SHISEIDO

2018 Third Quarter Results
(Jan.-Sep.)

Norio Tadakawa

November 8, 2018

Corporate Executive Officer, CFO
Shiseido Company, Limited

- I would now like to explain our results for the third quarter of fiscal 2018.

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.

Q3 2018: Executive Summary

Net sales and operating income both reached all-time highs
14% organic net sales growth
Operating income for first nine months topped ¥100 bn

Net sales: ¥805.8 bn YoY change in LC: +9.7% YoY change: +10.2%
Organic net sales, excluding impact of business transfer, etc. in 2017: YoY change in LC: +14%

- In Japan, Shiseido store sales grew 13% YoY against market growth of 1-2%
- Sales expanded due to cross-border marketing (Organic net sales: YoY change in LC: China: +32%/ Travel Retail: +45%/ Inbound Sales: +28%)
- Prestige brands were main driver of global growth (+18%)
- Japanese cosmetics brands maintained growth (+12%)

Operating income: ¥101.4 bn OPM: 12.6% YoY change: +¥30.8 bn YoY change: +43.5%

- Moved closer to ideal cost structure through growth in brands
- Reinforced marketing investments to further strengthen brands and increase growth

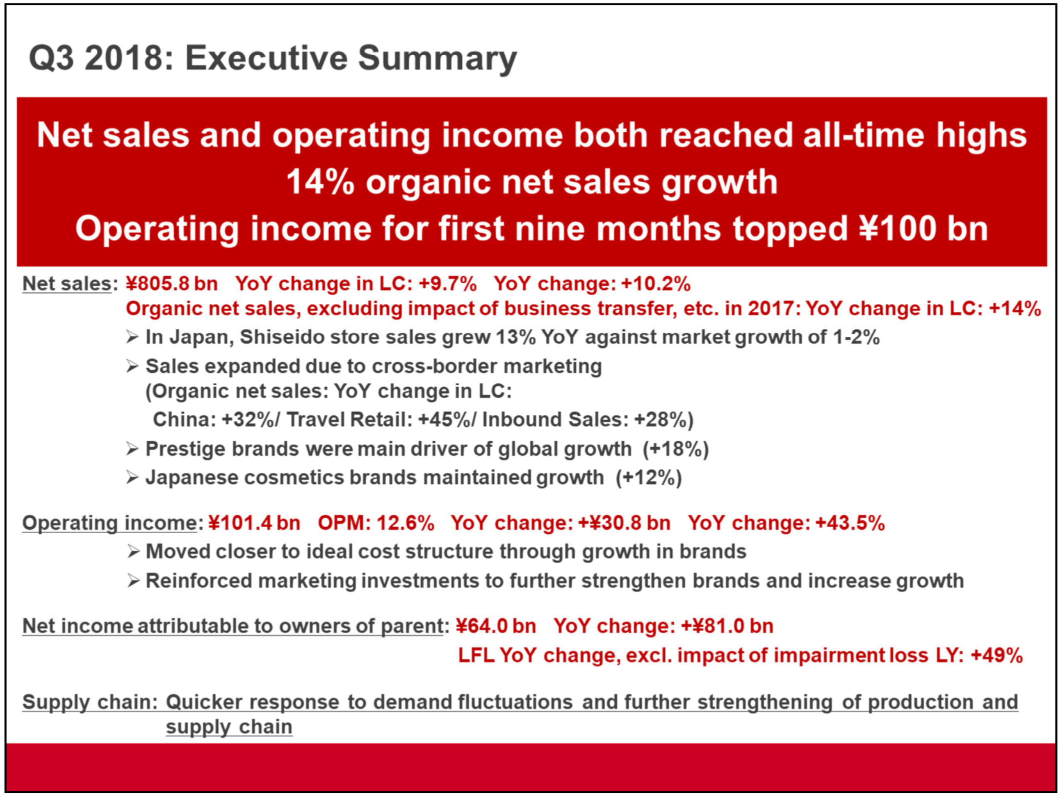
Net income attributable to owners of parent: ¥64.0 bn YoY change: +¥81.0 bn
LFL YoY change, excl. impact of impairment loss LY: +49%

Supply chain: Quicker response to demand fluctuations and further strengthening of production and supply chain

● I will begin by explaining key points.

● In the first nine months of the year, net sales and operating income both reached all-time highs. Net sales were ¥805.8 billion, increasing more than ¥100 billion from last year. Organic year-on-year sales growth was 14%. Meanwhile, operating income for the first nine months topped ¥100 billion. We were able to achieve these results because we have created a virtuous cycle in which a combination of accelerated brand growth and effective cross-border marketing in our Japan, China and Travel Retail businesses is leading to considerable improvement in our cost structure.

● I will now explain in a little more detail.
Starting with Japan, our store sales showed double-digit growth, rising 13% year on year, compared to market growth of 1-2%.
In addition, cross-border marketing continued to drive expansion in sales, and our China and Travel Retail businesses posted organic growth of 32% and 45% respectively, far outpacing market growth.



● Operating income was ¥101.4 billion, rising ¥30.8 billion from the previous year. The OPM was 12.6%. This increase is attributable to an improvement in the cost structure, including higher profit margins associated with increased sales of prestige brands, improvement in the product mix, and reduction of the fixed cost ratio.

● Net income was ¥64 billion. This was a massive improvement of ¥81 billion yen from the previous year due to higher operating income and the absence of an impairment loss associated with Bare Escentuals recorded the previous year. Furthermore, net income excluding that loss amounted to like-for-like growth of ¥20.9 billion, or 49% year on year.

● In terms of addressing supply chain issues, we made progress toward speeding up our response to demand fluctuations and further strengthening our production and supply chain. I will explain this in further detail later in this presentation.

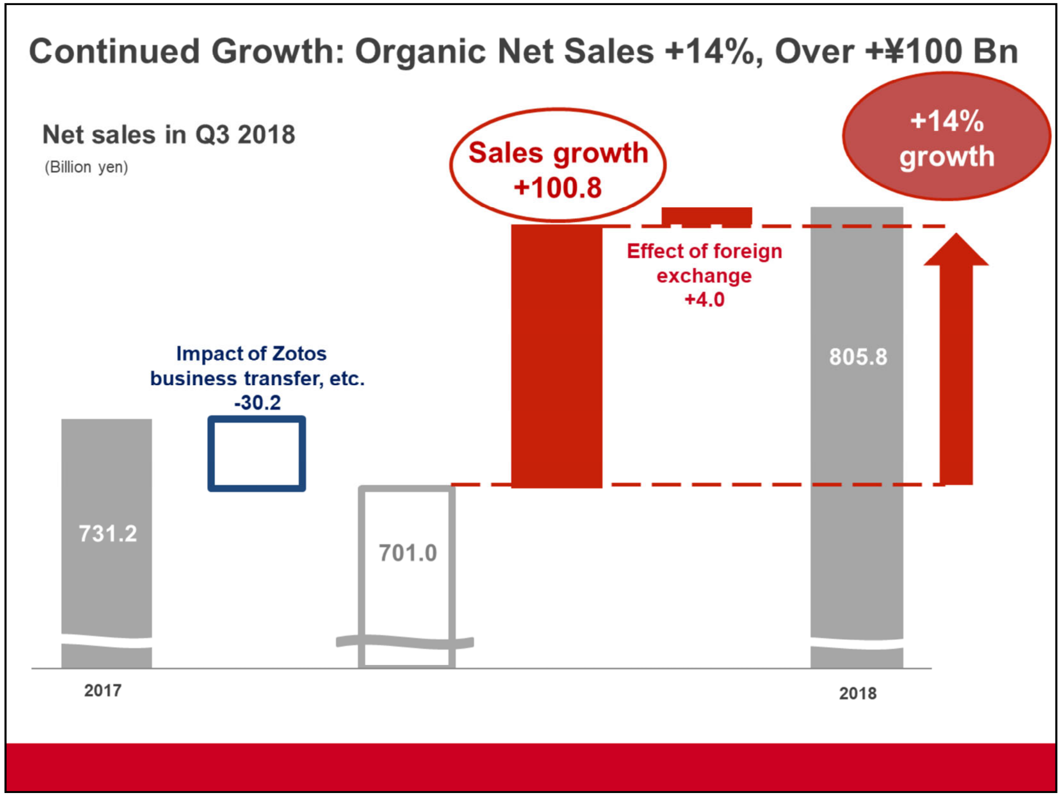
Summary of Q3 2018 Results

(Billion yen)	2018		2017		YoY Change	YoY Change %	YoY Change in LC %
	First Nine Months	% of Net Sales	First Nine Months	% of Net Sales			
Net Sales	805.8	100	731.2	100	+74.6	+10.2	+9.7
Cost of Sales	170.1	21.1	168.4	23.0	+1.7	+1.0	
SG&A	534.3	66.3	492.1	67.3	+42.1	+8.6	
Operating Income	101.4	12.6	70.7	9.7	+30.8	+43.5	
Ordinary Income	102.7	12.7	70.4	9.6	+32.3	+45.9	
Extraordinary Income/Loss (net)	-1.3	-0.1	-74.7	-10.2	+73.4	—	
Net Income Attributable to Owners of Parent	64.0	7.9	-17.0	—	+81.0	—	
EBITDA	135.1	16.8	100.9	13.8	+34.2	+33.9	

