

First Half Results and Outlook for the Fiscal Year Ending March 2011

Shinzo Maeda
President & CEO SHISEIDO Co., Ltd.

October 28, 2010

1

- My name is Shinzo Maeda, and I am president of SHISEIDO.
- I will be describing our results for the first half of the year ending March 2011 and the full-year forecast.

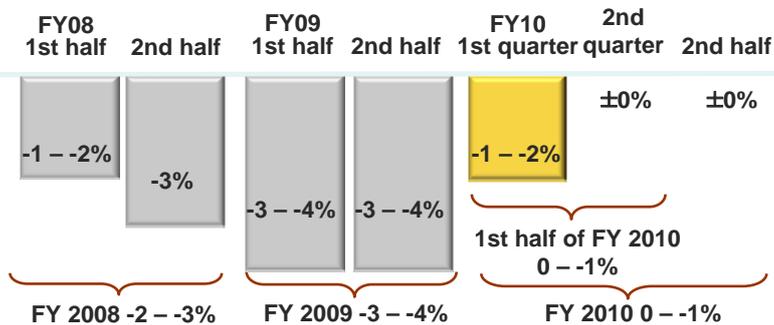
1 Trends in the Domestic and Overseas Cosmetics Business

- 2 Results for First Half of Year
- 3 Outlook for Second Half and Full Year of Fiscal 2010
- 4 Initiatives in Second Half

2

- First, let me describe the trends in the cosmetics market, both in Japan and overseas.

Domestic Trends in the Over-the-Counter Cosmetics Market (Shiseido estimate)



• The market bottomed out in fiscal 2009, and there were signs of a recovery in the first and second quarters. However, it does not appear to be recovering further in the second half, reflecting the appreciation of the yen and lower stock prices.

• [Forecast] The performance of second half is expected to be the same as the previous year, and the annual growth rate for FY 2010 is projected to be 0% to -1%. The market will start to recover in earnest only after FY 2011.

● In the wake of the collapse of Lehman Brothers in September 2008, the domestic over-the-counter cosmetics market declined between 3% and 4% in fiscal 2009. In the first half of fiscal 2010, the market appears to be achieving a gradual recovery, partly because of the unusually hot summer. The first quarter saw a contraction of between 1% and 2%. In the second quarter, sales were mostly on a par with a year ago.

● The overall economy, however, is continuing to struggle given difficult employment conditions that remain, concern about economic downturns overseas, the appreciation of the yen and lower stock prices. As reported in the press, it is hard to be optimistic about the consumer spending outlook.

● Anticipating that a full recovery in consumption, which we had expected to emerge in the second half of the current fiscal year, will be delayed until FY2011 or beyond in light of these conditions, we have revised the growth rate of the over-the-counter cosmetics market for the second half to a level that is on a par with the year-ago rate, and revised our forecast annual growth rate to approximately 1% below that of the previous year.

Trends in Overseas Cosmetics Markets (Shiseido estimate)

Europe and Americas

- The markets recovered in the first half of fiscal 2010.
- Although the outlook for the second half of fiscal 2010 is uncertain, the markets continue to recover.

Asia

- China continues growing.
- Overall, Asian markets other than China are continuing to grow.

● Let me now move on to trends in overseas cosmetics markets.

● In Europe and Americas, a recovery that began in the fourth quarter of fiscal 2009 became clear in the first half of fiscal 2010, although the extent differed depending on the area. Uncertainty remains in the second half, but the recovery is expected to continue.

● Although the Chinese government has announced that real GDP growth rate for July-September quarter has fallen to the 9% range, we assume that the cosmetics market in China is continuing to grow. Other markets in Asia appear set to continue to grow overall.

● However, given concerns such as a continued credit crunch and high unemployment rates, as in the domestic market, we find it difficult to be optimistic about the outlook.

1 Trends in the Domestic and Overseas Cosmetics Business

2 Results for First Half of Year

3 Outlook for Second Half and Full Year of Fiscal 2010

4 Initiatives in Second Half

5

●Next, I will be describing the results for the first half of fiscal 2010.

Results for First Half of Year Ending March 2011 (Incl. Bare Escentuals)

| | Result | YoY % change | Local currency | (Billions of yen) Difference from previous forecast |
|------------------|--------|-----------------|-------------------|---|
| Net Sales | 333.6 | +5.2% | +6.7% | -5.4 |
| Domestic | 198.9 | -4.3% | — | -6.1 |
| Overseas | 134.7 | +23.0% | +27.3% | +0.7 |
| Operating Income | 21.8 | -3.9% | — | +4.3 |
| Ordinary Income | 21.7 | -8.4% | — | +4.2 |
| Net Income | 7.5 | -57.6% | — | -1.5 |

- ▶ Overseas Sales Ratio 40.4% +5.9pp
- ▶ Operating Profit Margin 6.5% -0.7pp

6

●Domestic sales declined, with positive over-the-counter sales growth of self-selection items offset by weak sales of counseling cosmetics, which were yet to recover, and the effect of inventory adjustments at retailers. On the other hand, overseas sales rose, given a recovery in the existing business and additional sales at Bare Escentuals, which was acquired in March. As a result, consolidated net sales increased 5.2% year on year.

●Despite one-time charges associated with the acquisition of Bare Escentuals and currency effects, reflecting an increase in changes due to increased revenue, cost efficiency and the postponement of the posting of expenses, the operating income rose 4.3 billion yen from the forecast announced in July.

●Net income stood at 7.5 billion yen. These results are attributable to factors such as losses on the valuation of stocks of financial institutions, and the effect of tax expenses in the previous year.

