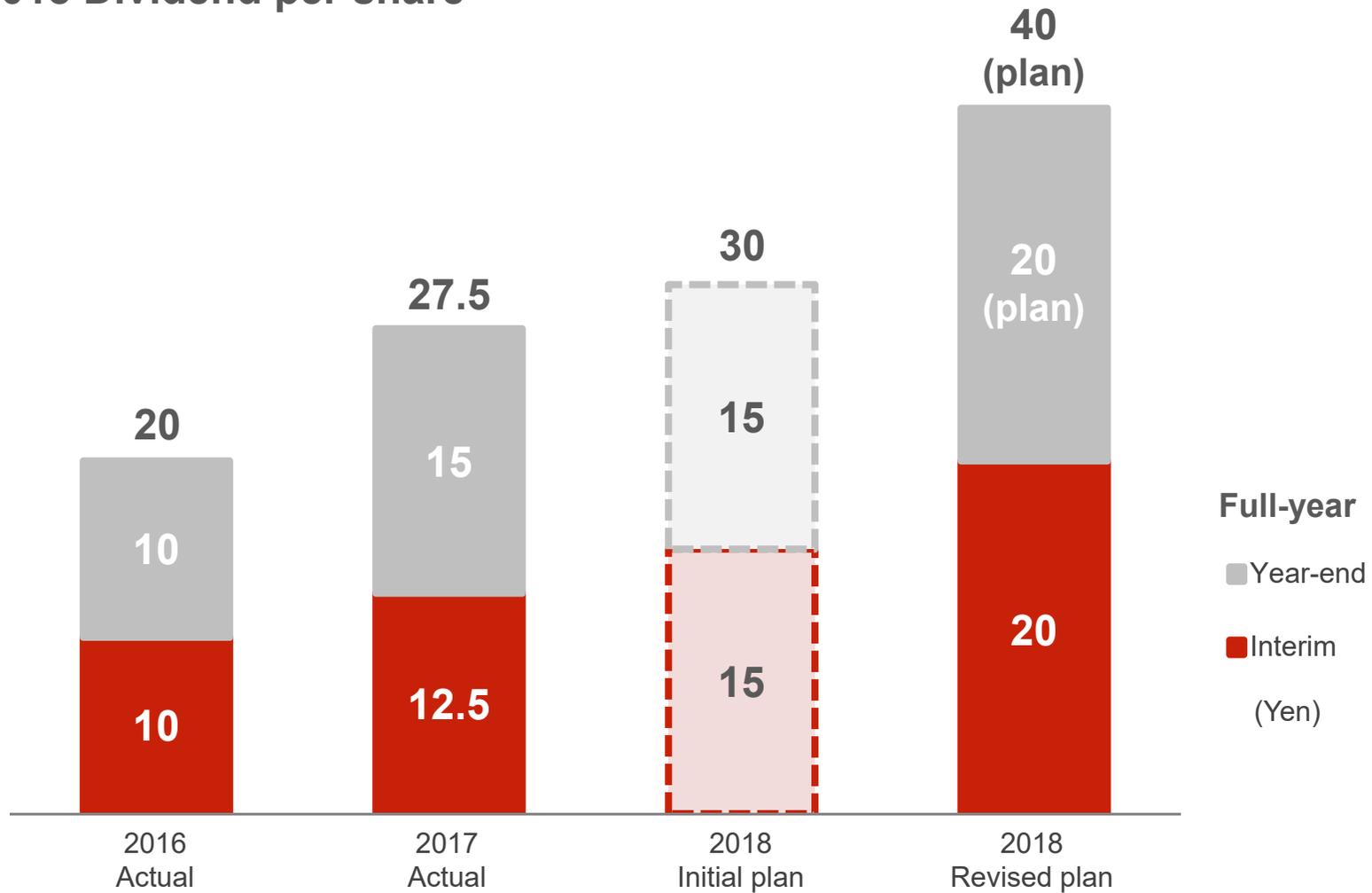
Dividend: Interim ¥20 Year-end ¥20 (plan)

Market Conditions in 2H 2018: Continue Aggressive Investment Based on Business Environment

- Growth of prestige market
 - Inbound demand
 - Market competition
 - Trade tensions
 - FX impact (USD/CNY/JPY)
 - Natural disasters, extreme weather
- 
- **Increase 2H investment by ¥25 bn YoY, mainly in marketing**
 - **Step up medium-to-long-term strategic investment to strengthen supply capacity**

Further **Increased** Both Interim and Planned Year-End Dividend

■ 2018 Dividend per share

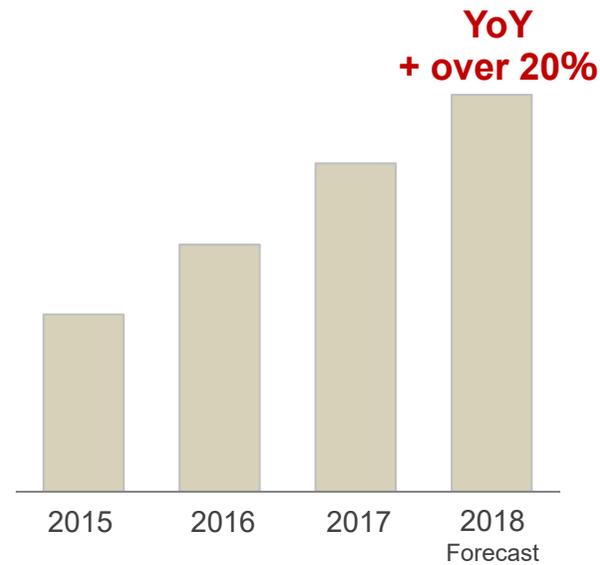
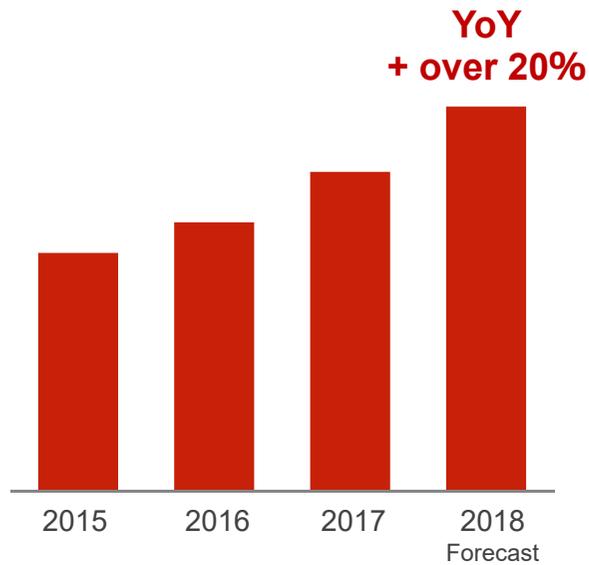