Exchange rates: USD1 = JPY109.6 (-2.1%), EUR1 = JPY131.0 (+5.2%), CNY1 = JPY16.9 (+2.3%)

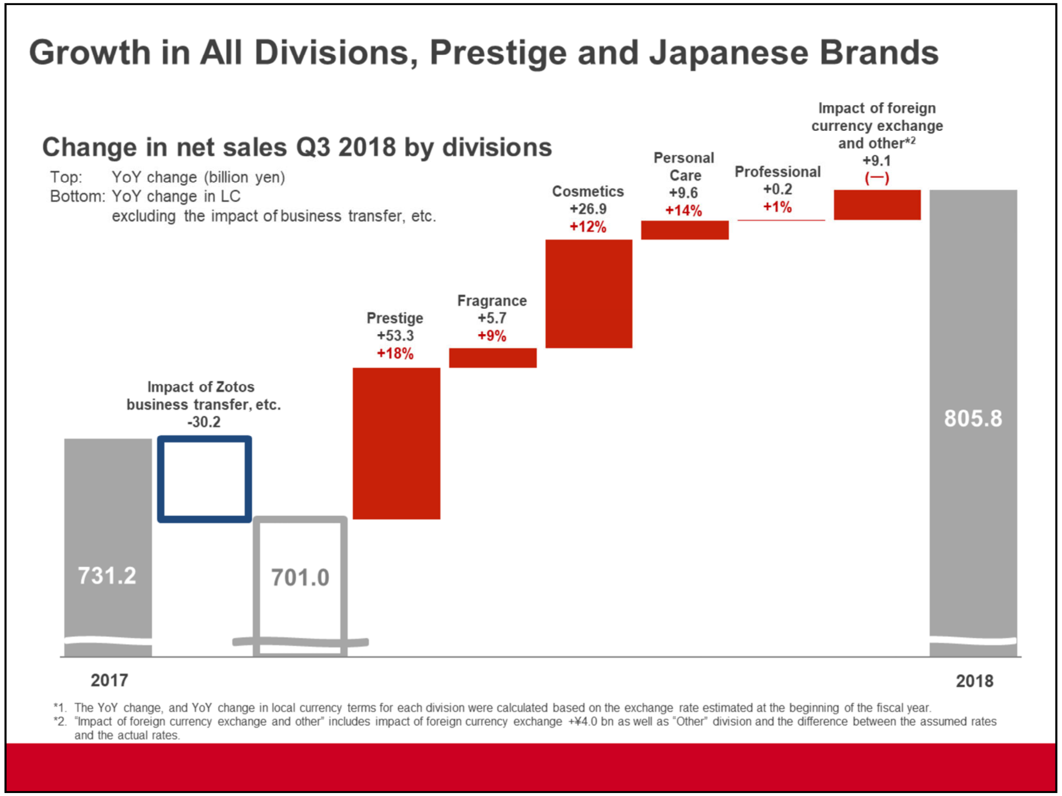
*1. The "+" and "-" symbols in YoY change indicate increase and decrease in amount, respectively.

● This shows a summary of our results for the first nine months.



● This shows organic sales growth in the first nine months.

● The transfer of Zotos and other business in 2017 had the effect of reducing sales by ¥30.2 billion. Organic net sales, excluding the impact of business transfers, increased by ¥100.8 billion, which is equivalent to 14% growth.



●This shows net sales by divisions.

●As in previous periods, prestige brands and "Made in Japan" cosmetics brands continued to show high growth, especially in Asia, and net sales expanded accordingly.

Growth Driven by Japan, China and Travel Retail
Sales in Americas on Growth Path

Q3 Results of Sales by Reportable Segment

(Billion yen)	2018 First Nine Months	2018 % of Net Sales	2017 First Nine Months	2017 % of Net Sales	YoY Change	YoY Change %	YoY Change in LC %	YoY Change in LC % (like-for-like*2)
Japan	340.1	42.2	310.6	42.5	+29.6	+9.5	+9.5	+9.9
China	140.5	17.5	105.4	14.3	+35.2	+33.4	+31.9	+32
Asia Pacific	51.9	6.4	45.2	6.2	+6.7	+14.9	+13.2	+13
Americas	94.6	11.7	94.1	12.8	+0.5	+0.5	+2.2	+7
EMEA	75.1	9.3	72.4	9.9	+2.7	+3.7	-1.1	+2
Travel Retail	67.3	8.3	48.7	6.7	+18.6	+38.2	+38.8	+45
Professional	14.9	1.9	34.8	4.8	-19.9	-57.1	-57.4	+1
Other	21.4	2.7	20.1	2.8	+1.2	+6.1	+6.1	+11
Total	805.8	100	731.2	100	+74.6	+10.2	+9.7	+14

*1. See Supplemental Data 13 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.

- This shows net sales by region.
- As you can see, growth was driven by the Japan, China and Travel Retail businesses. Having struggled in previous years, the Americas is now also on a growth path.

OPM 12.6% Due to Higher Profitability in China

Q3 Results of Operating Income by Reportable Segment

(Billion yen)	2018 First Nine Months	2018 OPM %	2017 First Nine Months	2017 OPM %	YoY Change	YoY Change %
Japan	71.7	19.7	64.3	19.4	+7.4	+11.4
China	23.5	16.7	11.2	10.6	+12.3	+110.3
Asia Pacific	7.1	13.4	6.7	14.5	+0.4	+6.1
Americas	-9.6	-7.9	-12.5	-11.9	+2.9	—
Before Amortization of Goodwill, etc.	-5.7	-4.6	-6.1	-5.8	+0.4	—
EMEA	-4.8	-5.7	-3.2	-4.0	-1.5	—
Before Amortization of Goodwill, etc.	-3.4	-4.1	-1.9	-2.4	-1.5	—
Travel Retail	15.0	22.2	12.3	25.2	+2.7	+22.2
Professional	0.6	4.0	2.0	5.8	-1.4	-69.9
Other	1.0	1.0	-4.4	-5.7	+5.4	—
Subtotal	104.5	11.0	76.5	9.2	+28.1	+36.7
Adjustments	-3.1	—	-5.8	—	+2.7	—
Total	101.4	12.6	70.7	9.7	+30.8	+43.5

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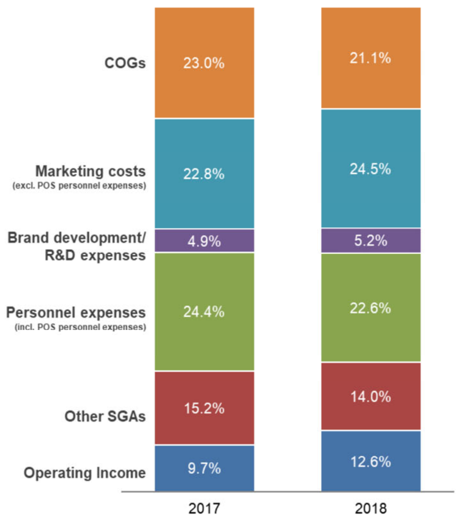
● This shows operating income by region.

● Again, the Japan, China and Travel Retail businesses contributed to profits. This fiscal year in particular, profitability in China has greatly increased, and the OPM improved to 16.7%. The Americas business also posted a smaller loss.

Maintenance of Ideal Cost Structure

Cost Structure in Q3 FY2018



- **Top-line growth**
- **COGs**
  - **Review of business portfolio**
  - **Growth in prestige brands**
- **Marketing investments**
  - **Increased investment in core brands**
- **Personnel expenses/ Other SGAs**
  - **Remained steady and, therefore, fell as a percentage of total sales**

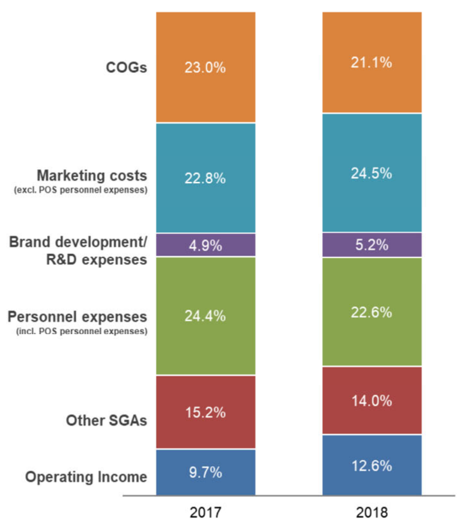
Top-line growth
through increased investment
Achieve double-digit OPM

- We also maintained the ideal cost structure, exceeding our own expectations.

- The COGs ratio fell by 1.9 percentage points. Last year's business portfolio review in the Professional and Fragrance businesses, and our Prestige First strategy and "three skin-related segments" strategy in Japan helped reduce costs more than anticipated. I believe that these cost savings can be solidly maintained in the future.

Maintenance of Ideal Cost Structure

Cost Structure in Q3 FY2018



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Top-line growth through increased investment
Achieve double-digit OPM

- The marketing investment ratio rose by 1.7 percentage points. We are continually strengthening marketing investments to generate more sales from core brands and to create a strong brand portfolio. We intend to maintain high growth on a global scale by achieving dramatic growth in core brands across the skincare, makeup and fragrance categories, while at the same time restructuring our portfolio, including withdrawing from several brands. We will capitalize on our topline growth to create a virtuous cycle in which we improve our cost structure by constantly curbing personnel costs and other SGAs.

- In line with this, we increased our investments in growth, and simultaneously achieved topline growth and higher profitability, with the OPM rising 2.9 percentage points to 12.6%.

