January 28, 2010
Shiseido Co., Ltd.

Q&A for the Third Quarter of the Fiscal Year Ending March 31, 2010 (Summary)

Q) Monthly sales declined 2% in December, and the decline in sales narrowed. Will the decline continue to contract in January and subsequent month?

A) The decline in sales narrowed in December, but we cannot conclude that the trend will continue. It seems unlikely that sales in January will exceed the year-ago level.

Q) What are your views on demand in the fourth quarter by price range and by channel?

A) Over-the-counter sales fell about 4% in the third quarter, and were slightly weaker than in the first half. The market did not improve in the second half as consumer confidence continued to weaken. However, we hope to increase over-the-counter sales by negotiating with shops/retailers to expand selling space for our new products.

Q) What does your policy of increasing in-store inventory temporarily in the fourth quarter mean specifically?

A) We will strive to expand over-the-counter sales by securing more selling space for our attractive new products. By category, we expect double-digit growth in self-selection cosmetics and toiletries and growth in the middle of the single-digit range in counseling cosmetics.

Q) What will selling, general and administrative expenses be in Japan in the fourth quarter? What are the directions of your channel policy?

A) We are planning to keep selling, general and administrative expenses in Japan at about the same level as in the fourth quarter of the previous fiscal year. We continued to narrow the brands/lines and stores in each sales channel we wanted to concentrate on bolstering. This policy is producing results in voluntary chain stores and department stores. We are considering plans to step up our efforts for drug stores.

Q) Do sales appear to be recovering in Europe and the North America?

A) There were signs of a recovery although the business still seemed to be slowing. Sales trends were different in each country, and some countries saw positive growth. Travel retail sales are recovering, particularly in Asia. Sales of fragrance remained weak.

Q) Did marketing costs in Asia account for a large portion of overseas marketing costs in the third quarter?

A) Yes, they did.

Q) What were annual sales and profit in China? What sold well? What did not?

A) Our sales growth target for the fiscal year under review from January to December was in the midrange between 10% and 20%, and actual results seem to be almost within the targeted range.

We seem to have achieved an operating margin of 16% to 17%, which is our target in the three-year plan. Sales of *Aupres*, *Urara*, and *Za* are growing.

Q) What are your views on your performance in Asia and Oceania in the third quarter?

A) Unlike Europe and North America, this area imports a lot of goods from Japan, and consequently, the adverse effect of a strong yen was relatively large. The effects are a translation loss and a decline in the profit margin ratio. In China, marketing costs for *Aupres* and *Za* increased.

Q) Where will you place *In and On* among the domestic lines? Will you sell the line through wholesalers?

A) We will let you know the position of the brand at a later date. We are not selling the line through wholesalers.

Q) Will you cut selling, general and administrative expenses over the coming years?

A) We will keep marketing costs at a certain percentage to sales. Since we will increase our workforce primarily overseas, it will be difficult to reduce the percentage of personnel costs. The ratio of other expenses to sales is currently 21% to 22%. We continue to strive to reduce the percentage.