2H 2018 Strategies for Sustainable Growth

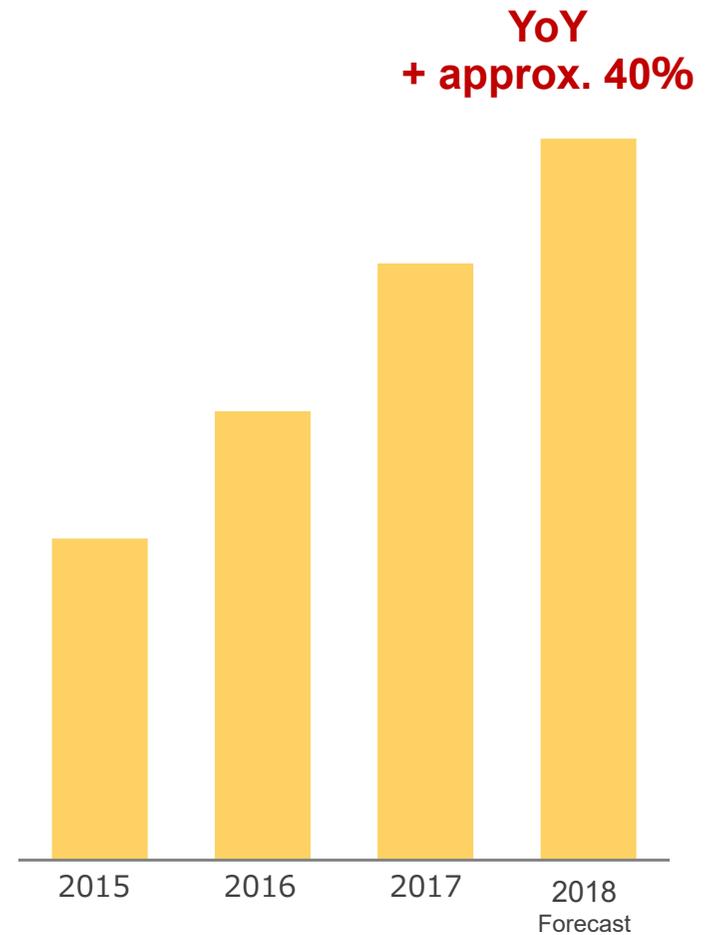
- Maintain and accelerate momentum in growth areas
- Boldly strengthen makeup category
- Restructure supply chain to meet increased demand
- PEOPLE FIRST



Improve Profitability by Growth of Skincare Brands: Prestige Brands



Improve Profitability by Growth of Skincare Brands: ELIXIR



SHISEIDO Makeup Big Bang

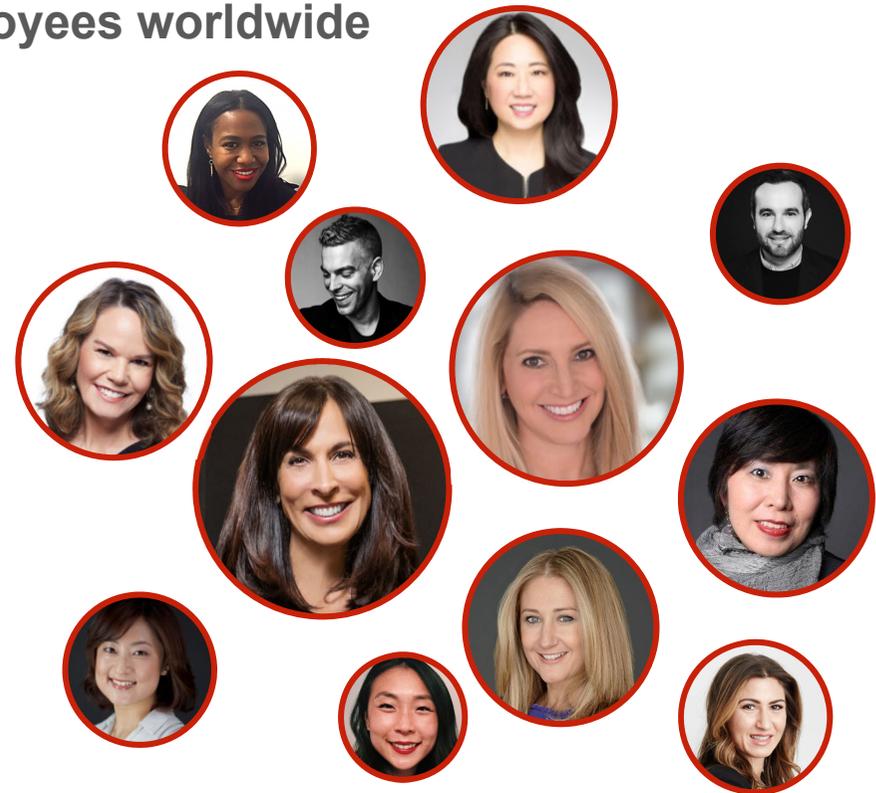
- Only brand bearing company name
- Aim for sales of ¥200 bn by 2020

Utilize skincare strengths
and J-Beauty
in makeup development



SHISEIDO's **Unique Value** Japanese Heritage to the World

- Deliver unique Japanese value, with Makeup Center of Excellence playing central role
- Create value through diversity, with expertise of more than 1,000 employees worldwide
- Release successively across the world



bareMinerals

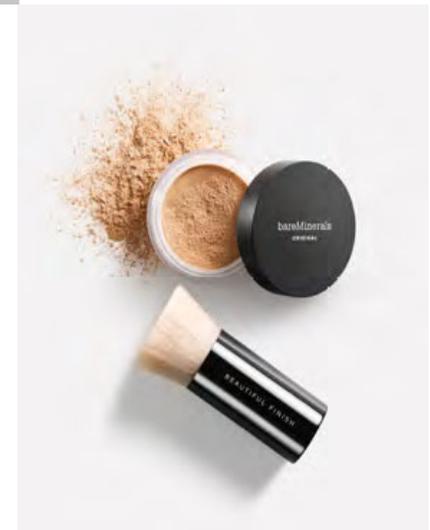
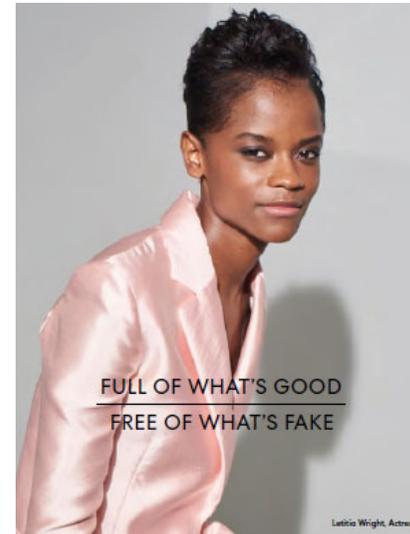
Full-Scale Start of Brand Revival

- Proceed with structural reforms and boutique closure as planned
- Strengthen digital marketing
Overhaul e-commerce platform
- **New brand strategy: Back to roots**

“Clean without Compromise”

- Everyone prefers a natural image and natural ingredients
- Some consumers want to know what products contain before buying them
- Younger generations demand transparency

- “Clean” market will continue to expand
- Business partners are interested and keen to be involved