Q3 2018 (Jul. to Sep.) Executive Summary

Organic sales growth was 9.9% and the OPM remained in double digits
Increased marketing investments will lead to increased sales from Q4

Net sales: ¥273.2 Bn YoY Change in LC: +5.6% YoY change: +5.4%
Organic net sales, excluding impact of business transfer, etc. in 2017:
YoY change in LC: +9.9%

- In Japan, our store sales grew +4% YoY compared to market growth of 0-1%
  Impact of natural disasters and loss opportunities due to supply shortages of core products
  Both store sales and shipments started to recover from Oct.
- Sales growth driven by cross-border marketing
  China in particular achieved high growth
  (Organic net sales: YoY change in LC:
  China: +31%/ Travel Retail: +42%/ Inbound sales: +6%)
- Americas: Firmly on growth path (Organic net sales: YoY change in LC: +8%)

Operating income: ¥30.3 Bn OPM: 11.1% YoY change: -¥5.7 Bn YoY change: -15.8%

- Significantly increased marketing investments to further strengthen brands and accelerate growth

Net income attributable to owners of parent: ¥16.3 Bn YoY change: +¥52.1 Bn

- Reflects absence of impairment loss associated with Bare Escentuals recorded last year

● I will now allay your concerns by explaining our results for the third quarter from July to September.

● In the third quarter we continued to achieve high growth, with organic sales growth of 9.9% compared to the third quarter of FY2017 or 24% compared to the third quarter of FY2016.

● In Japan, store sales grew by 4% and shipments grew by only 1% year on year because, in addition to the impact of natural disasters, sales of certain products under core brands such as *Clé de Peau Beauté* were far beyond expectations throughout the first half such that, in the third quarter, inventories ran low and supply shortages occurred, leading to lost opportunities.

● However, with the China business maintaining high growth of 31%, the Travel Retail business also posting 42% growth, and cross-border e-commerce sales also having grown 2.5-fold, we made up for decreased inbound sales in Japan with gains in the China, Travel Retail and cross-border e-commerce businesses.

●Various information has been released regarding inbound sales. However, in the third quarter, although market growth slowed temporarily under the impact of natural disasters, etc., we maintained sales growth in other areas such as China, Travel Retail and cross-border e-commerce which counterbalanced this.

●Furthermore, the Americas business, which had growth issues last year, maintained solid growth of 8% in the third quarter and is now firmly on a growth path.

●Therefore, even on when we look at our third-quarter results alone, we posted organic sales growth of 9.9%, more or less maintaining the trend for double-digit sales growth seen in the previous consecutive five quarters.

●Operating income fell ¥5.7 billion from last year and the OPM was 11.1%. However, we boldly increased marketing investments, aiming to further strengthen our brands and accelerate sustainable growth.

Third Quarter (Jul.-Sep.) Organic Net Sales Growth: +9.9%

Third Quarter Results of Sales by Reportable Segment (Jul.-Sep.)

(Billion yen)	2018	% of Net Sales	2017	% of Net Sales	YoY Change	YoY Change %	YoY Change in LC %	YoY Change in LC % (like-for-like*2)
Japan	109.4	40.0	108.2	41.8	+1.2	+1.1	+1.1	+1
China	47.6	17.4	36.7	14.3	+11.0	+29.8	+31.1	+31
Asia Pacific	18.5	6.8	16.7	6.3	+1.9	+11.2	+11.0	+11
Americas	35.7	13.1	34.9	13.4	+0.8	+2.4	+2.9	+8
EMEA	28.2	10.3	27.5	10.6	+0.7	+2.7	+1.9	+5
Travel Retail	22.0	8.1	16.4	6.3	+5.6	+34.1	+33.7	+42
Professional	4.7	1.7	11.6	4.5	-6.9	-59.7	-59.7	-4
Other	7.0	2.6	7.2	2.8	-0.2	-2.7	-2.7	+2
Total	273.2	100	259.1	100	+14.1	+5.4	+5.6	+9.9

*1. See Supplemental Data 13 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.

● This is a summary of sales results by region for the three months of the third quarter.

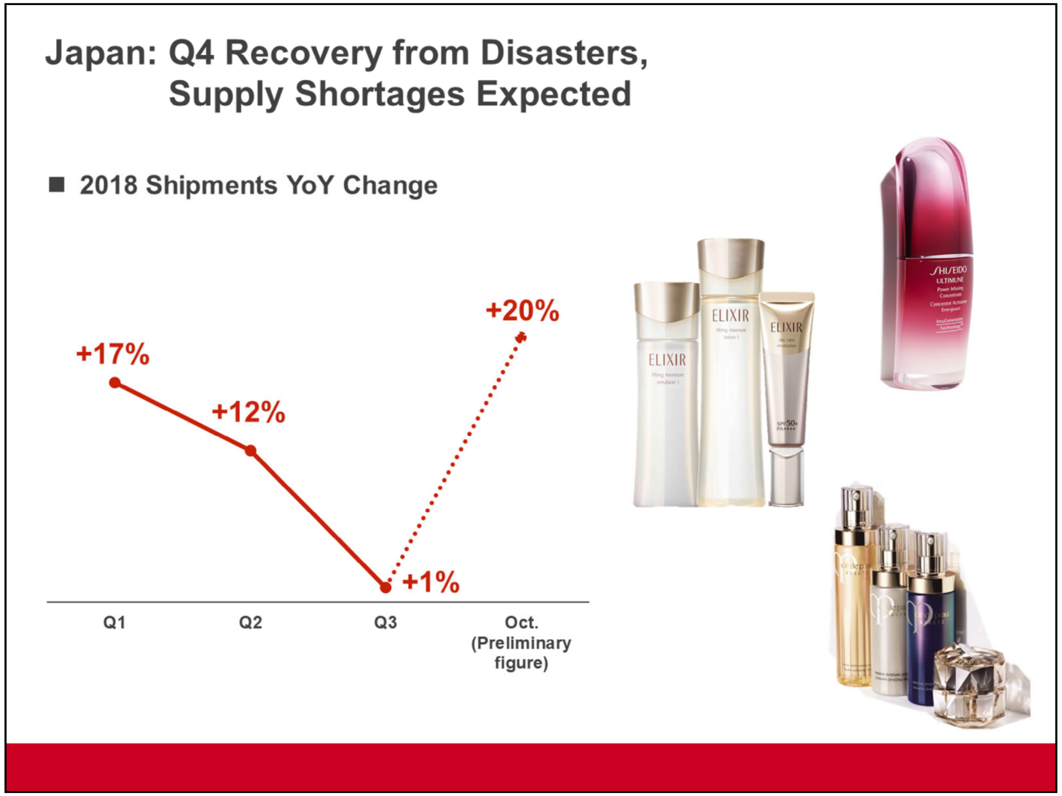
- This shows the results of cross-border marketing, which is one of our strengths, as mentioned on earlier.

- In our Japan, China and Travel Retail businesses, we are focusing on cross-border marketing activities primarily targeted at Chinese consumers whose spending on beauty products is increasing. This graph of year-on-year changes in our sales to Chinese consumers shows that there were no signs of any major decline in growth in the third quarter.

- Especially in China, our Travel Retail business continues to show strong growth and we are also maintaining solid growth momentum which far outpaces market growth.

- What is more, our cross-border e-commerce sales, though still small in scale, saw a 2.5-fold increase in the third quarter.

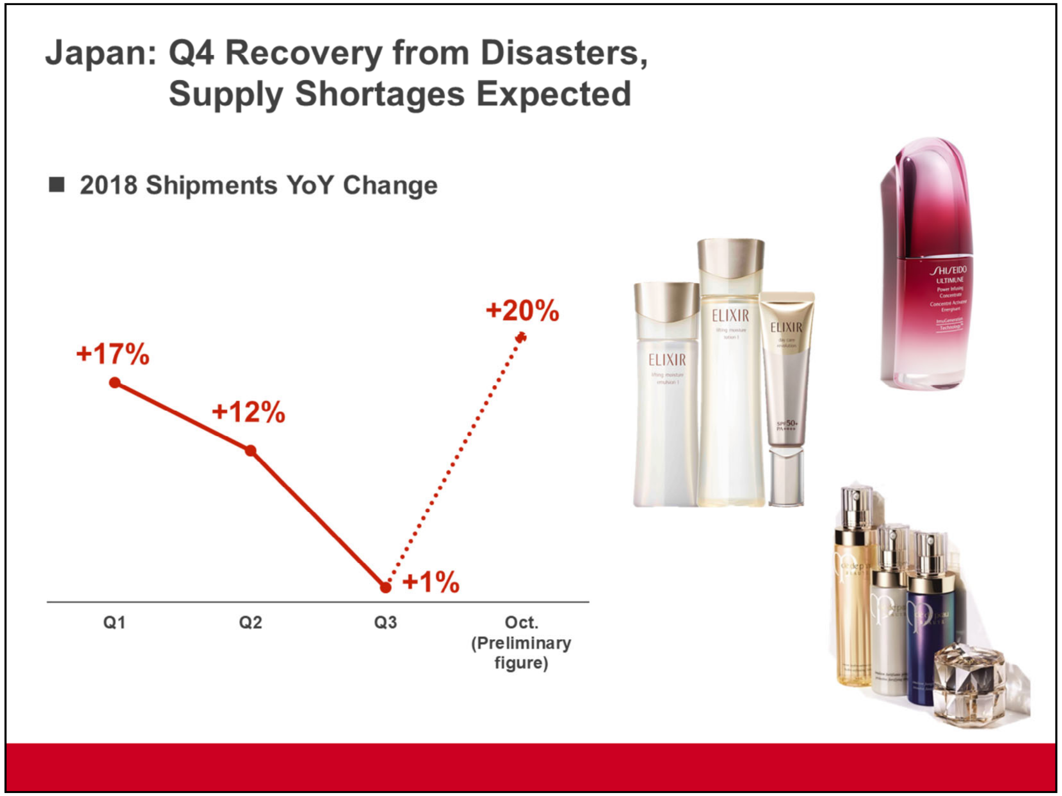
- Whilst the ups and downs of Japan's inbound market are, of course, a cause for concern, we believe that, above all else, it is important to monitor whether Chinese consumers, who are the end users of our products, rate and purchase Shiseido products, and to use these monitoring results to strengthen our marketing activities. Seeing the cross-border market as our unique strength, we therefore plan to conduct a range of cross-border marketing activities and to increase our cross-border marketing investments.