Results for First Half of Year Ending March 2011 (Excl. Bare Escentuals)

(Billions of yen)

| | Result | YoY % change | Local currency | Difference from previous forecast |
|------------------|--------|-----------------|-------------------|--|
| Net Sales | 317.1 | -0.0% | +1.2% | -5.9 |
| Domestic | 198.4 | -4.5% | — | -6.6 |
| Overseas | 118.7 | +8.3% | +12.0% | +0.7 |
| Operating Income | 25.4 | +11.7% | — | +3.9 |
| Ordinary Income | 25.3 | +6.8% | — | +3.8 |
| Net Income | 11.1 | -37.6% | — | -0.4 |

- ▶ Overseas Sales Ratio 37.4% +2.9pp
- ▶ Operating Profit Margin 8.0% +0.8pp

7

- Net sales in businesses excluding Bare Escentuals, which had temporary losses associated with the acquisition, were mostly unchanged from a year ago. Operating profit rose 11.7%.

- 1 Trends in the Domestic and Overseas Cosmetics Business
- 2 Results for First Half of Year
- 3 Outlook for Second Half and Full Year of Fiscal 2010**
- 4 Initiatives in Second Half

8

- Next, I will be describing the outlook for the second half and the full year of fiscal 2010.

Outlook for Second Half of FY 2010

| | Forecast | YoY change | Local currency | (Billions of yen) Difference from previous forecast |
|------------------|----------|------------|----------------|--|
| Net Sales | 354.4 | +8.4% | +13% | -11.6 |
| Domestic | 200.1 | +0.6% | — | -2.9 |
| Overseas | 154.3 | +20.5% | +32% | -8.7 |
| Operating Income | 28.7 | +3.8% | — | -4.3 |
| Ordinary Income | 28.8 | +3.6% | — | -4.2 |
| Net Income | 17.5 | +9.9% | — | -2.5 |

- Overseas Sales Ratio 43.5% +4.3pp
- Operating Profit Margin 8.1% -0.3pp
- Assumed Exchange Rate in Second Half US\$1 = ¥84 €1 = ¥112 1 RMB = ¥12.5

9

- Let me explain the outlook for the second half first.
- Over-the-counter sales of cosmetics are on an upward trend, and we expect domestic sales will rise 0.6% year on year, considering continued adjustments of distributors' inventory.
- On the other hand, we expect overseas sales will increase 32% in local currencies, reflecting steady growth in the China business and the global brand SHISEIDO, and additional sales from Bare Escentuals. The growth rate is anticipated to be high at 20.5% in yen terms.
- Operating income is projected to rise from a year ago through efficient appropriation of selling, general and administrative expenses, reflecting a rigorous policy of selection and concentration.

Outlook for FY 2010

| | Forecast | YoY change | Local currency | (Billion yen) Difference from previous forecast |
|------------------|----------|------------|----------------|--|
| Net Sales | 688.0 | +6.8% | +9.6% | -17.0 |
| Domestic | 399.0 | -1.9% | — | -9.0 |
| Overseas | 289.0 | +21.7% | +30.2% | -8.0 |
| Operating Income | 50.5 | +0.3% | — | ±0 |
| Ordinary Income | 50.5 | -1.9% | — | ±0 |
| Net Income | 25.0 | -25.8% | — | -4.0 |

- Overseas Sales Ratio 42.0% +5.1pp
- Operating Profit Margin 7.3% -0.5pp
- Assumed Exchange Rate for Full Year US\$1 = ¥87.7 €1 = ¥116.7 RMB = ¥12.9
- Assumed Exchange Rate for July through Dec. US\$1 = ¥84 €1 = ¥112 RMB = ¥12.5

10

- I will be moving on to the outlook for the full year, the sum of the first half results and the forecasts for the second half.
- We have revised the domestic sales forecast downward by 9.0 billion yen, considering declines in domestic sales, which were sharper than we anticipated at the end of July, and reviewing the assumption that the business situation would recover in the second half as mentioned before. The overseas sales forecast has been reduced by 8.0 billion yen, reflecting a review of exchange rates associated with the appreciation of the yen. Net sales are expected to rise 6.8% year on year, to 688.0 billion yen.
- Based on recent trends, we have revised the assumed exchange rates in the second half of FY2010 to 84 yen against the U.S. dollar, 112 yen against the euro, and 12.5 yen against the Chinese yuan.
- We are aiming to post operating and ordinary income of 50.5 billion yen as forecasted previously, by offsetting declines in the profit margin associated with falls in net sales and the adverse effect of the revision of exchange rates by cost efficiency.
- We expect net income to be 25.0 billion yen, down 4.0 billion yen from the previous forecast, for now, assuming a loss on the revaluation of securities posted in the first half, which might be reversed depending on the stock market situation at the end of the fiscal year, will be posted in the full year.

- 1 Trends in the Domestic and Overseas Cosmetics Business
- 2 Results for First Half of Year
- 3 Outlook for Second Half and Full Year of Fiscal 2010
- 4 Initiatives in Second Half

● I would now like to look back on the first half and explain our initiatives in the second half.

10-year Roadmap of Shiseido

Aim to become a global player representing Asia with its origins in Japan



Positioning for FY2010:

- (1) A year for "wrapping up" our current 3-Year Plan
- (2) Building a firm footing for next 3-Year Plan

- As I said at the beginning of the presentation, uncertainty remains in the market both in Japan and abroad, with no scope for optimism.
- However, our aim to become a global player representing Asia with its origins in Japan has not changed at all, despite the challenging circumstances.
- We position fiscal 2010, the last year of the Three-Year Plan, as the year for wrapping up the current plan and for building our firm footing for the next Three-Year Plan, which is when we move onto a growth trajectory. Our focus is establishing an undisputed presence in Asia and building the foundations for globalization.
- We are already discussing the next Three-Year Plan internally and we are approaching a final draft. We will announce the next plan at the appropriate time.

Aim to become a global player
representing Asia
with its origins in Japan

13

- Let me describe initiatives in Japan, in the masstige business in Asia, in China, and then in the global business in fiscal 2010.

Japan

(1) Turn hit products into long-selling products.

(2) Advance our style of combining channels and lines.

(3) Bolster the sales force through a change in the organizational structure.

14

- First, I will be describing initiatives in Japan.
- At the results briefing in April this year, I explained that there are three pillars in our initiatives in the domestic business, as shown on this slide.