Laura Mercier

Global Expansion

- Paris and New York
Brand fusing both personalities
- Renew brand communication with a global focus
 - Brand logo
Add “PARIS | NEW YORK”
 - New brand look
 - New store design
 - Website renewal
 - Strengthen digital communication with social media and influencers
 - Bolster Asia and Travel Retail



LAURA MERCIER
PARIS | NEW YORK

China: Boost Sales by Strengthening Investment

Aim for Net Sales Exceeding ¥180 Bn and Double-Digit Operating Margin

- Strengthen prestige brands
- Improve profitability of cosmetics business
- E-commerce:
 - Strengthen alliances with major retailers
 - Advance strategic partnership with Alibaba
 - Set up professional team in Hangzhou



Cross-Border Marketing

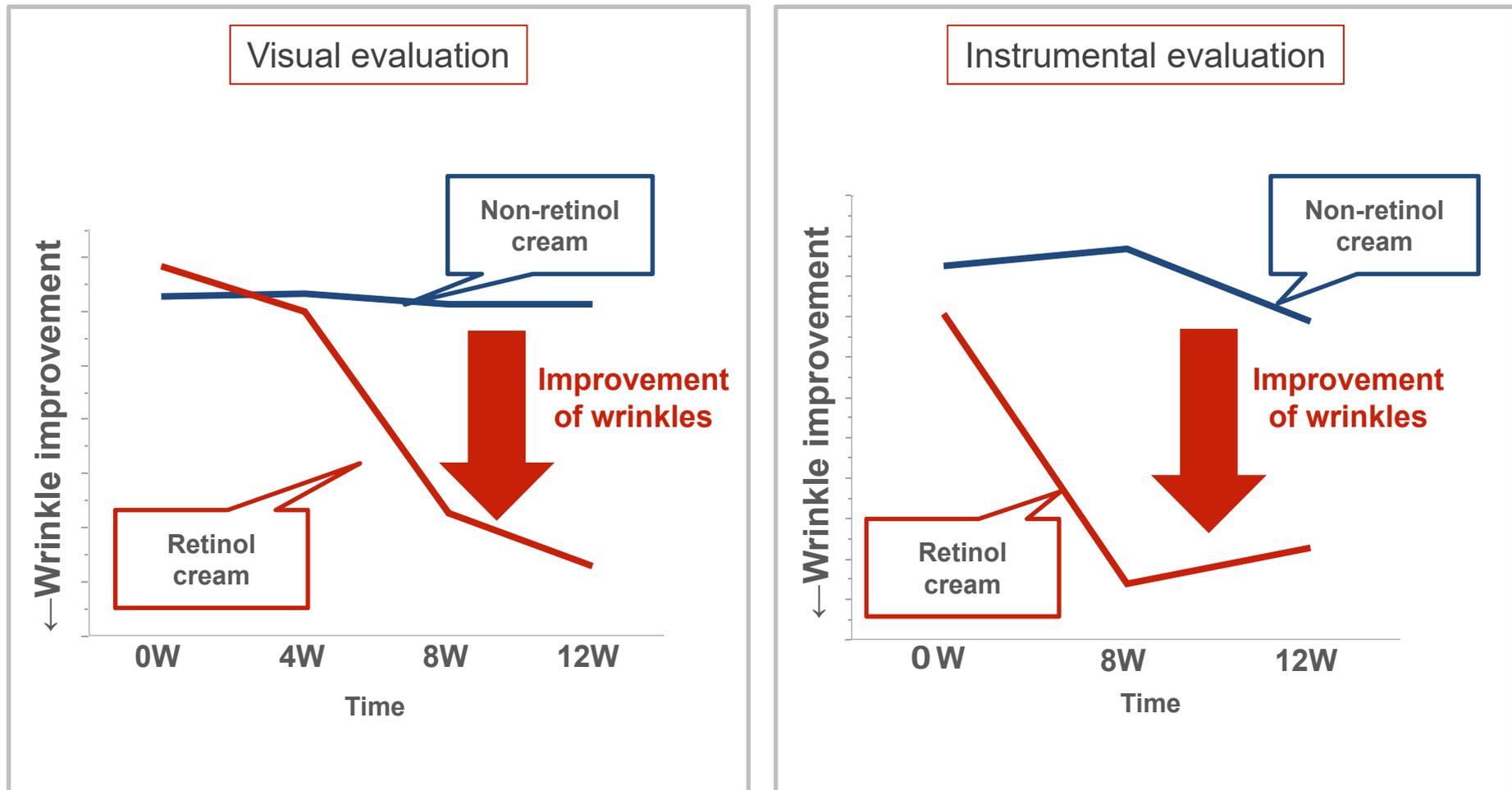
Aim for Travel Retail **Net Sales Exceeding ¥100 Bn***1

- FY2018: Sales growth exceeding ¥30 bn like for like*2



*1 Including DFS sales in Japan *2 Excluding the impact from business transfers in 2017

Further Innovation: Pure Retinol **Improves Wrinkles on the Neck** in Eight Weeks