- In Japan business, whilst year-on-year sales on a shipments basis was only 1%, store sales maintained 4% growth.

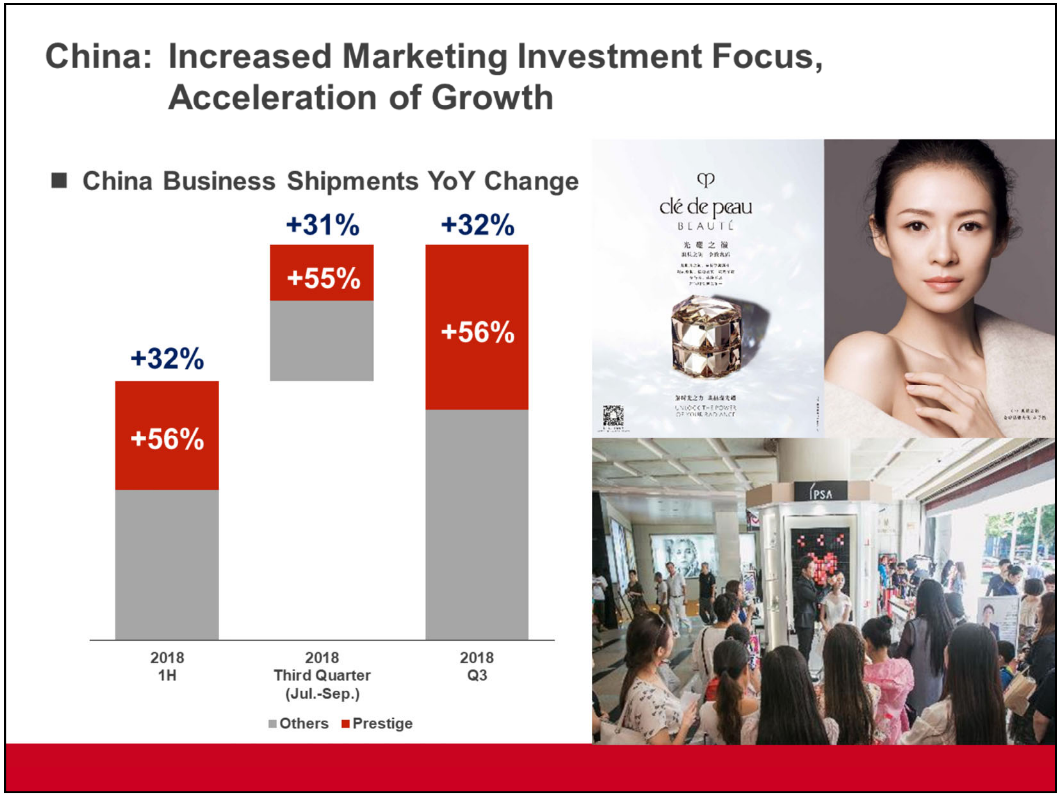
- Inbound sales grew 6% on a shipments basis but viewing individual tourist sales and buyers separately, individual tourists saw consistent double-digit growth while buyer sales decreased by double digits.

- Third-quarter sales were impacted by natural disasters and supply shortages. The growth momentum of our brands was, therefore, not the issue. The supply shortages experienced in the third quarter have already been resolved and we accelerated production of core items under brands such as *Clé de Peau Beauté* in October to expand supply. As a result, according to preliminary figures, October sales are apparently 20% up year on year. Inbound sales have also regained their momentum since the beginning of October and preliminary inbound store sales figures indicate double-digit growth.



●When it comes to *Clé de Peau Beauté* and *SHISEIDO* products, I see daily store sales per SKU and it is clear as a structure that any increase in production and supply leads to a huge jump in sales of these products. In other words, when it comes to key products under our core brands, production and supply determine sales, and it is important to ask ourselves how we can maximize this supply volume given that production and supply significantly influence total sales.

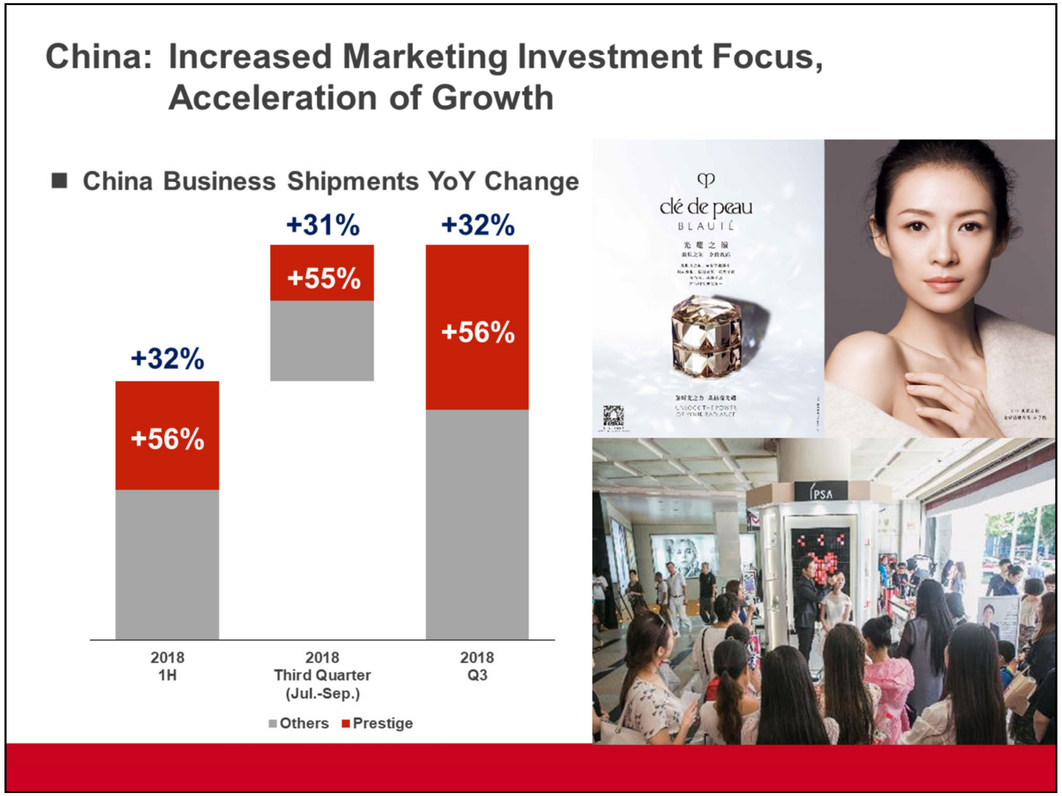
●As the person who is directly sensing the impact which inbound market fluctuations have on our sales, I will see to the effective maintenance and increase of our growth momentum by continuing to adapt to market changes.



- Finally, we come to China. In the China business, the growth momentum was unchanged, with third-quarter sales growth of 31% compared to 32% in the first half. Sales of prestige brands in particular were 1.5 times higher than a year ago. Since it is important for us to maintain and increase this growth momentum, we intend to continue increasing marketing investments aiming for far higher growth than our competitors.

- An example of a specific initiative in the third quarter was the appointment of Ms. Zhang Ziyi, an internationally acclaimed actress, as Global Brand Ambassador for *Clé de Peau Beauté.* Ms. Zhang will appear in our advertisements in the Asia region.

- We are also expanding our business portfolio in China, including accelerating openings of our increasingly popular *NARS* and *IPSA* stores.