(1) Turn Hit Products into Long-Selling Products



15

- In the first half, there were some promising signs for the second half towards the end in very difficult market conditions.
- First let me explain our products. Sales of sunscreen **ANESSA** and deodorant **Ag+** and **SEABREEZE** increased. We believe the growth reflected improvements in products and updated brand images, in addition to extremely high temperatures.
- The appeal of **ANESSA** is a sunscreen effect lasting a long time, and a special cleansing product was needed. In response to customer needs, however, we developed an innovative product that does not need a special cleansing product. As a result, sales of **ANESSA** rose sharply from the previous year.
- New refreshing items for everyday use were added to the **SEABREEZE** line, the main items of which were medicated lotions. The Deo & Water series, which has a variety of packages and fragrances, has become a major hit among junior high-school and high-school students.

(1) Turn Hit Products into Long-Selling Products.



<Event commemorating the 5th anniversary of MAQUILLAGE (Omotesando Hills)>



<Collaboration between ANESSA and Uniqlo>



<Collaboration between MAJOLICA MAJORCA and Haagen-Dazs>

16

- We are also stepping up activities to enhance and increase the exposure of our brands, for instance through the holding of an event to commemorate the fifth anniversary of **MAQUILLAGE** and joint promotions of **ANESSA** and **MAJOLICA MAJORCA** with companies in other industries.

(1) Turn Hit Products into Long-Selling Products.



<ELIXIR WHITE>



<ELIXIR SUPERIEUR>



<REVITAL GRANAS Platinum System>



<REVITAL GRANAS Caviar
(beauty essence for eyes)>

17

- We will also boost our efforts to continue development of ELIXIR WHITE, which proved effective in the web sampling, the skin-resilient series of the ELIXIR SUPERIEUR, launched in September, the Platinum System of REVITAL GRANAS, which became a big hit last year, and Caviar, a beauty essence for eyes that will be released in November.

- Based on our initiatives for turning hits into long-selling products, we aim to expand sales in the second half by providing high-quality services, focusing on activities of Beauty Consultants and on improving our ability to make proposals at the counter, which deepen relationships with customers.

(2) Advance Our Style of Combining Channels and Lines

Cosmetics specialty stores: Bolstering PS Program stores

Sales at all PS Program stores rose 3% in the first half.



18

- Let's look at results by channel in the first half of the current fiscal year. Of cosmetics specialty stores, over-the-counter sales at about 800 PS Program stores, which are in their second year in operation, remained strong in the first half, up 3% year on year.

- I would say that accomplishments in these difficult market conditions are striking, with growth expanding even in the second year, particularly with 40% of stores increasing sales by more than 10% and nearly 60% of stores increasing sales by more than 5%.

(2) Advance Our Style of Combining Channels and Lines

Department stores:

Accelerate the introduction of double counters: counters for global brand SHISEIDO and cle de peau BEAUTE



<Double counters>



<BC training for "Brightening Meister" (At Research Center)>

19

- Now, let me turn to the department store channel.
- As department stores as a whole and cosmetics counters struggled, Shiseido continued to increase sales.
- We believe that our efforts to accelerate the introduction of double counters for the global brand SHISEIDO and the cle de peau BEAUTE on the same sales floors of department stores and to develop the global brand SHISEIDO have delivered positive results. Specifically, we have improved our ability to make proposals to customers by appointing a "Brightening Meister" at each store in our initiatives for beauty consultants.

(3) Bolster the sales force through a change in the organizational structure.

GMS, Drug store: Enhancing our ability to respond to customers' needs by restructuring sales organizations

Sales system by channel



Sales system by area
X
Sales system for priority store chains



<Senka>



<AQUA LABEL>



<INTEGRATE>

20

- Next, let me explain our handling of structured retailers including GMS and drug stores.
- We restructured the front-line sales systems in April this year and replaced the existing systems with area-based sales systems and sales systems for priority store chains.
- The branch, which is responsible for multiple channels in an area, flexibly allocates management resources, including human resources, such as beauty consultants, and promotional costs in accordance with the local situation, and promotes management emphasizing efficiency.
- Meanwhile, the Major Store Chain Sales Division in charge of major structured retailers, which was established to facilitate sales activities for each account, negotiated with the head office of each structured retailer to build a command structure dealing with arrangements at each counter promptly at the beginning of the first half.
- We believe that the new structure resulted in the growth of Senka, a long-awaited, low-priced line which the Company launched in the domestic market last month. And self-selection cosmetics, including AQUA LABEL, which proposes a new type of aging care, and INTEGRATE, in which line new products are selling well.
- We will enhance our ability to deal meticulously with each account in accordance with each store chain's characteristics and challenges, thereby expanding over-the-counter sales.
- That concludes my description of our initiatives in the domestic business.

Asia Masstige and China

(1) Careful preparations for the full-scale development of the masstige business (from the next three-year plan)

(2) Maintaining momentum in the business in China

21

- Next, I will be describing the masstige business in Asia and the business in China.

(1) Careful Preparations for the Full-Scale Development of the Masstige Business

Enhancing the presence of Za and MAJOLICA MAJORCA



22

- In the masstige business, catering to middle-income group, we are continuing to expand our presence in Asia, especially the presence of Za and MAJOLICA MAJORCA, the prioritized lines that we have been developing.
- In the Thai market, the base area in ASEAN, we focus our investment on Za, to accumulate our know-how for the development of mass media advertisement and multiple channels.
- In Taiwan, we will build the best practice for the self-development of multiple self-selection brands centering on Za, by entering into an alliance with fast-growing Watsons in Taiwan and developing these brands through multi-channels as well as horizontally to other Asian countries.

(1) Careful Preparations for the Full-Scale Development of the Masstige Business

Launch Senka, a brand originating in Japan

- Launch in Taiwan in October
- Launch in other countries in Asia from 2011



Start shipping products to be manufactured in Vietnam Plant



23

● Senka, which I mentioned earlier, is a brand that we are aiming to sell in two markets: the masstige market in Asia and the low-priced market in Japan. Over-the-counter sales in Japan are strong so far. We will maintain the momentum to establish a presence in Japan. We will seek to develop further momentum to sell the line in Taiwan, where it was launched this month, and to introduce it in markets in Asia from fiscal 2011.