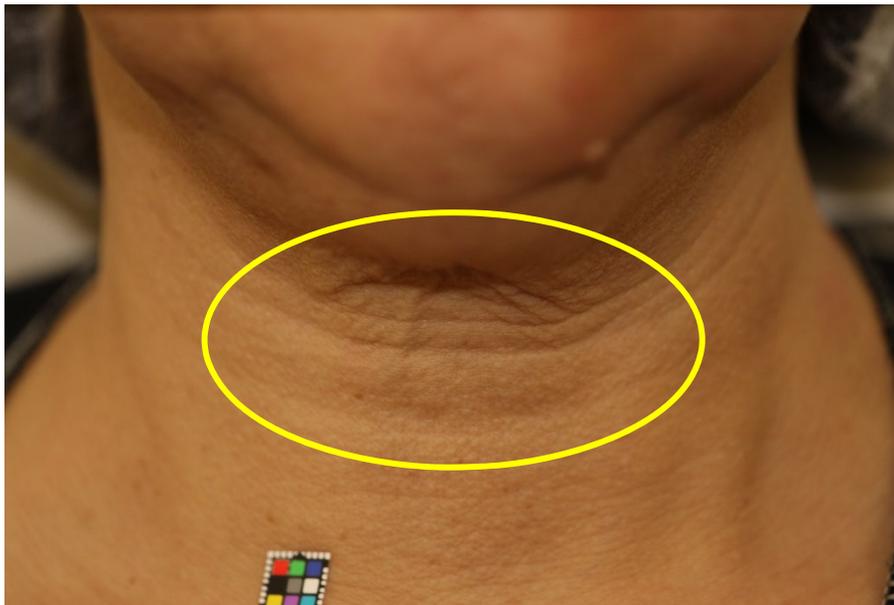


Data published by Japanese Society of Aesthetic Dermatology on August 4, 2018

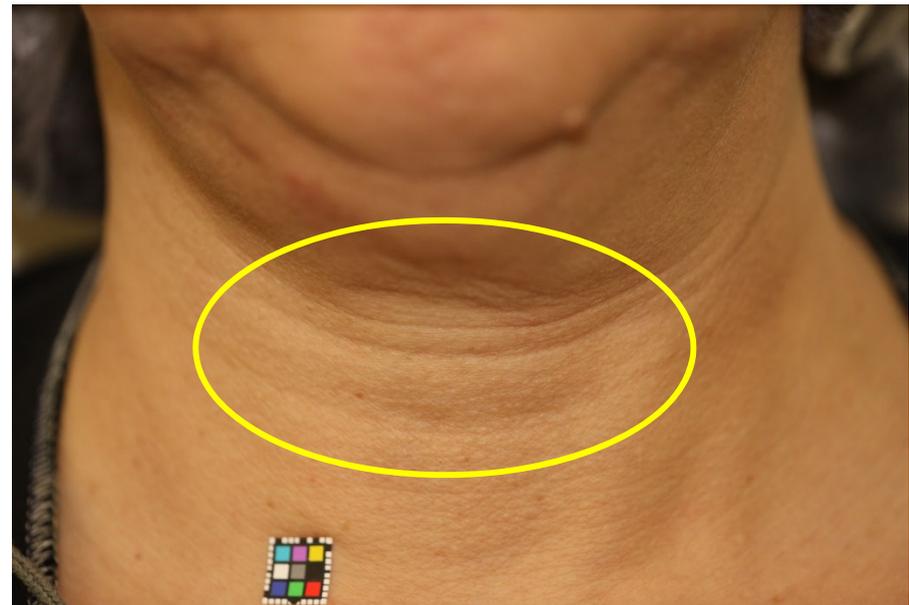
Marked Improvement Not Only of Crow's Feet but Also Wrinkles on the Neck

- Example of remarkable effectiveness in improving wrinkles on the neck (60-year-old female)

Before use



After 8 weeks of use



Data published by Japanese Society of Aesthetic Dermatology on August 4, 2018

Tackle Serious Supply Issues

Increase production and supply of top-selling products

- Drastically reduce SKUs
 - Reduce SKUs produced in Japan by 4,500
 - Withdraw from wholesale cosmetics business
- Increase production lines (wrinkle cream, etc.)
- Expand outsourcing
- Increase supply of raw materials

Further strengthen production capacity

- Progress as planned: Nasu Factory and new Osaka Factory
- Review and rebuild Group-wide production strategy



PEOPLE FIRST

Develop Individual Strengths and Organizational Capabilities

- **Strengthen diversity and talent**
 - Establish global HR database (45,000 people)
 - Develop leaders
 - Recruit professional talent
 - Promote internal talent
 - Enhance Female Leader Development Program
 - Promote global mobility
- **Future Leadership Program**
 - Cumulative number of participants from 2016 to 2017: 4,800
 - Planned number of participants in 2018: approx. 4,300
- **Singapore
Asia Learning Center — October 2018**
- **English mandate — October 2018**

Workstyle Reform

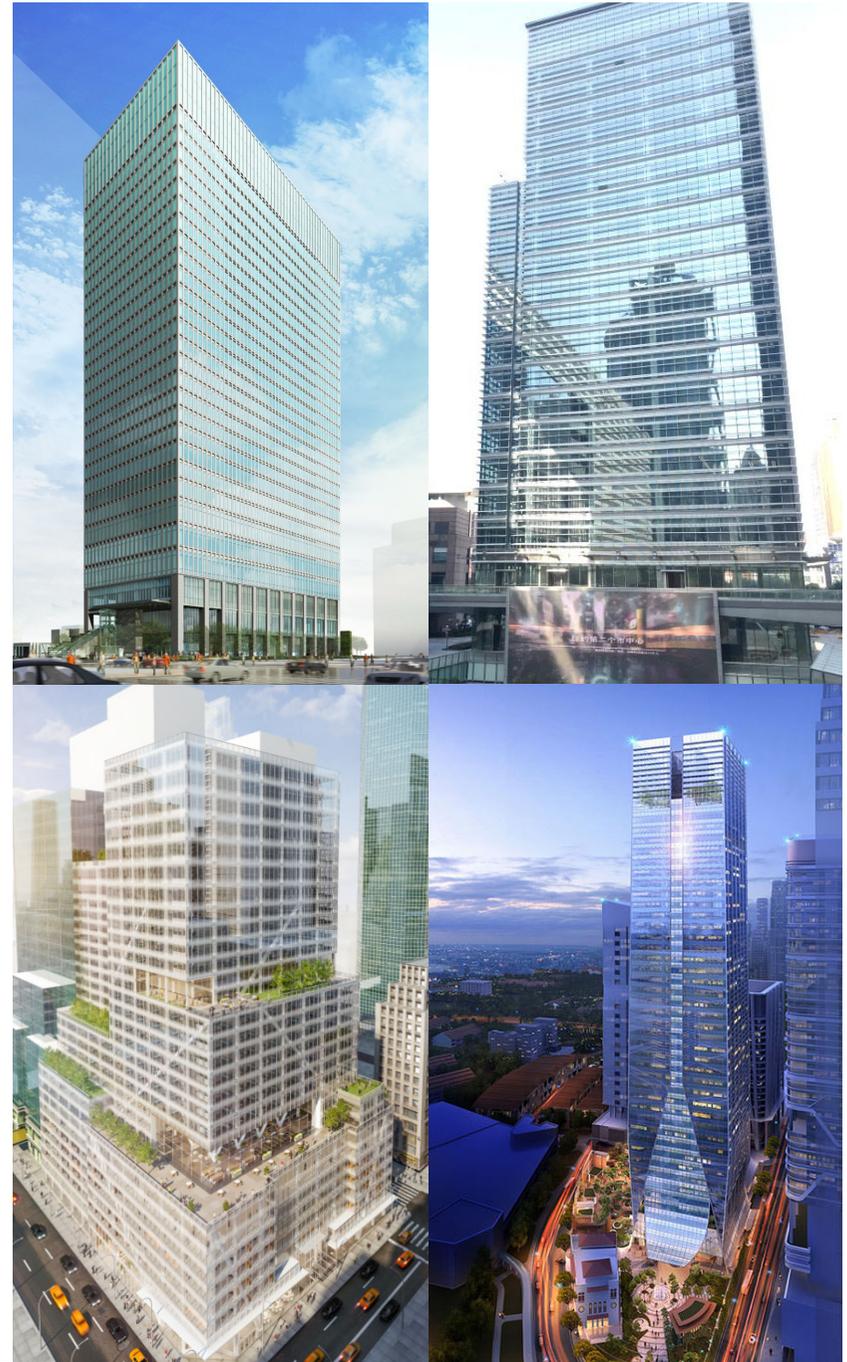
“Office Innovation Project”

Offices that stimulate the sensibility and creativity befitting of a beauty company

- **Regional headquarters:**
Relocation to new offices
Japan, China, Americas,
Asia Pacific/Travel Retail
- **Shiodome Head Office:**
Full renovation to strengthen global
HQ functions