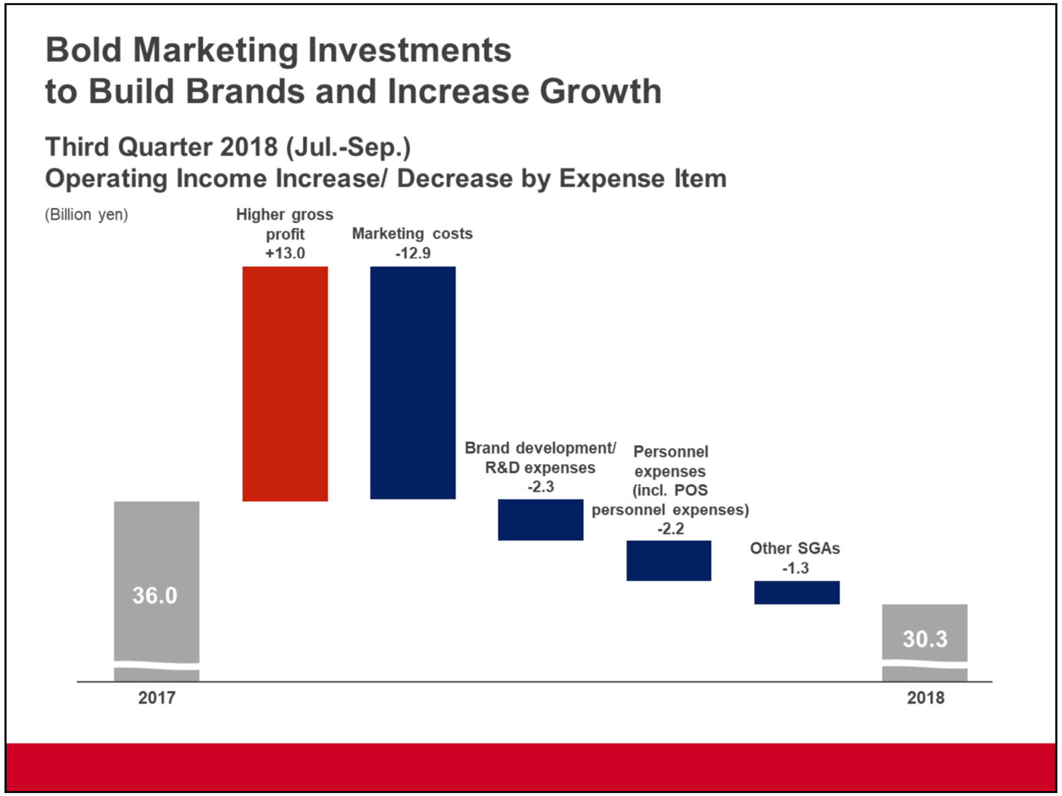


●We are also expanding our business portfolio in China, including accelerating openings of our increasingly popular *NARS* and *IPSA* stores.

●We are also continuing to increase investments related to e-commerce, which is an important sales channel in China, and digital marketing. We set up a dedicated marketing team for Alibaba with the aim of facilitating flexible decision-making and outpacing market growth.

●Similarly in October, sales continued to grow, driven by the prestige brands.

● The pre-sales of W11 has already started, and the preliminary figures in the end of October are twice as many as last year's results.

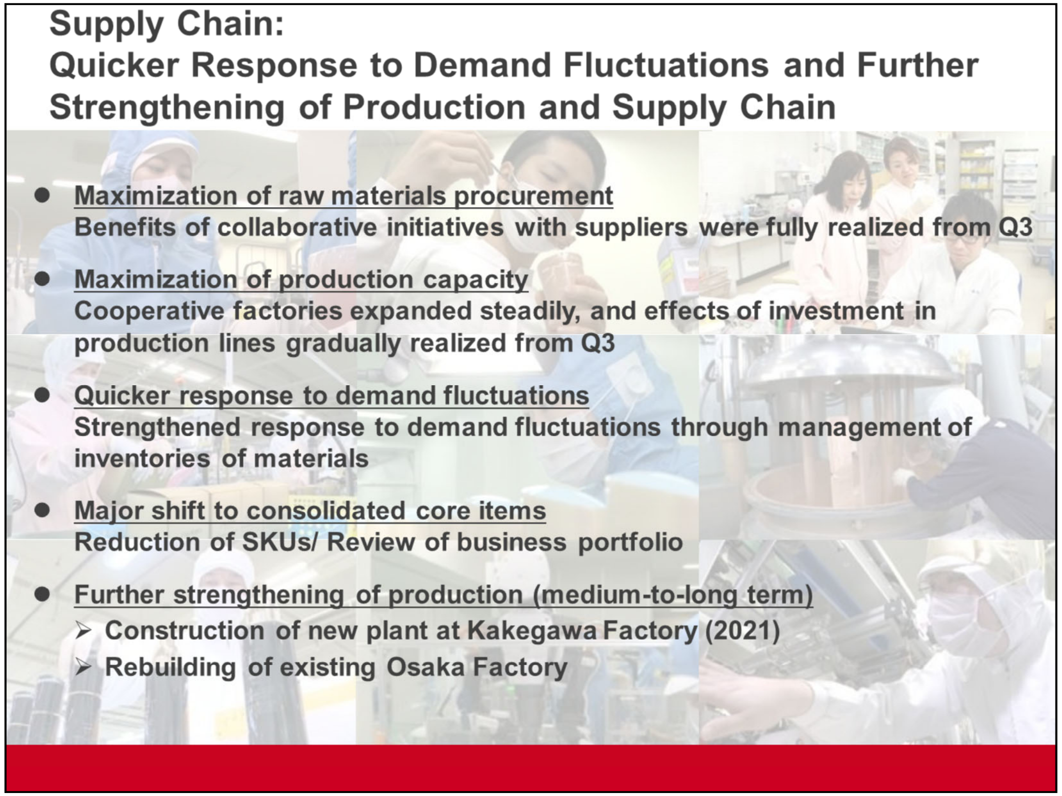


●This shows the change in operating income in the three months of the third quarter broken down by expense item.

●Third-quarter operating income was down from the same period last year because we increased marketing investments. In particular, we increased investments to coincide with the launch of *SHISEIDO* makeup and a new *Dolce&Gabbana* fragrance in September and we expect that this will make a significant contribution to sales growth from October.

●We believe that top-line growth is more important than anything for improving profitability. In the third quarter, our sales in the Japan business, which is our most profitable business, fell largely because of natural disasters and, as a result, we were not able to generate the profit margins necessary to offset our increased marketing investments.

●However, ultimately, we believe that it is the full-year results that are important since quarterly results do not capture profit trends due to the timing of new product launches and other factors.



- Finally, I will explain the progress we have made in strengthening our production and supply chain.

- In the third quarter, we experienced supply shortages for certain products mainly under the *Clé de Peau Beauté* brand which have seen significantly expanded sales since the beginning of the year. In the first half, the impact of the supply shortages was limited because we had inventories from last year. However, first-half sales far exceeded expectations and procurement of raw materials could not keep up with expanding demand, causing inventories at stores and at our company to run low and leading to significant supply shortages for certain products in the third quarter.

Supply Chain:
Quicker Response to Demand Fluctuations and Further Strengthening of Production and Supply Chain

- Maximization of raw materials procurement
  Benefits of collaborative initiatives with suppliers were fully realized from Q3
- Maximization of production capacity
  Cooperative factories expanded steadily, and effects of investment in production lines gradually realized from Q3
- Quicker response to demand fluctuations
  Strengthened response to demand fluctuations through management of inventories of materials
- Major shift to consolidated core items
  Reduction of SKUs/ Review of business portfolio
- Further strengthening of production (medium-to-long term)
  - Construction of new plant at Kakegawa Factory (2021)
  - Rebuilding of existing Osaka Factory

● I will explain this a little more simply. In the first half, certain products under the *Clé de Peau Beauté* brand recorded sales which were more than double those a year ago. During the first half, we managed because we had inventories carried over from the end of last year. In this situation, because monthly production could not achieve double the year-ago level, inventories ran low, ultimately leading to supply shortages. This is what happened for some products.

● In cooperation with our suppliers, we rapidly responded to fluctuations in market demand for certain core items by having suppliers quickly deliver materials and temporarily increasing operating hours, including Saturdays and Sundays, both at our factories and at cooperative factories to ensure the supply of products to our customers. This may sound straightforward, but rapidly responding to greater-than-anticipated fluctuations in demand when managing the production of thousands of SKUs is extremely difficult. However, we have improved communication and increased the speed of decision-making and are now able to do this.