● The Vietnam plant, which we position as a production base to deal with the growing masstige market in Asia, has begun to operate in earnest, and some Japanese products that were manufactured in the plant started to be sold in stores in Japan in September. We will expand the number of items to be sold in Asia in stages.

(2) Maintaining Momentum in Business in China

Continuing to achieve double-digit sales growth



Promoting entrance into new fields

24

● I would now like to talk about our operations in China. To achieve above-market growth, we are continuing to develop our operations to create a new customer base—new channels, and new businesses—in fiscal 2010.

Business in China: Department Store Channel



<A launch event for a new line of AUPRES (Beijing)>

- Maintaining the strong performance of the global brand SHISEIDO
- Bolstering the AUPRES lineup, launching large-scale campaigns

25

● In the department store channel, over-the-counter sales of the global brand SHISEIDO remain strong. We are aiming to achieve high growth, bolstering the AUPRES lineup through large-scale campaigns across the nation.

Business in China: Cosmetics Specialty Store Channel



Seminar for Cosmetics Specialty Stores preparing to deal in Dicila (on Sep. 15)

- Developing new stores: Concluded agreements with 5,000 stores (targeted number for FY2010) at the end of September.
- Launching Dicila, a premium brand for increasing wealthy people

26

● At cosmetics specialty stores, we have been expanding business steadily by adding Multi Vitalizing lines in urara along with PURE & MILD, brands exclusive to cosmetics specialty stores. At the end of September, we had concluded agreements with 5,000 stores, which was our target for the end of fiscal 2010.

● In response to rising income levels in China, we will launch dicila, a non-SHISEIDO, high-end skincare brand sold primarily at cosmetics specialty stores in Japan, at top-ranking cosmetics specialty stores.

● We will commence sales in November and move with speed, with a scale of more than 100 stores in FY2010, the first year of sales.

Business in China: New Fields

Drugstore Channel

Developing and bolstering the new brand DQ



Professional Business

Developing and bolstering SHISEIDO PROFESSIONAL and JOICO



<Development into the professional salon in Shanghai> 27

- We entered the drugstore channel, the third channel following the department store and cosmetics specialty stores channels, in March this year and launched the DQ skincare brand.
- We are steadily increasing the number of counters, primarily at major chain stores in major cities and we are focusing on expanding sales per store to enhance the presence of the brand.
- We also launched SHISEIDO PROFESSIONAL, a brand for high-end hair salons in Japan, and JOICO, a brand originating in the United States, in China in March this year.
- This is an important professional domain for expanding meetings with customers by the Shiseido Group. We will continue to bolster our efforts.

Global

- (1) Continued Development of the "City Concept" Strategy
- (2) Enhancing the Global Brand SHISEIDO
- (3) Bolstering BC Activities
- (4) Accelerating Entry into New Markets
- (5) Bare Escentuals

28

- Let me now turn to global operations, and premium markets in particular.
- I described the five actions shown in the slide in April.

Enhancing the Global Brand SHISEIDO

SHISEIDO Future Solution LX
Strategically capture the premium category



SHISEIDO WHITE LUCENT
Continue to capture the brightening category, centering on the Serum



SHISEIDO Makeup
Strengthen the collaboration with skin care



29

- First, let me explain the enhancement of the global brand SHISEIDO.
- We will bolster the Shiseido Future Solution LX, a premium category, and BIO-PERFORMANCE and WHITE LUCENT, which are basic categories, and make the BIO-PERFORMANCE Super Collective Serum a star item that embodies the concept and identity of the brand, thereby strengthening and expanding the connection between customers and our brands.

Enhancing the Global Brand SHISEIDO

Europe and Americas

Anti-aging market

<Bio Performance promotions>



Asia

The skin brightening market is expanding.

<Continuous White Lucent related promotions>



30

- Led by this Super Collective Serum, we achieved tremendous growth both in the Americas and Europe in the first half of the year. Many customers have commented on the superior quality of Shiseido products and the assurance they provide in terms of their skincare effects.
- We will continue our activities to increase awareness of the products and will make meticulous approaches to customers, led by beauty consultants, with confidence.
- In Asia, we bolstered SHISEIDO WHITE LUCENT in major cities through "City Concept Strategy" for the expanding brightening market. This line, especially the new serum that offers clearly superior functions and background information such as long history of developing skin brightening cosmetics, has performed well.

Aiming for a Global Brand

Enhancing cle de peau BEAUTE

Core value of the brand: "shining delight"
Consistent enhancement of brand value from our R&D activities to presentation in individual store.



The new package expressing "luster,"
the key word of the brand



Amanda Seyfried, a new model
for the brand who embodies its identity **31**

- We will carry out the long-awaited renewal of items of cle de peau BEAUTE in the second half for the global high prestige market.
- We will make cle de peau BEAUTE a prestigious global brand that will represent the Company together with global brand SHISEIDO, making full use of cutting-edge technologies.
- As announced in the press release at 11 a.m. today, we plan to hold a press conference on November 5 in Tokyo, inviting both Japanese and Asian media. Tokyo will be the first city to hear information about the new cle de peau BEAUTE.

Accelerating Entry into New Markets

(Performance in FY2010)

- New entry:
Albania, Kosovo, Macedonia, Georgia, Mongolia, South Africa, and Colombia
- Changed to the operation by subsidiaries:
Greece, Vietnam, Switzerland, and Hong Kong

(Expansion in Russia)

- From 300 stores to 800 stores (an increase of 500 stores from a year ago)
- Bolstering transactions with L'Etoile (Alkor & Co), a major perfumery chain

32

- We are accelerating expansion of operations into new markets.
- We entered into the seven countries shown in the slide this year through agencies, starting with Albania, a market we entered in May, including Colombia in South America, our entry into which was announced a few weeks ago. As a result, the number of countries in which we have a presence is now 81.
- In addition, we are working to adopt an even more robust sales system, by starting operations through subsidiaries in Greece, Vietnam and Switzerland in January and our acquiring shares of a subsidiary in Hong Kong from our joint venture partner to make it a wholly owned subsidiary in June.
- In Russia, where we began direct operation through a subsidiary in 2008, we have bolstered our business relationship with Alkor & Co, which operates L'Etoile, a major perfumery chain, and expanded sales sharply. We will increase the number of stores in this country to 800 at the end of this fiscal year, a rise of 500 stores from 300 stores a year ago, and we will make Russia a pillar of growth, after, China.