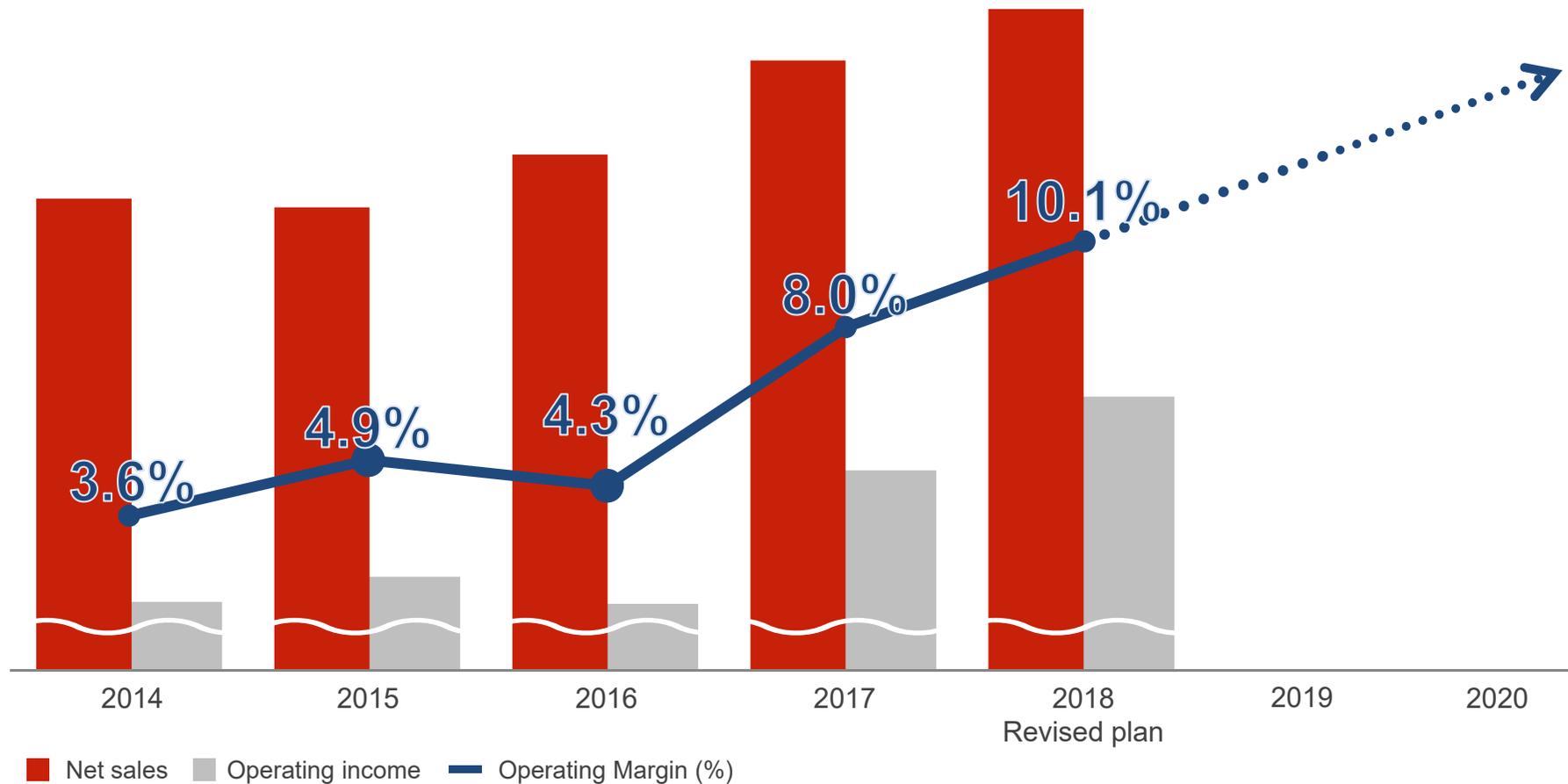
Establish Global Operations



Shift to Virtuous Cycle to Drive Business Growth



Aim for Even Higher Goals toward 2020



2014 is the fiscal year ended March 31, 2015, and 2015 is the 9 months from April 1, 2015 to December 31, 2015 for Shiseido and its consolidated subsidiaries in Japan and the 12 months from January 1, 2015 to December 31, 2015 for all other subsidiaries.

**Be a Global Winner
with Our Heritage**



SHISEIDO

Supplemental Data 1:

Japan, China and Travel Retail Maintained High Growth

1H Results of Sales by Reportable Segment

(Billion yen)	FY2018		FY2017		YoY Change	YoY Change %	YoY Change in LC %	YoY Change in LC % (like-for-like*2)
		% of Net Sales		% of Net Sales				
Japan	238.5	44.8	209.2	44.3	+29.3	+14.0	+14.0	+15
China	92.9	17.5	68.7	14.6	+24.2	+35.3	+32.4	+32
Asia Pacific	33.3	6.3	28.5	6.0	+4.8	+17.0	+14.5	+14
Americas	58.8	11.0	59.2	12.6	-0.4	-0.6	+1.8	+6
EMEA	46.9	8.8	44.9	9.5	+1.9	+4.3	-3.0	+0.2
Travel Retail	45.3	8.5	32.3	6.8	+13.0	+40.3	+41.4	+47
Professional	10.3	1.9	23.2	4.9	-12.9	-55.8	-56.2	+4
Other	6.6	1.2	6.2	1.3	+0.4	+7.0	+7.1	+19
Total	532.6	100	472.1	100	+60.5	+12.8	+11.9	+17

*1. See Supplemental Data 11 for details about changes in reportable segments. The previous year's results are restated to reflect the new reportable segments.

*2. YoY Change in LC % (like-for-like) is the year-on-year change on a local currency basis excluding the impact of business transfer, etc. the previous year.