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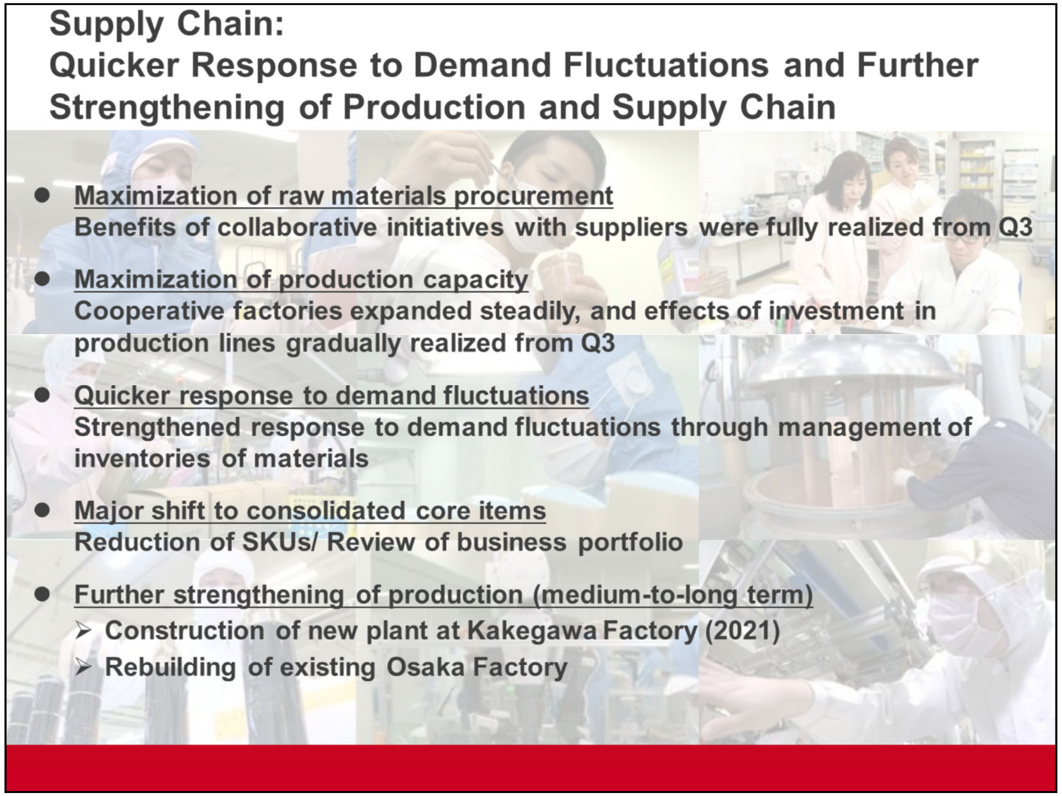
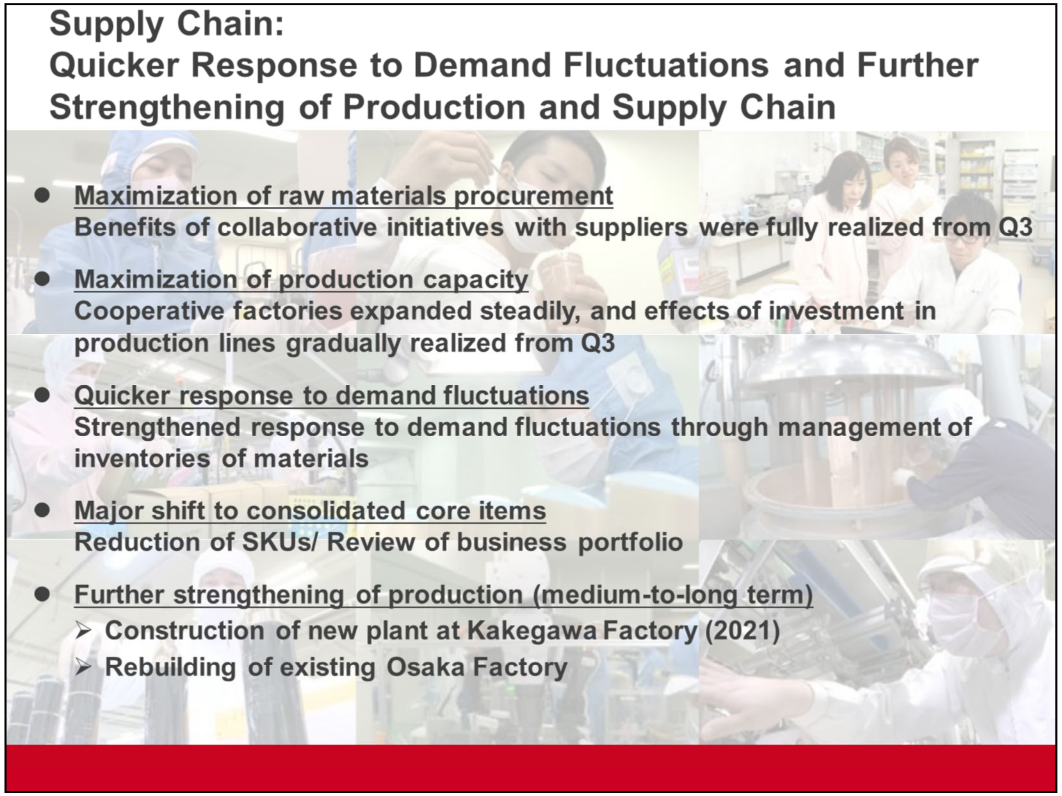
●I am proud that one aspect which has changed significantly at Shiseido over the past few years is our ability to make speedy decisions and respond to market changes quickly. Until last year, responding to market changes put a strain on our factories in Japan and led to chaos. However, since the beginning of this year, we have managed to reliably execute all the production plans we have drawn up, as is evident in the expansion of overall production. Having achieved stable operation, we are now able to respond rapidly to market fluctuations.

●We successfully implemented these initiatives because procurement of raw materials from suppliers with which we signed 12-month contracts last year grew in earnest from the third quarter and because cooperative factories increased and each of their contractors also expanded their production capacity. We could not have done this without the cooperation of these suppliers.



● Another major factor was that we gained a real grasp of market fluctuations and, rather than responding to all fluctuations, we assessed the products that required a quick response in light of production capacity and overall strategy of our company and set an order of priority. It is important that everyone across the entire company, including sales, marketing, R&D, and production cooperate with each other and work as a team to somehow meet customer demand. Through this, we will harness this ability to respond quickly as a team to meet growing demand.

● Next, action from a medium-term perspective is also important. I do not believe that simply expanding production is the answer. For a Japanese company to be globally competitive and continue to beat its competitors, it must fuse Japanese craftsmanship with cutting-edge IoT technologies, and it needs new innovations in production technology. The company that will achieve this is Shiseido and, in collaboration with our suppliers, we will realize the creation of wholly Japanese, world-class innovative products.



- Construction of our Nasu Factory and new Osaka Factory is progressing steadily and, in view of the strong start of *Makeup Big Bang* under the *SHISEIDO* brand, we also decided to build a new production facility in Kakegawa which is our makeup mother factory.

- In view of future demand growth, we also decided to gradually rebuild our existing Osaka Factory, which we initially planned to close, whilst maintaining the factory's current supply volume, and we have begun planning for this.

- In the China and Travel Retail segments, market growth is still accelerating. Under these conditions, core brands such as *Clé de Peau Beauté*, *SHISEIDO*, *ELIXIR,* and *ANESSA* as well as wrinkle cream products are sure to grow with rising speed on the back of our strong marketing activities to date.

- We also intend to collaborate with our suppliers to expand the production and supply capacity underpinning this growth and to also provide the impetus for our further corporate growth. You can all look forward to continued growth in the future.

SHISEIDO

- Finally, turning to our full-year forecast, it is our policy not to revise our forecasts for the first and third quarter, in principle, and our full-year forecast therefore remains unchanged.

- This concludes my presentation.

Supplemental Data 1:
Japan: Organic Sales Growth: +9.9%, Continued High Growth

(Billion yen)	2018 First Nine Months	2018 % of Net Sales	2017 First Nine Months	2017 % of Net Sales	YoY Change	YoY Change %
Prestige/ Specialty Store*1	116.5	34.3	106.7	34.3	+9.9	+9.3
Cosmetics	164.0	48.2	147.4	47.5	+16.7	+11.3
Personal Care	43.4	12.8	40.4	13.0	+3.1	+7.6
Others*2	16.1	4.7	16.2	5.2	-0.1	-0.5
Sales	340.1	100	310.6	100	+29.6	+9.5

YoY change excluding the impact of business transfer in 2017 was +9.9%.

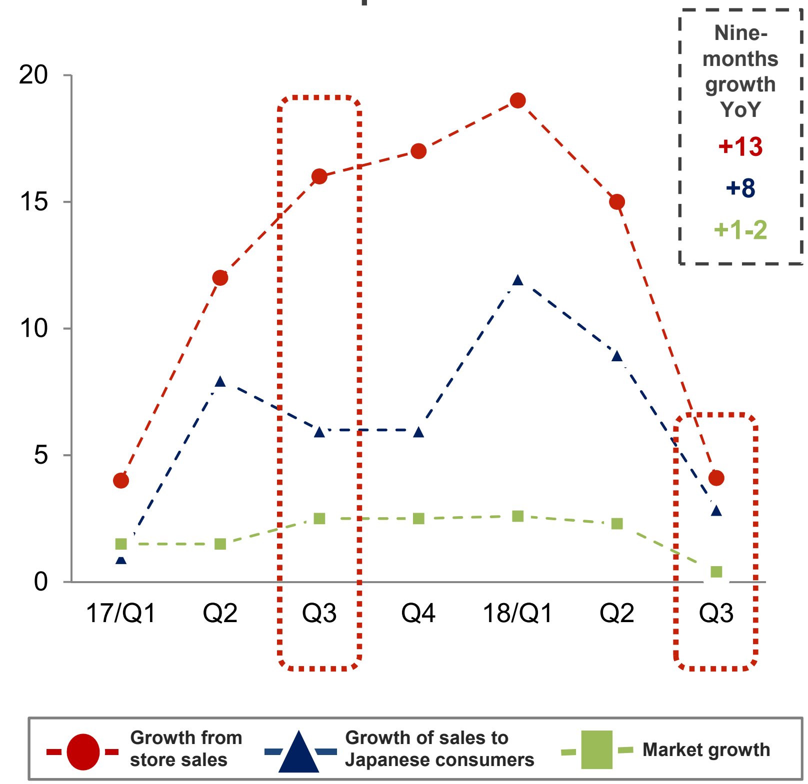
(Billion yen)	2018 First Nine Months	2017 First Nine Months	YoY Change	YoY Change %
Operating Income	71.7	64.3	+7.4	+11.4
OPM %	19.7	19.4	+0.3pt	
Income Before Amortization of Goodwill, etc.	71.8	64.4	+7.4	+11.4
OPM %	19.7	19.4	+0.3pt	

*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.
*5. From the third quarter of the current fiscal year, IPSA Co., Ltd., which was previously recorded in the Japan business, was moved to the Other business.