Bare Escentuals: Results in First Half of FY2010

Results in first half

- Net sales: 16.5 billion yen
- Operating Income excluding the effect of consolidating Bare Escentuals: 4.2 billion yen
- Effect of consolidating Bare Escentuals: -7.8 billion yen (-4.8 billion yen of this occurs exclusively in this term)
- Operating Income: -3.6 billion yen



<Allure: Won the Best of Cosmetics Award>

33

- Turning now to Bare Escentuals, both sales and profits were in line with plans in the first half. We expect that Bare Escentuals will also achieve the initial plan on an annual basis, as it is achieving steady growth.
- These results will be reflected in our consolidated results. Please note that net sales of 16.5 billion yen and operating income of 4.2 billion yen are the results for four months after we completed the acquisition in March.

Bare Escentuals: Cooperation Promotion

Bolstering skincare lines:

The potential is **great**. We are stepping up our cooperation.

Achievements to date:

Commencement of production in SHISEIDO's U.S. Plant, shared use of warehouses in Canada and cooperation in promoting sales in Japan, etc.

34

- In the Cooperation Promotion Project, which started immediately right after the acquisition, to strengthen skin care lines, a task force consisting of product development, and sales staff members of Shiseido and Bare Escentuals is pursuing specific plans.
- As achievements to date, I would point to the manufacturing of certain products at our U.S. plant, the commencement of shared use of warehouses in Canada and the cooperation in promoting sales to Japanese retailers.
- We will announce the results of the cooperation we are pursuing on a timely basis.

Bare Escentuals: Overseas Operations



35

- Next, I will talk about business development in each country.
- Bare Escentuals has already established high brand equity and visibility in the United States. Given this, we will bolster sales at retail stores. We will enhance our presence, particularly at specialty stores like Sephora and will expand our sales.
- We will distribute products in the United Kingdom, Japan, and other areas based on the characteristics of each area. In principle, we will promote direct business, while making inroads into the retail channels.
- In retail business in Japan, the counter at the Printemps Ginza store was opened on October 15, following the Isetan Shinjuku store and the Hankyu Umeda flagship store, and made a very good start. We have received offers from many department stores and will open many more.

Topic

Shiseido Sweeps Top Awards in All Three Categories at the 26th IFSCC (International Federation of Societies of Cosmetic Chemists) Congress

Themes of presentations that won top awards

Oral presentation, basic research, top award

Theme: Discovery of a natural moisturizing factor (NMF)-generating enzyme and elucidation of a new skin roughness mechanism

Oral presentation, applied research, top award

Theme: Development of lipstick that barely leaves a mark on a cup, using a two-phase separation mechanism

Poster presentation*

Theme: A novel, self-assembled structure for transparent, reversibly deformable oil gels, and its application to cosmetics

*Research results are displayed on panels and are explained to individual participants.

36

- Finally, let me describe our achievements in our technical division, which we have already announced in a press release.
- We won top awards in all three categories at the biennial IFSCC congress, the world's most prestigious workshop held once in two years in the field of cosmetics science and technology.
- This was the third consecutive time in which Shiseido won a top award. The Company has won in 13 workshops in total, more than any cosmetics manufacturer in Japan or overseas. This was the first time that a cosmetics manufacturer had earned first place in all categories in the same workshop.
- Shiseido has used these award-winning technologies in product development and believes that these initiatives will be translated into market-leading products in the near future.
- As an industry leader, we are always seeking to achieve technical progress and developing better insights into customer needs, so that we earn their support.

Finally

Business expansion
into new markets

Acquisition of
Bare Escentuals

Accelerated expansion of
the Chinese business

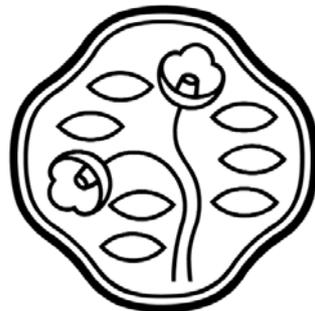
Reform of the
income structure

Creating strong and deep brands on a global scale

Establishing an undisputed
presence in Asia

37

- With the current three-year plan to improve the quality of all activities nearing completion, we are putting the final touches on our preparations for globalization.
- As I have noted, the number of countries and regions where we have a presence increased to 81, up a significant 12 in the three years from FY2008 when the current plan started. We have also been strengthening our presence by switching operations via agencies to direct operation through subsidiaries in seven markets.
- With Bare Escentuals joining the Group in this fiscal year, our goal of overseas sales in 2017 accounting for 50% of total sales has become a real possibility. We are steadily preparing to move onto a growth trajectory.
- In China, we have been stepping up our activities in this expanding market, with a focus on the prestige and masstige markets.
- In the domestic market, we are putting in place a robust business entity, by steadily promoting "selection and concentration", even in an environment of sluggish sales growth.
- We will redouble our efforts to create strong and deep brands on a global scale, to facilitate growth in Japan and other markets. We will pursue these initiatives to establish an undisputed presence in Asia, our objective in the next three-year plan, and accelerate a shift in our resources to growth areas. This concludes my presentation. Thank you for your attention.



