(Translation)

November 1, 2017

Dear Sirs and Madams,

Name of Company: Shiseido Company, Limited

Name of Representative: Masahiko Uotani
President and CEO
(Representative Director)

(Code No. 4911; The First Section of the Tokyo Stock Exchange)

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Notice of Revision of the Consolidated Financial Result Forecast for the Fiscal Year Ending December 31, 2017 and Posting of Extraordinary Income and Extraordinary Loss

It is hereby notified that Shiseido Company, Limited (hereinafter, "the Company") revises the consolidated financial result forecast for the year ending December 31, 2017, announced on August 9, 2017, as described below. Also, the Company expects to post an extraordinary income for the fourth quarter of the fiscal year ending December 31, 2017 and an extraordinary loss for the third quarter of the same period. Hence, the Company hereby gives notice of the outline thereof.

1. Revision of consolidated financial result forecast for the fiscal year ending December 31, 2017 (January 1, 2017 through December 31, 2017):

(Millions of yen)

	Net sales	Operating income	Ordinary income	Net income attributable to owners of parent	Net income per share (yen)
Previous forecast (A)	965,000	56,000	55,000	32,500	81.37
Revised forecast (B)	985,000	65,000	64,000	10,000	25.04
Amount of increase or decrease (B-A)	20,000	9,000	9,000	(22,500)	
Rate of increase or decrease (%)	2.1	16.1	16.4	—	
(Reference) Previous result for the fiscal year ended December 31, 2016	850,306	36,780	37,174	32,101	80.41

Reasons for the revision:

In the forecast of consolidated results for the fiscal year ending December 31, 2017, both net sales and operating income are expected to significantly exceed previous forecasts and reach record highs. Cash flow is also extremely favorable, owing to the considerable earning power acquired by existing businesses.

Meanwhile, net income attributable to owners of parent is expected to fall below the previous forecast. Besides the aforementioned factors, the Company expects to post an extraordinary income of 36 billion yen as a result of profit from the sale of shares of Zotos International, Inc. (hereinafter, "Zotos") and assets associated with the Zotos business (hereinafter, "related assets") and an extraordinary loss of 65.5

billion yen as an impairment loss on intangible assets (goodwill, etc.) and other assets associated with Bare Escentuals, Inc. (hereinafter, “Bare Escentuals”). In line with this, net income attributable to owners of parent is forecast at 10 billion yen, 22.5 billion yen down from the previous forecast.

2. Details of the extraordinary income:

(1) Estimated amount of the extraordinary income:

The Company expects to post an extraordinary income of 36 billion yen in the fourth quarter of the fiscal year ending December 31, 2017 due to the gain from the transfer of shares of Zotos and related assets.

(2) Incurrence of the extraordinary income and the details thereof:

As was announced on October 27, 2017, the Company has reached an agreement to transfer the shares of Zotos, which operates the professional business centering on the U.S. market, and related assets to Henkel AG & Co. KGaA. The Company is promoting a selection and concentration strategy under its mid- to long-term business strategy VISION 2020. As for the Professional business, the Company plans to enhance investment and nurture brands with a focus on Japan, China and the rest of Asia.

3. Details of the extraordinary loss:

(1) Estimated amount of the extraordinary loss:

The Company expects to post an impairment loss of 65.5 billion yen on intangible assets (goodwill, etc.) and other assets associated with Bare Escentuals, a U.S. cosmetics company, in the third quarter of the fiscal year ending December 31, 2017.

(2) Incurrence of the extraordinary loss and the details thereof:

Bare Escentuals will make a new start toward a phase of growth, in order to achieve the strategic target of double-digit operating profit margin in the Americas region. Shiseido pursued a number of initiatives on Bare Escentuals’ brands after its acquisition in 2010, such as increasing contact points with consumers, product development enhancement, etc., but these did not contribute to maximizing the brands’ growth as expected. This year, as the final year of our first three-year phase of VISION 2020, that aims at rebuilding our business foundation, the Company has examined the potential of the business and its brands at a deeper level, based on the management policy of addressing the real state of affairs, with the intention to face the issues and deal with them promptly.

bareMinerals, which is Bare Escentuals’ mainstay brand, has a high awareness and repeated purchase rate both in the U.S. and the major countries of the EU, such as the UK and Germany, and enjoys extremely high brand equity in the natural category compared to competitors. A large-scale makeup brand with 50 billion yen in sales and a wide consumer base, it is also the only brand within the Shiseido Group that is competitive in the growing natural cosmetics market. Therefore, the Company regards it as an important brand with a potential to regain growth, which can be achieved through new initiatives aimed at attuning the existing brand value to consumer preferences and change of times. In specific terms, the Company will take active steps to leverage the high value of the brand as a natural cosmetics brand in the U.S. and the EU, accelerate product innovation, and enhance investment into digital marketing geared toward Millennials and Generation Z. At the same time, the structural reforms will be taken a step further, focusing on the closure of approximately 100 boutiques with low profitability in the U.S. and reduction of fixed costs.

The content of these marketing and structural reforms, as well as a feasible earnings plan based thereon, were carefully considered by the Company’s board of directors. As a result, an impairment test was conducted in addition to the plan, which has resulted in an extraordinary loss to be incurred for the fiscal year 2017, approved by the board of directors.

Against the backdrop of other businesses acquiring earning power, the low profitability of the Americas and EMEA businesses is a lingering issue for the Shiseido Group. The above reforms focus on the improvement of profitability of the Americas business and will be accomplished under the leadership of President and CEO of the Company's Americas regional headquarters and Bare Escentuals' new President appointed in July this year, with the aim of achieving sustainable sales and recovery in profitability.

4. Forecast of dividends:

There is no change to the forecast of year-end dividends for the fiscal year ending December 31, 2017. The Company intends to pay 12.5 yen per share in late March, 2018 as initially planned, which will, together with the paid-off interim dividend of 12.5 yen, amount to 25 yen per share for the year.

Note: The above forecasts are based on information currently available to the Company. Due to various factors, actual results may differ from such forecasts.

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