Supplemental Data 2:
Japan: Definitive Results from Creation of Strong Brands

- **Japanese cosmetics market grew by approx. +1-2%** (Jul.-Sep.: +0-1%)
- **Shiseido: YoY change in store sales +13%** (Jul.-Sep.: +4%)
  - Growth in sales to Japanese consumers: Approx. +8% (Jul.-Sep.: +3%)
  - Inbound sales: +28% (Jul.-Sep.: +6%)
    - Impact of typhoons and earthquakes
    - Impact of supply shortages
  - Establishment of strong brands through "Selection and concentration"
    - *ELIXIR*: Growth approaching +30%
    - *SHISEIDO*: Growth exceeding +30%
  - Wrinkle cream
    Cumulative sales (since June 2017) topped 3.3 million units

■ Growth Rate of Japan Business (%)



* Store sales include *IPSA*

Supplemental Data 3:
China: Sharp Increase in Sales and Operating Income
Sales Growth +32%, Income Growth Over ¥10 Bn, OPM Over +16%

(Billion yen)	2018 First Nine Months	2017 First Nine Months	YoY Change	YoY Change %	YoY Change in LC %
Sales	140.5	105.4	+35.2	+33.4	+31.9

(Billion yen)	2018 First Nine Months	2017 First Nine Months	YoY Change	YoY Change %
Operating Income	23.5	11.2	+12.3	+110.3
OPM %	16.7	10.6	+6.1pt	
Income Before Amortization of Goodwill, etc.	23.7	11.4	+12.3	+107.4
OPM %	16.9	10.9	+6.0pt	

- **Prestige brands continued to drive overall growth**
  Clé de Peau Beauté*, *SHISEIDO*, *IPSA*, *NARS
- **Cosmetics**
  ***ANESSA* and *ELIXIR* continued to show dramatic growth**
- **E-commerce sales remained strong**

*1. See Supplemental Data 13 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.

Supplemental Data 4:
Asia Pacific: Sales Growth +13%, OPM Still in Double Digits

(Billion yen)	2018 First Nine Months	2017 First Nine Months	YoY Change	YoY Change %	YoY Change in LC %
Sales	51.9	45.2	+6.7	+14.9	+13.2

(Billion yen)		2018 First Nine Months	2017 First Nine Months	YoY Change	YoY Change %
Operating Income		7.1	6.7	+0.4	+6.1
	OPM %	13.4	14.5	-1.1pt	
Income Before Amortization of Goodwill, etc.		7.2	6.8	+0.4	+6.1
	OPM %	13.4	14.6	-1.2pt	

- **Prestige brands:**
  Continued growth of *SHISEIDO*, *Clé de Peau Beauté and NARS*
- **Cosmetics and Personal Care brands: High growth of *ANESSA* and *SENKA***
- **Establishment of joint venture in the Philippines**

*1. See Supplemental Data 13 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.

Supplemental Data 5:
Americas: Organic Sales Growth +7%, Increased Investment in Brands Resulted in Growth as Planned

(Billion yen)	2018 First Nine Months	2017 First Nine Months	YoY Change	YoY Change %	YoY Change in LC %
Sales	94.6	94.1	+0.5	+0.5	+2.2

YoY change excluding the impact of business transfer in 2017 was +7%.

(Billion yen)	2018 First Nine Months	2017 First Nine Months	YoY Change	YoY Change %
Operating Income	-9.6	-12.5	+2.9	—
OPM %	-7.9	-11.9	+4.0pt	
Income Before Amortization of Goodwill, etc.	-5.7	-6.1	+0.4	—
OPM %	-4.6	-5.8	+1.2pt	

- **Strong makeup sales**
  SHISEIDO, NARS, Laura Mercier
- **Good start by new *Dolce&Gabbana* products**

*1. See Supplemental Data 13 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.

Supplemental Data 6:
EMEA: Organic Sales Growth +2%, Growth in Core Brands

(Billion yen)	2018 First Nine Months	2017 First Nine Months	YoY Change	YoY Change %	YoY Change in LC %
Sales	75.1	72.4	+2.7	+3.7	-1.1

YoY change excluding the impact of business transfer in 2017 was +2%.

(Billion yen)	2018 First Nine Months	2017 First Nine Months	YoY Change	YoY Change %
Operating Income	-4.8	-3.2	-1.5	—
OPM %	-5.7	-4.0	-1.7pt	
Income Before Amortization of Goodwill, etc.	-3.4	-1.9	-1.5	—
OPM %	-4.1	-2.4	-1.7pt	

- **Good start by new *Dolce&Gabbana* products**
- **Strong sales of *SHISEIDO ULTIMUNE***

*1. See Supplemental Data 13 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.

Supplemental Data 7:
Travel Retail: Continued Dramatic Sales Growth, High OPM

(Billion yen)	2018 First Nine Months	2017 First Nine Months	YoY Change	YoY Change %	YoY Change in LC %
Sales	67.3	48.7	+18.6	+38.2	+38.8

YoY change excluding the impact of business transfer in 2017 was +45%.

(Billion yen)		2018 First Nine Months	2017 First Nine Months	YoY Change	YoY Change %
Operating Income		15.0	12.3	+2.7	+22.2
	OPM %	22.2	25.2	-3.0pt	
Income Before Amortization of Goodwill, etc.		15.0	12.3	+2.7	+22.2
	OPM %	22.2	25.2	-3.0pt	

- **Continued high growth in Asia**
  Clé de Peau Beauté, SHISEIDO*, *NARS*, *ANESSA
  Fragrance: Growth driven by *Dolce&Gabbana*

*1. See Supplemental Data 13 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.

Supplemental Data 8:
Third Quarter Results of Operating Income by Reportable Segment (Jul.-Sep.)

(Billion yen)	2018		2017		YoY Change	YoY Change %
		OPM %		OPM %		
Japan	20.5	17.5	25.8	22.6	-5.3	-20.7
China	7.8	16.4	6.1	16.7	+1.7	+27.2
Asia Pacific	2.7	14.0	3.6	21.3	-1.0	-26.4
Americas	-2.4	-5.2	-2.7	-7.0	+0.3	—
EMEA	0.3	0.8	0.9	3.0	-0.7	-72.6
Travel Retail	3.9	17.7	3.8	23.3	+0.1	+2.0
Professional	0.1	2.6	0.9	7.4	-0.7	-85.4
Other	-1.6	-5.2	-1.3	-4.9	-0.4	—
Subtotal	31.2	9.8	37.3	12.8	-6.0	-16.2
Adjustments	-0.9	—	-1.3	—	+0.4	—
Total	30.3	11.1	36.0	13.9	-5.7	-15.8

*1. OPM is calculated using net sales including intersegment transactions.
*2. See Supplemental Data 13 for details about changes in reportable segments. The previous year's results are restated to reflect the new reportable segments.

Supplemental Data 9: Q3 Results of SG&A

(Billion yen)	2018			YoY Change %	YoY Change	YoY Change Excluding Impact of Foreign Currency Exchange
	First Nine Months	% of Net Sales	Change in % of Net Sales			
SG&A	534.3	66.3	-1.0	+8.6	+42.1	+39.1
Marketing Costs	285.2	35.4	+0.9	+13.1	+32.9	+30.8
Brand Development Cost and R&D Expenses	41.7	5.2	+0.3	+16.9	+6.0	+5.6
Personnel Expenses	94.4	11.7	-1.0	+1.9	+1.7	+1.5
Other SG&A Expenses	113.0	14.0	-1.2	+1.2	+1.4	+1.3

*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 10: Q3 Results of Other Income and Expenses and Extraordinary Income and Losses

Other Income and Expenses

(Billion yen)	2018	2017
Interest Income	0.9	0.6
Interest Expense	-0.6	-0.7
Net Interest Income and Expense	0.3	-0.1
Foreign Exchange Gain/Loss	-2.3	-0.4
Other	3.2	0.2
Total	1.3	-0.3

Extraordinary Income and Losses

(Billion yen)	2018	2017
Gain/Loss on Sales or Disposal of Property, Plant and Equipment	-0.2	0.0
Gain/Loss on Sales of Investments in Securities and Loss on Revaluation of Investments in Securities	2.7	0.3
Loss on Business Withdrawal/ Structural Reform Expenses, etc.	-3.8	-1.1
Impairment Loss	–	-70.7
Voluntary Product Recall-Related Expenses	–	-3.3
Total	-1.3	-74.7

*1. Loss on Business Withdrawal/ Structural Reform Expenses, etc.: Expenses related to discontinuation of some brands and withdrawal from the commercial cosmetics business and other businesses, etc.