Financial Results for the First Half

Ended September 30, 2010

Yasuhiko Harada
Director & Corporate Senior Executive Officer

39

Consolidated Results

SHISEIDO

(billions of yen)

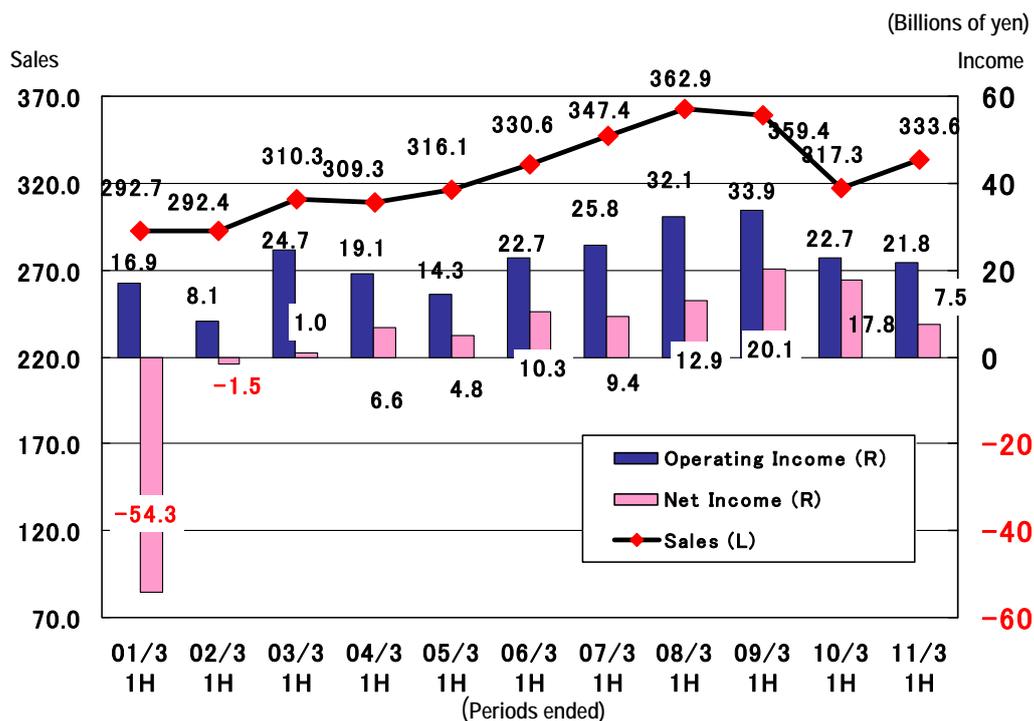
| | 10/9 Results | | 09/9 Results | | YoY % change | Local currency basis |
|--|--------------|------------------------|--------------|----------------|----------------|----------------------|
| | | % of net sales | | % of net sales | | |
| Net Sales | 333.6 | 100% | 317.3 | 100% | +5.2% | +6.7% |
| Domestic | 198.9 | 59.6% | 207.7 | 65.5% | -4.3% | -4.3% |
| Overseas | 134.7 | 40.4% | 109.6 | 34.5% | +23.0% | +27.3% |
| Operating Income | 21.8 | 6.5% (-0.7%) | 22.7 | 7.2% | -3.9% | |
| Ordinary Income | 21.7 | 6.5% | 23.7 | 7.5% | -8.4% | |
| Extraordinary Income / Loss (net) | -7.1 | -2.1% | -3.2 | -1.0% | — | |
| Tax Expenses | 5.6 | 1.7% | 0.9 | 0.3% | +495.1% | |
| Net Income | 7.5 | 2.3% | 17.8 | 5.6% | -57.6% | |

| | From Jan. to Jun., 2010 | From Jan. to Jun., 2009 | YoY % change |
|------|-------------------------|-------------------------|--------------|
| US\$ | 91.37 | 95.48 | -4.3% |
| EURO | 121.32 | 127.21 | -4.6% |
| RMB | 13.38 | 13.97 | -4.2% |

40

Consolidated Results: Trend

SHISEIDO



41

Sales by Business Segment

SHISEIDO

(billions of yen)

| | 2010/9 Results | | 2009/9 Results | | YoY Amount | YoY % Change | Local Currency |
|--------------------|----------------|----------------|----------------|----------------|------------|--------------|----------------|
| | | % of Net Sales | | % of Net Sales | | | |
| Domestic Cosmetics | 187.4 | 56.2% | 196.4 | 61.9% | -9.0 | -4.6% | -4.6% |
| Global Business | 141.4 | 42.4% | 116.1 | 36.6% | +25.3 | +21.8% | +26.0% |
| Others | 4.8 | 1.4% | 4.8 | 1.5% | +0 | +0.9% | +0.9% |
| Total | 333.6 | 100% | 317.3 | 100% | +16.4 | +5.2% | +6.7% |

42

Domestic Cosmetics Sales

SHISEIDO

(billions of yen)

| | 2010/9 Results | | 2009/9 Results | | YoY Amount | YoY % Change |
|--------------------|----------------|----------------|----------------|----------------|------------|--------------|
| | | % of Net Sales | | % of Net Sales | | |
| Counseling | 92.4 | 27.7% | 98.8 | 31.2% | -6.4 | -6.5% |
| Self-selection | 44.7 | 13.4% | 45.8 | 14.4% | -1.1 | -2.5% |
| Toiletries | 22.8 | 6.8% | 25.7 | 8.1% | -3.0 | -11.5% |
| Cosmetics | 159.8 | 47.9% | 170.3 | 53.7% | -10.5 | -6.2% |
| Healthcare | 8.0 | 2.4% | 7.3 | 2.3% | +0.7 | +9.8% |
| Others | 19.5 | 5.9% | 18.8 | 5.9% | +0.7 | +3.9% |
| Domestic Cosmetics | 187.4 | 56.2% | 196.4 | 61.9% | -9.0 | -4.6% |

43

Domestic Cosmetics Sales: YoY % change of sales of major brands/lines

SHISEIDO

| | 2011/3 First half | 2010/3 First half | YoY % Change (Value basis) |
|--------------------------------------|-------------------|-------------------|----------------------------|
| 6 Mega Lines | 38% | 40% | -12% |
| 5 Relationship Building Brands/Lines | 20% | 19% | ±0% |
| 21 Core Brands/Lines | 79% | 79% | -6% |