Supplemental Data 2: Growth in All Divisions

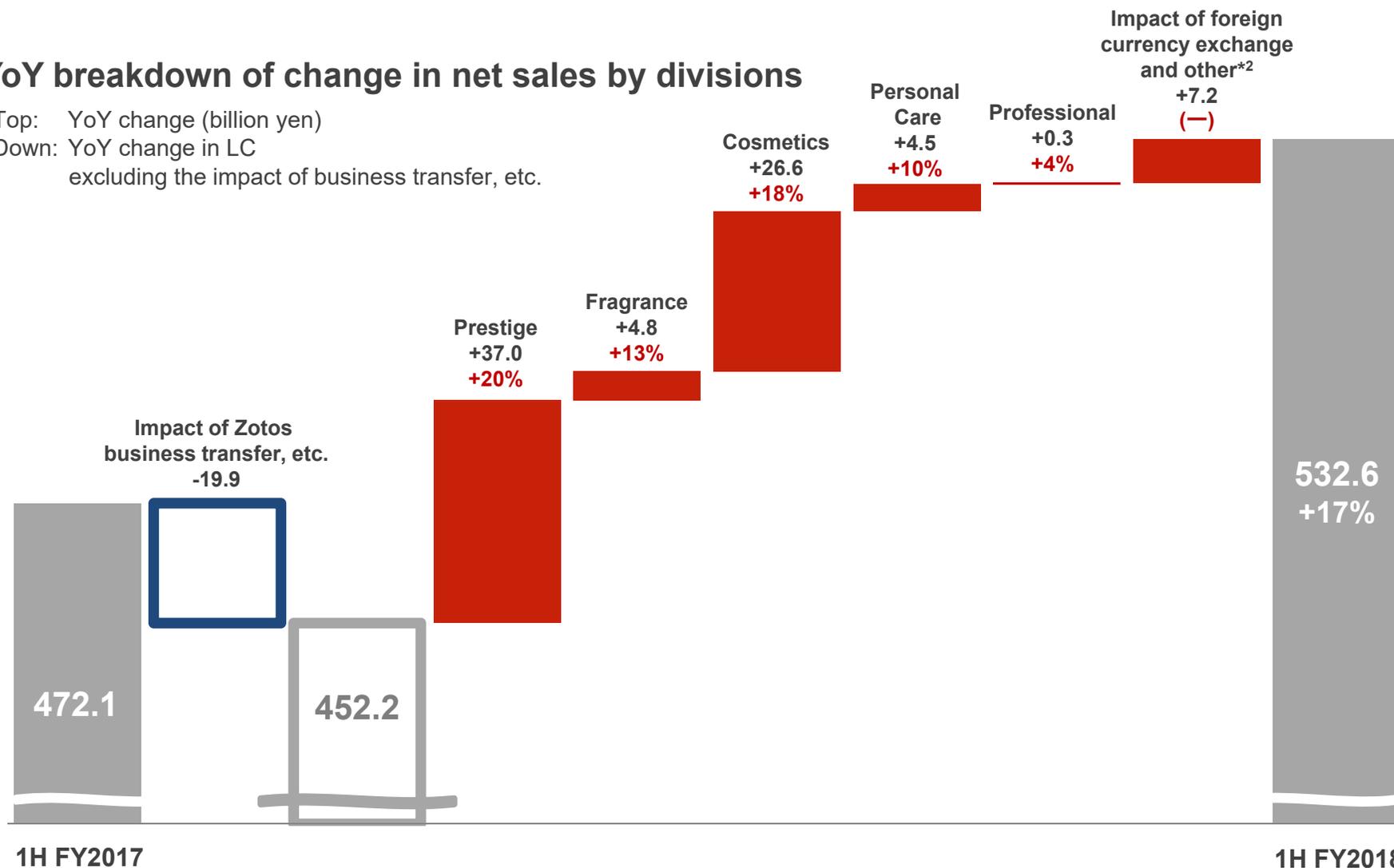
The prestige and cosmetics businesses continued to drive growth

YoY breakdown of change in net sales by divisions

Top: YoY change (billion yen)

Down: YoY change in LC

excluding the impact of business transfer, etc.



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

*2. "Impact of foreign currency exchange and other" includes impact of foreign currency exchange +¥4.3 bn as well as "Other" business and the difference between the assumed rates and the actual rates.

Supplemental Data 3: Store Sales of Major Brands in Japan

	Major brands				
Prestige/ Specialty Store					
					
Cosmetics					
					
Personal Care*1					

*1. Shipments from wholesalers to retailers

 Above the previous year
 Below the previous year

Supplemental Data 4: Profitability Improved Globally

1H Results of Operating Income by Reportable Segment

(Billion yen)	FY2018		FY2017		YoY Change	YoY Change %
		OPM %		OPM %		
Japan	54.7	21.4	40.8	18.1	+13.9	+34.0
China	15.6	16.8	5.0	7.3	+10.6	+212.3
Asia Pacific	4.5	13.0	3.1	10.6	+1.4	+44.3
Americas	-7.2	-9.5	-9.8	-14.7	+2.6	—
EMEA	-5.0	-9.5	-4.1	-8.5	-0.9	—
Travel Retail	11.1	24.5	8.4	26.1	+2.6	+31.3
Professional	0.5	4.6	1.2	5.0	-0.7	-58.5
Other	-0.9	-1.5	-5.4	-12.3	+4.6	—
Subtotal	73.3	11.7	39.2	7.3	+34.1	+87.1
Adjustments	-2.2	—	-4.5	—	+2.3	—
Total	71.1	13.4	34.7	7.3	+36.4	+105.1

*1. OPM is calculated using net sales including intersegment transactions.

*2. See Supplemental Data 11 for details about changes in reportable segments. The previous year's results are restated to reflect the new reportable segments.

Supplemental Data 5: Virtuous Cycle with Proactive Investment Leading to Sales Growth

1H Results of SG&A

(Billion yen)	FY2018 1H			YoY Change %	YoY Change	YoY Change Excluding Impact of Foreign Currency Exchange
		% of Net Sales	Change in % of Net Sales			
SG&A	352.4	66.1	-3.6	+7.1	+23.4	+20.1
Marketing Costs	188.6	35.3	-0.6	+11.3	+19.1	+16.8
Brand Development Cost and R&D Expenses	26.9	5.1	+0.2	+16.2	+3.8	+3.3
Personnel Expenses	61.5	11.5	-1.4	+0.8	+0.5	+0.1
Other SG&A Expenses	75.4	14.2	-1.8	+0.1	+0.1	-0.1

*1. The "+" and "-" symbols in YoY Change are used to indicate increase and decrease in amount and percentage of net sales, respectively.

*2. Marketing Costs includes POS personnel expenses.

Supplemental Data 6: 1H Results of Other Income and Expenses and Extraordinary Income and Losses

Other Income and Expenses			Extraordinary Income and Losses				
	(Billion yen)	FY2018	FY2017		(Billion yen)	FY2018	FY2017
Interest Income		0.6	0.4	Gain on Transfer of Business		0.5	—
Interest Expense		-0.4	-0.4	Gain/Loss on Sales or Disposal of Property, Plant and Equipment		0.2	-0.4
Net Interest Income and Expense		0.2	-0.0	Gain/Loss on Sales of Investments in Securities and Loss on Revaluation of Investments in Securities		1.6	0.3
Foreign Exchange Gain/Loss		-1.8	-0.7	Loss on Business Withdrawal/Structural Reform Expenses, etc.		-0.7	-1.0
Other		3.3	0.3	Voluntary Product Recall-Related Expenses		—	-2.5
Total		1.7	-0.5	Total		1.6	-3.6

*1. Gain on Transfer of Business: Adjustment associated with transfer of shares of Zotos

*2. Loss on Business Withdrawal/Structural Reform Expenses, etc.: Expenses related to withdrawal from the wholesale cosmetics business and other businesses, etc.