Supplemental Data 11: Consolidated Balance Sheets

(Billion yen)	As of Sep. 30, 2018	Change from Dec. 31, 2017
Total Current Assets	522.9	-3.3
Cash, Time Deposits and Short-Term Investments in Securities	138.6	-35.9
Notes & Accounts Receivable	172.9	+10.9
Inventories	148.4	+18.4
Total Fixed Assets	465.1	+41.9
Property, Plant and Equipment	201.9	+43.2
Intangible Assets	169.8	+1.3
Investments and Other Assets	93.4	-2.5
Total Assets	988.1	+38.6

(Billion yen)	As of Sep. 30, 2018	Change from Dec. 31, 2017
Total Liabilities	496.9	-6.7
Notes & Accounts Payable and Other Payables	147.1	+0.1
Accrued Income Taxes	17.5	-7.5
Accrued Bonuses	29.1	+4.1
Interest-Bearing Debt	79.8	-1.7
Long-Term Payables	56.7	-2.5
Total Net Assets	491.2	+45.3
Shareholders' Equity	453.9	+47.8
Accumulated Other Comprehensive Income	15.7	-1.6
Non-Controlling Interests	20.6	-0.9
Total Liabilities and Net Assets	988.1	+38.6

Exchange Rates:
Sep. 30, 2018: USD1= JPY 113.6 (+0.5%); EUR1 = JPY 132.2 (-2.1%); CNY1 = JPY 16.5 (-4.6%)
Dec. 31, 2017: USD1= JPY 113.1; EUR1 = JPY 135.0; CNY1 = JPY 17.3

* Main line items only

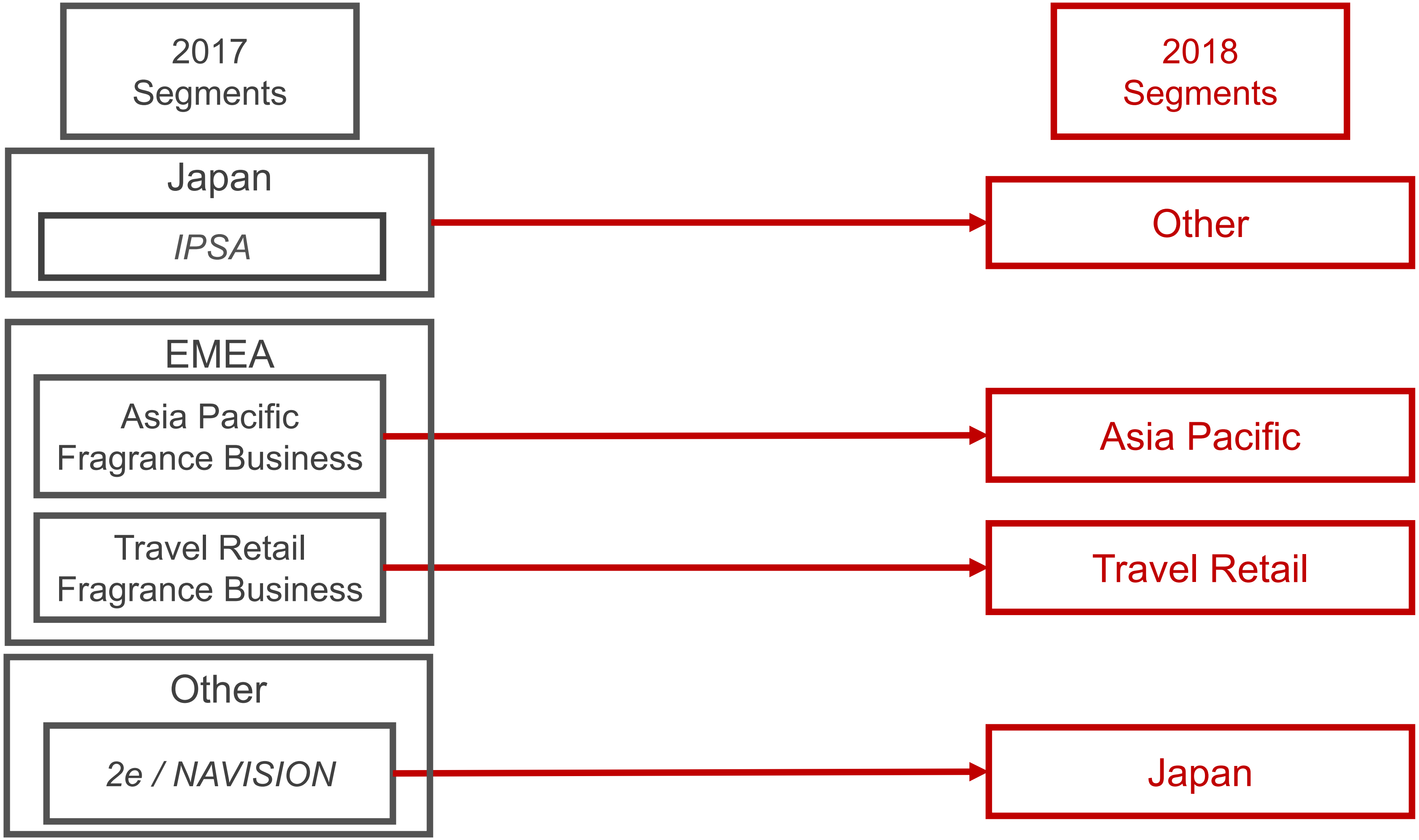
Supplemental Data 12: 2018 Sales Forecast (Announced Aug. 8, 2018)

(Billion yen)	2018	% of Net Sales	2017	YoY Change %	YoY Change in LC %	Initial Forecast	Difference
Net Sales	1,090.0	100	1,005.1	+8.5	+9 Like for like* +13	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 (net)	-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 impact of business transfer in 2017

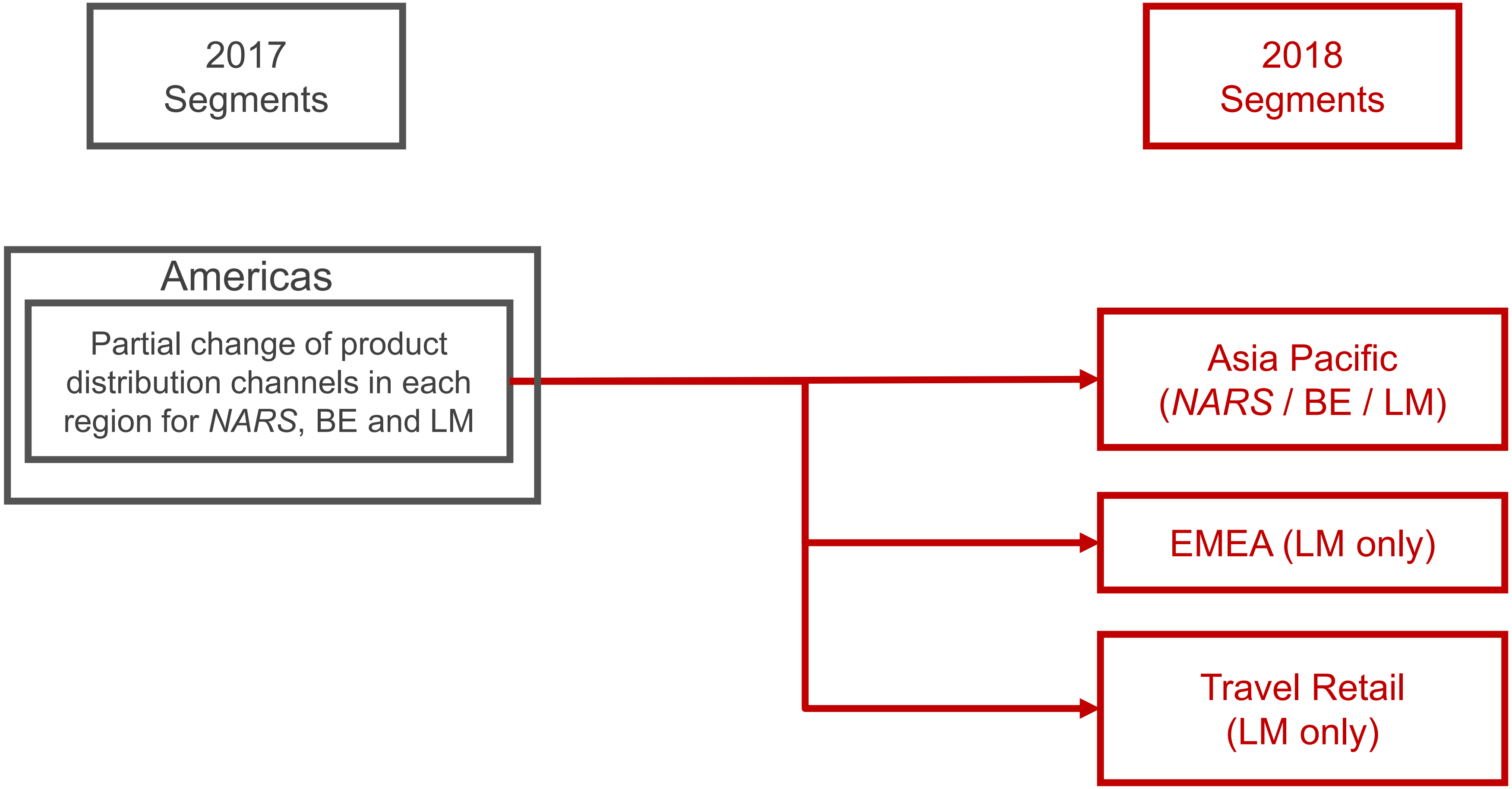
ROE forecast: 14.4%
Exchange rates: 2018 full year: USD1 = JPY109.3 (-3%), EUR1 = JPY129.8 (+2%), CNY1 = JPY16.8 (+1%)
Dividends: Interim: ¥20, Year-end: ¥20 (plan)

Supplemental Data 13-1: 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 Other Business, are now included in the Japan Business.
From the third quarter of the current fiscal year, the Company included 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 13-2:
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*