44

Global Business Sales

SHISEIDO

(billions of yen)

| | 2010/9 Results | | 2009/9 Results | | YoY Amount | YoY % Change | Local Currency |
|-----------------|----------------|----------------|----------------|----------------|------------|--------------|----------------|
| | | % of Net Sales | | % of Net Sales | | | |
| Cosmetics | 120.9 | 36.2% | 96.4 | 30.4% | +24.5 | +25.4% | +29.7% |
| Professional | 20.5 | 6.2% | 19.7 | 6.2% | +0.9 | +4.3% | +7.5% |
| Global Business | 141.4 | 42.4% | 116.1 | 36.6% | +25.3 | +21.8% | +26.0% |

* YoY % change of Global Business Sales excluding Bare Escentuals:
on a local currency base +11.1% **45**

Sales by Geographic Segment

SHISEIDO

(billions of yen)

| | 2010/9 Results | | 2009/9 Results | | YoY Amount | YoY % Change | Local Currency |
|--------------|----------------|----------------|----------------|----------------|------------|--------------|----------------|
| | | % of Net Sales | | % of Net Sales | | | |
| Japan | 198.9 | 59.6% | 207.7 | 65.5% | -8.8 | -4.3% | -4.2% |
| Americas | 39.1 | 11.7% | 22.1 | 6.9% | +17.0 | +76.9% | +84.9% |
| Europe | 38.3 | 11.5% | 33.3 | 10.5% | +5.0 | +15.1% | +20.2% |
| Asia/Oceania | 57.3 | 17.2% | 54.2 | 17.1% | +3.2 | +5.9% | +8.2% |
| Overseas | 134.7 | 40.4% | 109.6 | 34.5% | +25.2 | +23.0% | +27.3% |
| Total | 333.6 | 100% | 317.3 | 100% | +16.4 | +5.2% | +6.7% |

* YoY % change of Sales in Americas excluding Bare Escentuals:
on a local currency base +15.7% **46**

Cost of Sales / SG&A

SHISEIDO

(billions of yen)

| | 2010/9 Results | | | 2009/9 Results | | YoY Increase/Decrease* | YoY % Change* (Decrease in cost) |
|-------------------------------|----------------|----------------|---------------|----------------|----------------|------------------------|-------------------------------------|
| | | % of Net Sales | % pt. Change* | | % of Net Sales | | |
| Cost of Sales | 82.9 | 24.9% | -0.0% | 79.1 | 24.9% | +3.8 | +4.7% |
| SG&A | 228.9 | 68.6% | -0.7% | 215.4 | 67.9% | +13.5 | +6.3% |
| Domestic | 144.1 | 72.3% | -1.3% | 148.0 | 71.0% | -3.9 | -2.7% |
| Overseas | 84.8 | 63.1% | -1.2% | 67.4 | 61.9% | +17.4 | +25.9% |
| Advertising & Selling | 72.8 | 21.8% | +0.9% | 72.0 | 22.7% | +0.8 | +1.1% |
| Personnel | 80.1 | 24.0% | -0.6% | 74.2 | 23.4% | +5.9 | +8.0% |
| Others | 72.3 | 21.7% | -0.2% | 68.4 | 21.5% | +3.9 | +5.7% |
| M&A-Related Amortization cost | 3.7 | 1.1% | -0.8% | 0.8 | 0.3% | +2.9 | +348.8% |

47

* Positive figures mean decrease in costs.

Operating Income: by Business Segment

SHISEIDO

(billions of yen)

| | | 10/9 Results | 09/9 Results | YoY Amount | YoY % Change |
|--------------------|------------------|--------------|--------------|------------|--------------|
| Domestic Cosmetics | Operating Income | 22.1 | 20.9 | +13 | +6.0% |
| | OP Margin | 11.8% | 10.6% | +1.2 pp | |
| Global Business | Operating Income | -1.3 | 1.1 | -2.3 | — |
| | OP Margin | -0.9% | 0.9% | -1.8 pp | |
| Others | Operating Income | 0.9 | 0.7 | +0.2 | +29.1% |
| | OP Margin | 11.1% | 8.8% | +2.2 pp | |
| Total | Operating Income | 21.8 | 22.7 | -0.9 | -3.9% |
| | OP Margin | 6.5% | 7.2% | -0.7 pp | |

* Results of Global Business excluding Bare Escentuals
 Operating Income: +113.3% (YoY % Change)
 OP Margin: 1.8% +0.9pp (YoY % Change)

48

Operating Income: by Geographic Segment

SHISEIDO

(billions of yen)

| | | 10/9 Results | 09/9 Results | YoY Amount | YoY % Change |
|--------------|------------------|--------------|--------------|------------|--------------|
| Japan | Operating Income | 13.0 | 13.2 | -0.1 | -1.0% |
| | OP Margin | 6.1% | 6.0% | +0.1 pp | |
| Americas | Operating Income | -2.1 | 0.5 | -2.6 | — |
| | OP Margin | -5.0% | 2.1% | -7.1 pp | |
| Europe | Operating Income | 3.0 | 2.0 | +1.0 | +47.9% |
| | OP Margin | 6.8% | 5.0% | +1.8 pp | |
| Asia/Oceania | Operating Income | 6.4 | 6.2 | +0.2 | +3.8% |
| | OP Margin | 11.7% | 12.2% | -0.5 pp | |
| Overseas | Operating Income | 7.3 | 8.7 | -1.4 | -15.7% |
| | OP Margin | 5.2% | 7.6% | -2.4 pp | |
| Total | Operating Income | 21.8 | 22.7 | -0.9 | -3.9% |
| | OP Margin | 6.5% | 7.2% | -0.7 pp | |

49

Other Income (Expenses) and Extraordinary Income (Loss)