Supplemental Data 7: 1H Results Net Income Attributable to Owners of Parent and Comprehensive Income

	FY2018	FY2017
(Billion yen)		
Net Income before Income Taxes	74.4	30.6
Income Taxes (Tax Rate)	24.6 (33.1)	10.7 (35.0)
Net Income Attributable to Non-Controlling Interests	2.1	1.1
Net Income Attributable to Owners of Parent	47.7	18.8
	FY2018	FY2017
Comprehensive Income	39.8	18.4

Supplemental Data 8: Consolidated Balance Sheets

(Billion yen)	As of June. 30, 2018	Change from Dec. 31, 2017
Total Current Assets	521.8	-4.5
Cash, Time Deposits and Short-Term Investments in Securities	164.6	-9.8
Notes & Accounts Receivable	155.4	-6.6
Inventories	141.6	+11.7
Total Fixed Assets	445.2	+22.0
Property, Plant and Equipment	187.2	+28.5
Intangible Assets	164.8	-3.8
Investments and Other Assets	93.2	-2.7
Total Assets	967.0	+17.5

(Billion yen)	As of June. 30, 2018	Change from Dec. 31, 2017
Total Liabilities	493.0	-10.5
Notes & Accounts Payable and Other Payables	164.4	+17.5
Accrued Income Taxes	18.4	-6.6
Accrued Bonuses for Employees	15.2	-9.8
Interest-Bearing Debt	78.0	-3.5
Long-term Payables	55.3	-4.0
Total Net Assets	473.9	+28.1
Shareholders' Equity	445.5	+39.4
Accumulated Other Comprehensive Income	8.1	-9.2
Non-Controlling Interests	19.4	-2.1
Total Liabilities and Net Assets	967.0	+17.5

Exchange Rates:

June. 30, 2018: USD 1= JPY 110.5; EUR 1 = JPY 127.9; CNY 1 = JPY 16.7
Dec. 31, 2017: USD 1= JPY 113.1; EUR 1 = JPY 135.0; CNY 1 = JPY 17.3

Debt-to-equity ratio 0.17

* Main line items only

Supplemental Data 9: Capital Expenditures, Depreciation and Amortization

(Billion yen)	FY2018 1H	FY2017 1H	FY2018 Forecast
Capital Expenditures*1	49.0	21.2	132.1
Property, Plant and Equipment	38.4	13.8	101.6
Intangible Assets, etc.	10.6	7.4	30.5
Depreciation and Amortization	20.2	19.2	42.8
Property, Plant and Equipment	9.6	9.1	21.7
Intangible Assets, etc.	10.6	10.1	21.1
R&D Expenses	11.7	10.2	28.0

* 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: 2018 Sales Forecast by Reportable Segment

(Billion yen)	2018				Previously Announced 2018 Forecast		(For Reference) 2017 Results	
			YoY Change %		Berfore reclassifi- cation (announced in March)	After reclassifi- cation	Berfore reclassifi- cation (announced in March)	After reclassifi- cation
			YoY Change % in LC	YoY Change in LC % (like-for- like*3)				
Total	1,090.0	+8.5	+9	+13	1,033.0	1,033.0	1,005.1	1,005.1
Japan	464.0	+11.3	+11	+12	459.0	442.5	431.6	417.1
China	184.0	+27.5	+28	+28	163.0	163.0	144.3	144.3
Asia Pacific	65.5	+9.5	+10	+10	64.0	64.0	59.9	59.8
Americas	128.0	-4.6	-2	+2	125.0	125.0	134.1	134.1
EMEA	113.0	+4.1	+2	+5	115.0	115.0	108.5	108.5
Travel Retail	86.0	+32.2	+34	+39	74.0	74.0	65.0	65.0
Professional	21.0	-56.2	-56	+2	21.0	21.0	48.0	48.0
Other	28.5	+0.8	+1	+5	12.0	28.5	13.7	28.3

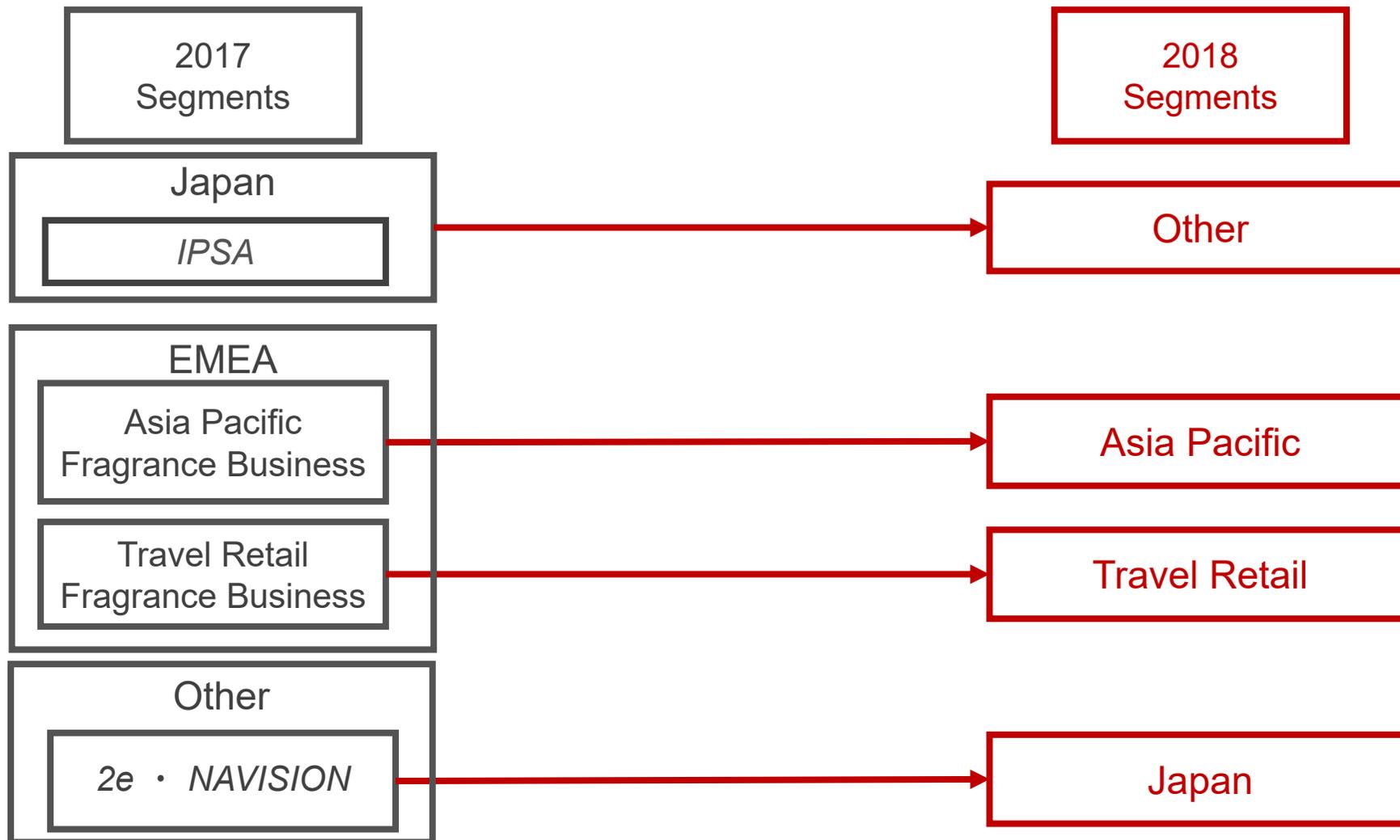
Exchange rates 2018: USD1 = JPY 109.3 (-3%), EUR1 = JPY129.8(+2%), CNY1 = JPY16.8 (+1%)

*1. See Supplemental Data 11 for details about changes in reportable segments.

