

Q&A for the First Quarter of the Fiscal Year Ending March 31, 2011 (Summary)

Results

Q) Why were year on year sales growth in Europe and the Americas strong in the first quarter?

A) The strong sales in those regions were driven by renewals under the global brand *SHISEIDO* that were launched last year. *White Lucent* and *BOP* sold well in department stores in North America. In Europe, high growth rates were recorded in Germany, Spain, and Russia. Sales of fragrance and travel-retail, which reflect the economic conditions, recovered.

Q) SG&A expenses in Japan were reduced ¥3.3 billion from a year ago. What expenses were reduced?

A) Marketing costs were cut during the three months, partly due to improved efficiency but also due to delayed execution of some campaigns.

Q) Although operating income rose in Asia/Oceania, it is low compared with past levels. Why is that?

A) Operating income in Asia/Oceania tends to be low in the first quarter because sales are low, while fixed costs are present. We assume that costs increased due to intensive promotions in Asia of *White Lucent*, which was renewed.

Q) Why did domestic over-the-counter sales improve? Is that because of the weather, or is it because consumers' preference for low-price products has eased?

A) We suspect that consumers may be getting tired of economizing not only on cosmetics on consumer products in general. In addition, over-the-counter sales had fallen to a very low level after the continued negative growth of the market and there was little room for further negative growth. Another reason is that deodorant and sunscreen products sold well because of the fine weather.

Forecasts

Q) You revised upward your forecast for overseas sales in the first half by ¥4.0 billion. In what areas did you forecast sales will increase?

A) We expect half of the increase will be recorded in the Americas and the other half in Europe. We have not changed the sales plan for Bare Escentuals.

Q) Do you expect domestic sales' improvement tendency will continue to grow?

A) We remain cautious. We have not changed our views: Sales will show negative growth in the first half, will bottom out in the second half, and will record negative growth in the full year. However, sales appear more likely to rise, compared with a year ago.

Senka

Q) I understand that the prices will be below 1,000 yen. Is that right?

A) We do not offer manufacturer's suggested retail price for the *Senka* line. Retailers can set retail prices, and we do not know what they will be.

Q) Will the *Senka* line be sold under the *SHISEIDO* brand?

A) No. We will not use the *SHISEIDO* brand. However, the label on the rear of the container will tell you that the product has been produced and distributed by Shiseido Co., Ltd.

Q) Of your overall sales forecast, how much is accounted for by the *Senka* sales forecast?

A) We cannot say at this point, although we have included the *Senka* sales forecast in our sales plan.

Q) You said you expect to make a profit from *Senka* from the first year. What measures will you take in terms of costs?

A) We will seek to achieve economies of scale by selling *Senka* not only in Japan but also in Taiwan and other markets in Asia. We will seek to reduce costs also through global

sourcing of raw materials and by using plants in Vietnam in the future.

Bare Escentuals

Q) Your forecast for the operating margin (before marking-to-market of the inventories, amortization of sales rights, and amortization of goodwill) is higher for the second half than for the first half. Why is that?

A) Sales will be stronger in the second half than in the first half. Profits will likely rise accordingly in the second half.

Q) What is the progress of synergy between Bare Escentuals and Shiseido?

A) Synergy will be generated going forward. We put priority on developing skincare lines.