SHISEIDO

(billions of yen)

| Other Income (Expenses) | 10/9 Results | 09/9 Results | YoY Amount |
|--|--------------|--------------|------------|
| Interest / Dividend Income | 0.3 | 0.5 | -0.1 |
| Interest Expense | -101 | -0.7 | -0.4 |
| Net Interest Income and Expense | -0.8 | -0.2 | -0.5 |
| Foreign Exchange Margin Gain/Loss | -0.6 | -0.1 | -0.5 |
| Others | 1.2 | 1.3 | -0.1 |
| Total | -0.2 | 0.9 | -1.1 |
| Extraordinary Income (Expenses) | 10/9 Results | 09/9 Results | YoY Amount |
| Impairment Losses | -0.0 | -2.8 | +2.8 |
| Loss on Valuation of Investments in Securities | -4.5 | -0.1 | -4.4 |
| M&A-related Expenses | -1.3 | — | -1.3 |
| Asset Retirement Obligations (in the past) | -0.8 | — | -0.8 |
| Others | -0.5 | -0.2 | -0.3 |
| Total | -7.1 | -3.2 | -4.0 |

50

Net Income

SHISEIDO

(billions of yen)

| | 10/9 Results | 09/9 Results | YoY Amount |
|---|-----------------|-----------------|---------------|
| Income before Income Taxes | 14.6 | 20.5 | -6.0 |
| Tax Expenses (Tax rate) | 5.6 (38.8%) | 0.9 (4.6%) | -4.6 |
| Minority Interests in Earning of Consolidated Subsidiaries | 1.4 | 1.8 | +0.4 |
| Net Income | 7.5 | 17.8 | -10.2 |

51

Consolidated Balance Sheets

SHISEIDO

(Billions of yen)

| | 2010/9 | Changes from 2010/3 | | | |
|----------------------------------|--------|---------------------------------|-------|--------------------------------|--|
| | | Foreign currency exchange | BE | Changes by Consolidation of BE | |
| Current Assets | 333.1 | +14.9 | -16.7 | +36.5 | Cash and Deposits and Securities: +204, Inventories: +86 |
| Property, Plant and Equipment | 134.6 | +1.8 | -2.5 | +6.2 | |
| Intangible Assets | 204.2 | +168.3 | -7.5 | +168.5 | Goodwill: 91.2, Trademark Rights : 39.1, Customer-related Intangible Assets: 381 |
| Investments and Other Assets | 107.4 | -181.2 | -1.9 | -177.4 | Borrowings are internally eliminated |
| Total Assets | 779.2 | +3.8 | -28.8 | +33.8 | |
| Interest-bearing Debt | 212.0 | +2.5 | -1.3 | — | |
| Deferred Tax Liabilities | 33.8 | +30.4 | -1.3 | +30.2 | Tax effect with Customer-related Intangibles and Increase in Inventory Valuation |
| Other Liabilities | 189.3 | -3.1 | -6.1 | +7.2 | |
| Total Liabilities | 435.0 | +24.8 | -8.7 | +37.4 | |
| Net Assets | 344.2 | -21.0 | -20.1 | -3.6 | |
| Total Liabilities and Net Assets | 779.2 | +3.8 | -28.8 | +33.8 | |

| | 2010/6 | 2009/12 | % Changes |
|------|--------|---------|-----------|
| US\$ | 88.51 | 92.07 | -3.9% |
| EURO | 107.79 | 131.92 | -18.3% |
| RMB | 13.04 | 13.48 | -3.3% |

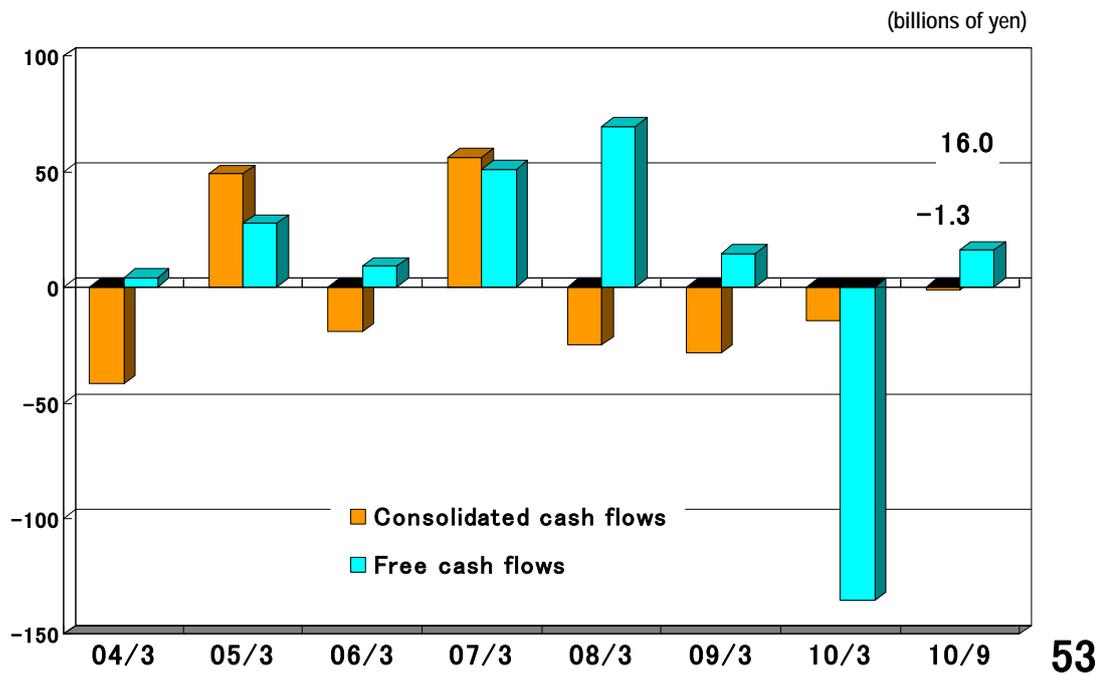
* Major account title only

Equity Ratio: 42.4%

52

Consolidated Cash Flows

SHISEIDO



SHISEIDO