*2. From the third quarter of the current fiscal year, the Company plans to record the business results of Ipsa Co., Ltd., which were previously recorded in the Japan business, in the Other business for better alignment with the Group's corporate management framework. Accordingly, from the third quarter of the fiscal year under review, the Company plans to present results for the second quarter of the current fiscal year and results for the previous fiscal year prepared based on the new segment classification structure and has reflected the new segment classification structure in its revised forecast. Previous forecasts and results for the previous fiscal year are presented before reclassification and after reclassification.

*3. YoY Change in LC % (like-for-like) is the year-on-year change on a local currency basis excluding the impact of business transfer, etc. the previous year.

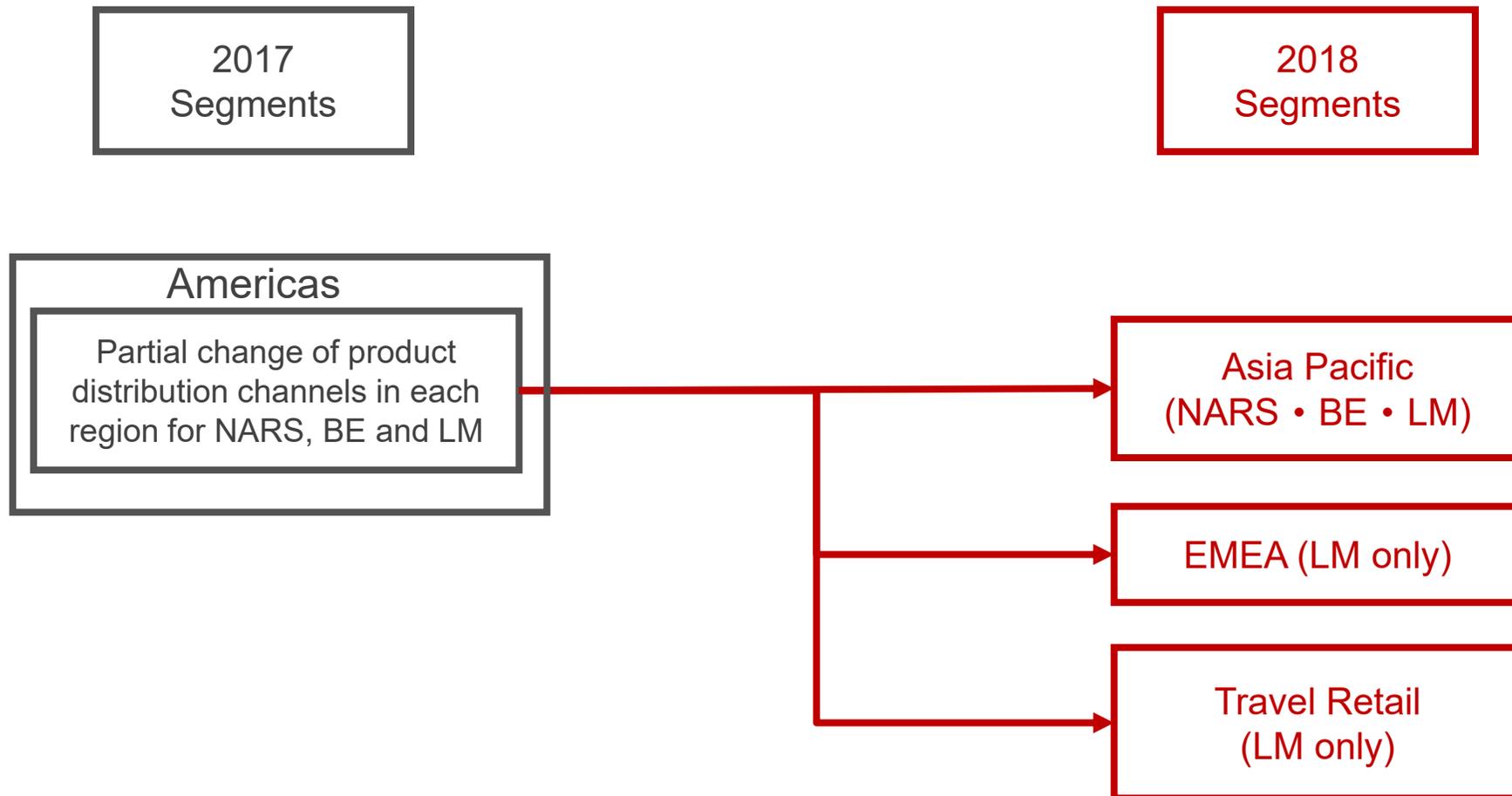
Supplemental Data 11-1: Main Constituents of Old and New Reportable Segments



From the first quarter of the current fiscal year, the Company revised its reportable segment classification structure for better alignment with the Group's corporate management framework. Fragrance business in the Asia Pacific, which was previously included in the EMEA business, is now included in the Asia Pacific Business, travel retail fragrance business, which was previously included in the EMEA business, is now included in the Travel Retail business, and 2e and NAVISION, which were previously included in the Others business, are now included in the Japan business.

From the third quarter of the current fiscal year, the Company plans to include the business results of IPSA Co., Ltd., which were previously recorded in the Japan business, in the Other business for better alignment with the Group's corporate management framework.

Supplemental Data 11-2: Main Constituents of Old and New Reportable Segments



The classification of business results was also partially revised. As a result, part of *NARS*, *bareMinerals*, and *Laura Mercier* product distribution operations conducted by distributors in each region, which were previously included in the Americas, are now included in Asia Pacific, EMEA, and Travel Retail.

BE: *bareMinerals*

LM: *Laura Mercier*

Supplemental Data 12: Major Public Announcements

News Releases

- **August 2018:** **New SHISEIDO Makeup Collection Featuring Skincare-like Light Textures and Bold Colors**
—Color items to makeup tools in a new lineup. Makeup reimaged—
- **July 2018:** **Shiseido Continuously Selected for Inclusion in ESG Investment Indexes: “FTSE4Good Index Series,” “FTSE Blossom Japan Index,” “MSCI Japan ESG Select Leaders Index,” and “MSCI Japan Empowering Women Index (WIN)”**
- **May 2018:** **Shiseido Selected as “Noteworthy IT Strategy Company” in the “2018 Survey of Competitive IT**
- **May 2018:** **Shiseido Cited as “Most Honored Company” by Institutional Investor in 2018**
- **April 2018:** **Notice of Expansion of Hospitality Program for Shareholders**
- **March 2018:** **Shiseido Develops the “New Three-Year Plan” (2018-2020)**
- **January 2018:** **Notice of Acquisition of “Second Skin” Technology from Olivo Laboratories**
—Artificial Skin Formation Technology “Second Skin” Instantly Tightens and Smooths Skin—